SUNPOWER CORP
Form 10-Q/A
May 03, 2010

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

FORM 10-Q/A
(Amendment No. 1)

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x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 28, 2009

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 001-34166

SunPower Corporation
(Exact Name of Registrant as Specified in Its Charter)

Delaware	94-3008969
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

3939 North First Street, San Jose, California 95134
(Address of Principal Executive Offices and Zip Code)

(408) 240-5500
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 (§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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer T Accelerated Filer o 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 Act). Yes o No T

The total number of outstanding shares of the registrant’s class A common stock as of April 23, 2010 was 55,387,562.
The total number of outstanding shares of the registrant’s class B common stock as of April 23, 2010 was 42,033,287.

Explanatory Note

On March 19, 2010, SunPower Corporation (the "Company") filed its Annual Report on Form 10-K for the fiscal year ended January 3, 2010 (the "2009 Form 10-K"). In the 2009 Form 10-K, the Company restated (a) its consolidated financial statements as of and for the year ended December 28, 2008 and consolidated financial data for each of the quarterly periods for the year then ended as well as for the first three quarterly periods in the year ended January 3, 2010, and (b) the Selected Financial Data in Item 6 as of and for the year ended December 28, 2008. These restatements corrected misstatements identified through an independent investigation into certain unsubstantiated accounting entries on the books of our Company's Philippines operations, as well as other errors identified by the Audit Committee's investigation and by management and out-of-period adjustments. For a more detailed explanation of the investigation and these restatements, please see Part I — "Item 1: Financial Statements and Supplementary Data — Note 2 of Notes to Condensed Consolidated Financial Statements" and "Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations — Restatement of Previously Issued Condensed Consolidated Financial Statements" in this report and Part II — "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations — Restatement of Previously Issued Consolidated Financial Statements" and "Item 8: Financial Statements and Supplementary Data — Note 2 of Notes to Consolidated Financial Statements" in the 2009 Form 10-K.

The Company initially filed its Quarterly Report on Form 10-Q for the period ended June 28, 2009 on July 31, 2009 ("June 2009 Form 10-Q"). In this amendment to the June 2009 Form 10-Q (this "Amendment"), the Company is presenting restated condensed consolidated financial statements for the second quarter ended June 28, 2009 and June 29, 2008 (the "Restated Periods"). These restated financial statements reflect corrections of misstatements identified through the independent investigation referred to above, other errors identified by the investigation and by management and out-of-period adjustments. The following items of the June 2009 Form 10-Q are being amended in this Amendment:

- Part I – "Item 1: Financial Statements"
- Part I – "Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations"
- Part I – "Item 4: Controls and Procedures"
- Part II – "Item 6: Exhibits"

In accordance with SEC regulations, new certifications of the Company's Chief Executive Officer and Chief Financial Officer were executed in connection with this Amendment and have been filed as exhibits to this Amendment. No other items included in the June 2009 Form 10-Q have been amended in this Amendment, and such items remain in effect as of July 31, 2009.

The Company believes that presenting this information regarding the Restated Periods in this Amendment allows investors to review the restated financial statements and related information for the Restated Periods in more detail. The Company has not filed an amendment to its Quarterly Report on Form 10-Q for the quarter ended June 29, 2008. Accordingly, investors should not rely on the financial information and other disclosures in the Quarterly Report on Form 10-Q for the period ended June 29, 2008, but should refer to the restated condensed consolidated financial statements for the quarter ended June 29, 2008 included in this Amendment.

This Amendment should be read in conjunction with the 2009 Form 10-K and the other filings made by the Company with the Securities and Exchange Commission ("SEC") subsequent to the filing of the 2009 Form 10-K.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SunPower Corporation

Condensed Consolidated Balance Sheets
(In thousands, except share data)
(unaudited)

Assets	June 28, 2009	December 28, 2008 (1) (As Restated)
Current assets:		
Cash and cash equivalents	$ 456,835	$ 202,331
Restricted cash and cash equivalents, current portion	28,303	13,240
Short-term investments	796	17,179
Accounts receivable, net	219,644	194,222
Costs and estimated earnings in excess of billings	11,849	29,750
Inventories	245,462	248,255
Advances to suppliers, current portion	27,654	43,190
Prepaid expenses and other current assets	124,443	101,735
Total current assets	1,114,986	849,902
Restricted cash and cash equivalents, net of current portion	189,235	162,037
Long-term investments	18,482	23,577
Property, plant and equipment, net	672,424	622,484
Goodwill	197,693	196,720
Other intangible assets, net	33,089	39,490
Advances to suppliers, net of current portion	113,197	119,420
Other long-term assets	78,191	69,116
Total assets	$ 2,417,297	$ 2,082,746
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable	$ 162,982	$ 259,429
Accrued liabilities	91,930	136,116
Billings in excess of costs and estimated earnings	50,710	15,634
Customer advances, current portion	19,005	19,035
Total current liabilities	324,627	430,214
Long-term debt	136,338	54,598
Convertible debt	532,840	357,173
Long-term deferred tax liability	7,631	6,493
Customer advances, net of current portion	83,211	91,359
Other long-term liabilities	47,890	44,222
Total liabilities	1,132,537	984,059
Commitments and contingencies (Note 10)		

Stockholders' equity:		
Preferred stock, $0.001 par value, 10,042,490 shares authorized; none issued and outstanding	—	—
Common stock, $0.001 par value, 150,000,000 shares of class B common stock authorized; 42,033,287 shares of class B common stock issued and outstanding; $0.001 par value, 217,500,000 shares of class A common stock authorized; 54,867,940 and 44,055,644 shares of class A common stock issued; 54,566,166 and 43,849,566 shares of class A common stock outstanding, at June 28, 2009 and December 28, 2008, respectively	97	86
Additional paid-in capital	1,259,728	1,064,916
Accumulated other comprehensive loss	(36,095)	(25,611)
Retained earnings	72,809	67,953
	1,296,539	1,107,344
Less: shares of class A common stock held in treasury, at cost; 301,774 and 206,078 shares at June 28, 2009 and December 28, 2008, respectively	(11,779)	(8,657)
Total stockholders' equity	1,284,760	1,098,687
Total liabilities and stockholders' equity	$ 2,417,297	$ 2,082,746

(1) As adjusted to reflect the adoption of new accounting guidance for convertible debt instruments that may be settled in cash upon conversion (see Note 1).

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SunPower Corporation

Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 2009	June 29, 2008 (1)	June 28, 2009	June 29, 2008 (1)
	(As Restated)		(As Restated)	
Revenue:				
Systems	$ 110,421	$ 270,617	$ 214,374	$ 450,040
Components	188,920	112,158	296,610	207,008
Total revenue	299,341	382,775	510,984	657,048
Operating costs and expenses:				
Cost of systems revenue	96,036	213,066	191,360	356,994
Cost of components revenue	162,627	85,545	246,711	164,394
Research and development	6,937	4,813	14,817	9,455
Selling, general and administrative	42,775	43,208	85,179	77,066
Total operating costs and expenses	308,375	346,632	538,067	607,909
Operating income (loss)	(9,034)	36,143	(27,083)	49,139
Other income (expense):				
Interest income	765	2,289	1,949	6,436
Interest expense	(9,528)	(5,778)	(15,649)	(11,795)
Gain on purchased options	21,193	—	21,193	—
Other, net	2,807	(3,570)	(4,350)	(2,855)
Other income (expense), net	15,237	(7,059)	3,143	(8,214)
Income (loss) before income taxes and equity in earnings of unconsolidated investees	6,203	29,084	(23,940)	40,925
Income tax provision (benefit)	(5,223)	4,676	(24,419)	5,956
Income before equity in earnings of unconsolidated investees	11,426	24,408	479	34,969
Equity in earnings of unconsolidated investees	3,133	2,394	4,378	2,976
Net income	$ 14,559	$ 26,802	$ 4,857	$ 37,945
Net income per share of class A and class B common stock:				
Basic	$ 0.16	$ 0.33	$ 0.06	$0.47
Diluted	$ 0.16	$ 0.32	$ 0.05	$ 0.45
Weighted-average shares:				
Basic	90,873	79,412	87,311	79,188
Diluted	92,640	83,365	89,110	83,182

(1) As adjusted to reflect the adoption of new accounting guidance for both convertible debt instruments that may be settled in cash upon conversion and unvested share-based payment awards that contain rights to nonforfeitable dividends that are participating securities (see Note 1).

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Six Months Ended	
	June 28, 2009	June 29, 2008(1) (As Restated)
Cash flows from operating activities:		
Net income	$ 4,857	$ 37,945
Adjustments to reconcile net income to net cash used in operating activities:		
Stock-based compensation	21,130	33,115
Depreciation	38,934	22,409
Amortization of other intangible assets	8,150	8,351
Impairment of long-lived assets	1,807	5,489
Non-cash interest expense	10,936	8,679
Amortization of debt issuance costs	1,721	1,074
Gain on purchased options	(21,193)	—
Equity in earnings of unconsolidated investees	(4,378)	(2,976)
Excess tax benefits from stock-based award activity	—	(12,621)
Deferred income taxes and other tax liabilities	(29,875)	6,617
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(24,491)	(103,132)
Costs and estimated earnings in excess of billings	18,079	(10,144)
Inventories	6,081	(65,482)
Prepaid expenses and other assets	(22,080)	(20,974)
Advances to suppliers	21,739	3,641
Accounts payable and other accrued liabilities	(105,638)	86,010
Billings in excess of costs and estimated earnings	34,528	(38,886)
Customer advances	(8,086)	4,130
Net cash used in operating activities	(47,689)	(36,755)
Cash flows from investing activities:		
Increase in restricted cash and cash equivalents	(42,336)	(15,951)
Purchases of property, plant and equipment	(111,667)	(95,677)
Proceeds from sale of equipment to third-party	7,902	—
Purchases of available-for-sale securities	—	(50,970)
Proceeds from sales or maturities of available-for-sale securities	19,678	121,921
Cash paid for acquisitions, net of cash acquired	—	(13,484)
Cash paid for investments in joint ventures and other non-public companies	—	(22,625)
Net cash used in investing activities	(126,423)	(76,786)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, net of issuance costs	82,150	—
Proceeds from issuance of convertible debt, net of issuance costs	225,018	—
Proceeds from offering of class A common stock, net of offering expenses	218,895	—
Cash paid for repurchased convertible debt	(67,949)	—
Cash paid for purchased options	(97,336)	—

Proceeds from warrant transactions	71,001	—
Proceeds from exercises of stock options	838	2,335
Excess tax benefits from stock-based award activity	—	12,621
Purchases of stock for tax withholding obligations on vested restricted stock	(3,122)	(4,194)
Net cash provided by financing activities	429,495	10,762
Effect of exchange rate changes on cash and cash equivalents	(879)	7,107
Net increase (decrease) in cash and cash equivalents	254,504	(95,672)
Cash and cash equivalents at beginning of period	202,331	285,214
Cash and cash equivalents at end of period	$ 456,835	$ 189,542
Non-cash transactions:		
Additions to property, plant and equipment included in accounts payable and other accrued liabilities	$ —	$ 3,838
Non-cash interest expense capitalized and added to the cost of qualified assets	3,583	3,820
Issuance of common stock for purchase acquisition	1,471	—
Change in goodwill relating to adjustments to acquired net assets	—	231

(1) As adjusted to reflect the adoption of new accounting guidance for convertible debt instruments that may be settled in cash upon conversion (see Note 1).

The accompanying notes are an integral part of these condensed consolidated financial statements.

SunPower Corporation

Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

SunPower Corporation (together with its subsidiaries, the “Company” or “SunPower”) designs, manufactures and markets high-performance solar electric power technologies. The Company’s solar cells and solar panels are manufactured using proprietary processes, and its technologies are based on more than 15 years of research and development. The Company operates in two business segments: systems and components. The Systems Segment generally represents sales directly to system owners of engineering, procurement, construction and other services relating to solar electric power systems that integrate the Company’s solar panels and balance of systems components, as well as materials sourced from other manufacturers. The Components Segment primarily represents sales of the Company’s solar cells, solar panels and inverters to solar systems installers and other resellers, including the Company’s third-party global dealer network.

The Company was a majority-owned subsidiary of Cypress Semiconductor Corporation (“Cypress”) through September 29, 2008. After the close of trading on September 29, 2008, Cypress completed a spin-off of all of its shares of the Company’s class B common stock in the form of a pro rata dividend to the holders of Cypress common stock of record as of September 17, 2008. As a result, the Company’s class B common stock trades publicly and is listed on the Nasdaq Global Select Market, along with the Company’s class A common stock.

On May 4, 2009, the Company completed a public offering of 10.35 million shares of its class A common stock, at a per share price of $22.00, and received net proceeds of $218.9 million. Also on May 4, 2009, the Company issued $230.0 million in principal amount of its 4.75% senior convertible debentures (“4.75% debentures”) and received net proceeds, before payment of the cost of the convertible debenture hedge transactions, of $225.0 million. Concurrently with the issuance of the 4.75% debentures, the Company paid a net cost of $26.3 million for certain convertible debenture hedge transactions with respect to the Company’s class A common stock which are intended to effectively increase the conversion price of the 4.75% debentures (see Note 12).

Recently Adopted Accounting Pronouncements

Convertible Debt

On December 29, 2008, the Company adopted Financial Accounting Standards Board (“FASB”) Staff Position (“FSP”) Accounting Principles Board (“APB”) 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)” (“FSP APB 14-1”), which requires recognition of both the liability and equity components of convertible debt instruments with cash settlement features. The debt component is required to be recognized at the fair value of a similar instrument that does not have an associated equity component. The equity component is recognized as the difference between the proceeds from the issuance of the convertible debt and the fair value of the liability, after adjusting for the deferred tax impact. FSP APB 14-1 also requires an accretion of the resulting debt discount over the expected life of the convertible debt. FSP APB 14-1 is required to be applied retrospectively to prior periods, and accordingly, financial statements for prior periods have been adjusted to reflect its adoption.

In February 2007, the Company issued $200.0 million in principal amount of its 1.25% senior convertible debentures ("1.25% debentures"). In July 2007, the Company issued $225.0 million in principal amount of its 0.75% senior convertible debentures ("0.75% debentures"). The 1.25% debentures and the 0.75% debentures contain partial cash settlement features and are therefore subject to FSP APB 14-1. As a result, the equity and debt components were retrospectively adjusted in accordance with FSP APB 14-1. As of December 28, 2008, the carrying value of the equity component was $61.8 million and the principal amount of the outstanding debentures, the unamortized discount and the net carrying value was $423.6 million, $66.4 million and $357.2 million, respectively (see Note 12). On a cumulative basis from the respective issuance dates of the 1.25% debentures and the 0.75% debentures through December 28, 2008, the Company has recognized $24.4 million in non-cash interest expense related to the adoption of FSP APB 14-1, excluding the related tax effects.

As a result of the Company's adoption of FSP APB 14-1, the Company's Condensed Consolidated Balance Sheet as of December 28, 2008 has been adjusted. The impact of the Company's adoption of the new accounting guidance on its Condensed Consolidated Balance Sheet as of December 28, 2008 is shown in its Annual Report on Form 10-K for the year ended January 3, 2010 (the "2009 Form 10-K").

As a result of the Company's adoption of FSP APB 14-1, the Company's Condensed Consolidated Statements of Operations for the three and six months ended June 29, 2008 have been adjusted as follows:

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(In thousands)	Three Months Ended		Six Months Ended	
	As Adjusted in this Quarterly Report on Form 10-Q/A	Prior to Retrospective Application of New Accounting Guidance	As Adjusted in this Quarterly Report on Form 10-Q/A	Prior to Retrospective Application of New Accounting Guidance
Cost of systems revenue	$ 213,066	$ 212,980	$ 356,994	$ 356,857
Cost of components revenue	85,545	85,441	164,394	164,216
Operating income	36,143	36,333	49,139	49,454
Interest expense	(5,778)	(1,092)	(11,795)	(2,276)
Other, net	(3,570)	(3,570)	(2,855)	(3,827)
Income before income taxes and equity in earnings of unconsolidated investees	29,084	33,960	40,925	49,787
Income tax provision	4,676	12,101	5,956	16,609
Income before equity in earnings of unconsolidated investees	24,408	21,859	34,969	33,178
Net income	26,802	24,253	37,945	36,154

As a result of the Company’s adoption of FSP APB 14-1, the Company’s Condensed Consolidated Statement of Cash Flows for the six months ended June 29, 2008 has been adjusted as follows:

(In thousands)	As Adjusted in this Quarterly Report on Form 10-Q/A	Prior to Retrospective Application of New Accounting Guidance
Cash flows from operating activities:		
Net income	$ 37,945	$ 36,154
Depreciation	22,409	22,327
Non-cash interest expense	8,679	—
Amortization of debt issuance costs	1,074	972
Deferred income taxes and other tax liabilities	6,617	17,271
Net cash used in operating activities	(36,755)	(36,755)

Earnings Per Share

On December 29, 2008, the Company adopted FSP Emerging Issues Task Force Issue (“EITF”) 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (“FSP EITF 03-6-1”), which clarifies that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. In fiscal 2007, the Company granted restricted stock awards with the same dividend rights as its other stockholders, therefore, unvested restricted stock awards are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied (see Note 16). The new guidance was applied retrospectively to the Company’s historical results of operations, and as a result, the Company’s Condensed Consolidated Statements of Operations for the three and six months ended June 29, 2008 have been adjusted as follows:

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	As Adjusted in this Quarterly Report on Form 10-Q/A	Prior to Retrospective Application of New Accounting Guidance	As Adjusted in this Quarterly Report on Form 10-Q/A	Prior to Retrospective Application of New Accounting Guidance
Net income	$ 26,802	$ 24,253	$ 37,945	$ 36,154
Net income per share of class A and class B common stock:				
	$ 0.33	$ 0.31	$0.47	$ 0.46
	$ 0.32	$ 0.29	$0.45	$ 0.43
Weighted-average shares:				
	79,412	79,412	79,188	79,188
	83,365	84,036	83,182	83,848

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Disclosures about Derivative Instruments and Hedging Activities

On December 29, 2008, the Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 161, “Disclosures about Derivative Instruments and Hedging Activities — an amendment of SFAS No. 133” (“SFAS No. 161”), which had no financial impact on the Company’s condensed consolidated financial statements and only required additional financial statement disclosures as set forth in Note 14. SFAS No. 161 specifically requires entities to provide enhanced disclosures addressing the following: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS No. 133”), and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows.

Fair Value of Assets and Liabilities

In February 2008, the FASB issued FSP SFAS No. 157-2, “Effective Date of FASB Statement No. 157” (“FSP SFAS No. 157-2”), which delayed the effective date of SFAS No. 157, “Fair Value Measurements” (“SFAS No. 157”), for all nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until the beginning of the first quarter of fiscal 2009. Therefore, in the first quarter of fiscal 2009, the Company adopted SFAS No. 157 for nonfinancial assets and nonfinancial liabilities. The adoption of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities that are not measured and recorded at fair value on a recurring basis did not have a significant impact on the Company’s condensed consolidated financial statements.

In April 2009, the FASB issued three Staff Positions: (i) SFAS No. 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” (“FSP SFAS No. 157-4”), (ii) SFAS No. 115-2 and SFAS No. 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP SFAS No. 115-2 and FSP SFAS No. 124-2”), and (iii) SFAS No. 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (“FSP SFAS No. 107-1 and APB 28-1”), which were adopted by the Company in the second quarter of fiscal 2009. FSP SFAS No. 157-4 provides guidance on how to determine the fair value of assets and liabilities under SFAS No. 157 in the current economic environment and reemphasizes that the objective of a fair value measurement remains an exit price. If the Company were to conclude that there has been a significant decrease in the volume and level of activity of the asset or liability in relation to normal market activities, quoted market values may not be representative of fair value and the Company may conclude that a change in valuation technique or the use of multiple valuation techniques may be appropriate. FSP SFAS No. 115-2 and FSP SFAS No. 124-2 provide additional guidance on presenting impairment losses on securities to bring consistency to the timing of impairment recognition, and provide clarity to investors about the credit and noncredit components of impaired debt securities that are not expected to be sold. FSP SFAS No. 107-1 and APB 28-1 requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP SFAS No. 107-1 and APB 28-1 also amends APB Opinion No. 28, “Interim Financial Reporting,” to require those disclosures in summarized financial information at interim reporting periods. The adoption of these Staff Positions had no financial impact on the Company’s condensed consolidated financial statements and only required additional financial statement disclosures (see Notes 3, 6 and 8).

Business Combinations

In April 2009, the FASB issued FSP SFAS No. 141(R)-1 which amends the provisions in SFAS No. 141 (revised 2007), “Business Combinations” (“SFAS No. 141(R)”), for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. FSP SFAS No. 141(R)-1 eliminates the distinction between contractual and non-contractual contingencies, including the initial recognition and measurement criteria in SFAS No. 141(R) and instead carries

forward most of the provisions in SFAS No. 141, "Business Combinations" ("SFAS No. 141"), for acquired contingencies. FSP SFAS No. 141(R)-1 is effective for contingent assets and contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company's adoption of FSP SFAS No. 141(R)-1 in the first quarter of fiscal 2009 did not have a material effect on its condensed consolidated financial statements. As a result of the adoption of SFAS No. 141(R), the Company reflected an asset for in-process research and development of $1.0 million in connection with the acquisition of Tilt Solar LLC ("Tilt Solar") during the second quarter of fiscal 2009 which would have been expensed under previous guidance (see Note 5).

Subsequent Events

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No. 165"), which established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for selecting that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. The Company evaluated subsequent events through the date the Quarterly Report on Form 10-Q was issued on July 31, 2009. The Company's adoption of SFAS No. 165 in the second quarter of fiscal 2009 did not have a material effect on its condensed consolidated financial statements and only required additional financial statement disclosures.

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Recent Accounting Pronouncements Not Yet Adopted

With the exception of those discussed below, there have been no recent accounting pronouncements not yet adopted that are of significance, or potential significance, to the Company.

In June 2009, the FASB ratified EITF Issue No. 09-1, "Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance" ("EITF 09-1"), which clarifies that share lending arrangements that are executed in connection with convertible debt offerings or other financings should be considered debt issuance costs. At the date of issuance, share lending arrangements entered into on the Company's class A common stock are required to be measured at fair value and recognized as debt issuance costs in its condensed consolidated financial statements. In connection with the issuance of the 1.25% debentures and 0.75% debentures, the Company loaned approximately 2.9 million shares of its class A common stock to Lehman Brothers International (Europe) Limited ("LBIE") and approximately 1.8 million shares of its class A common stock to Credit Suisse International ("CSI") under share lending arrangements. EITF 09-1 will result in significantly higher non-cash amortization of the debt issuance costs and a loss resulting from Lehman Brothers Holding Inc. ("Lehman") filing a petition for protection under Chapter 11 of the U.S. bankruptcy code on September 15, 2008, and LBIE commencing administration proceedings (analogous to bankruptcy) in the United Kingdom. EITF 09-1 is effective for fiscal years beginning after December 15, 2009, and retrospective application is required for all periods presented. The Company is currently evaluating the impact of the adoption of EITF 09-1 on its condensed consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS No. 167"). SFAS No. 167 was issued to amend FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46(R)"), to eliminate the exemption for qualifying special purpose entities, provide a new approach for determining which entity should consolidate a variable interest entity, and require an enterprise to regularly perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. SFAS No. 167 is effective for fiscal years beginning after November 15, 2009. Earlier application is prohibited. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS No. 167 on its condensed consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162" ("SFAS No. 168"), to establish the codification as the source of authoritative accounting principles in the preparation of financial statements in conformity with generally accepted accounting principles ("GAAP"). All guidance contained in the codification carries an equal level of authority. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009 and will not have an effect on the Company's condensed consolidated financial statements.

Fiscal Years

The Company reports on a fiscal-year basis and ends its quarters on the Sunday closest to the end of the applicable calendar quarter, except in a 53-week fiscal year, in which case the additional week falls into the fourth quarter of that fiscal year. Fiscal year 2009 consists of 53 weeks while fiscal year 2008 consists of 52 weeks. The second quarter of fiscal 2009 ended on June 28, 2009 and the second quarter of fiscal 2008 ended on June 29, 2008.

Basis of Presentation

The accompanying condensed consolidated interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting and include the accounts of the Company and all of its subsidiaries. Intercompany transactions and balances have been eliminated in

consolidation. The year-end Condensed Consolidated Balance Sheet data was derived from audited financial statements as adjusted for the retrospective application of FSP APB 14-1 discussed above. Accordingly, these financial statements do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 28, 2008.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("United States" or "U.S.") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates in these financial statements include percentage-of-completion for construction projects, allowances for doubtful accounts receivable and sales returns, inventory write-downs, estimates for future cash flows and economic useful lives of property, plant and equipment, goodwill, other intangible assets and other long-term assets, asset impairments, valuation of auction rate securities, investments in joint ventures, certain accrued liabilities including accrued warranty reserves, valuation of debt without the conversion feature, and income taxes and tax valuation allowances. Actual results could materially differ from those estimates.

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In the opinion of management, the accompanying condensed consolidated interim financial statements contain all adjustments, consisting only of normal recurring adjustments, which the Company believes are necessary for a fair statement of the Company's financial position as of June 28, 2009 and its results of operations for the three and six months ended June 28, 2009 and June 29, 2008 and its cash flows for the six months ended June 28, 2009 and June 29, 2008. These condensed consolidated interim financial statements are not necessarily indicative of the results to be expected for the entire year.

Note 2. RESTATEMENT OF PREVIOUSLY ISSUED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On November 16, 2009, the Company announced that its Audit Committee commenced an independent investigation into certain accounting and financial reporting matters at the Company's Philippines operations ("SPML"). The Audit Committee retained independent counsel, forensic accountants and other experts to assist it in conducting the investigation.

As a result of the investigation, the Audit Committee concluded that certain unsubstantiated accounting entries were made at the direction of the Philippines-based finance personnel in order to report results for manufacturing operations that would be consistent with internal expense projections. The entries generally resulted in an understatement of the Company's cost of goods sold (referred to as "cost of revenue" in the Condensed Consolidated Statement of Operations). The Audit Committee concluded that the efforts were not directed at achieving the Company's overall financial results or financial analysts' projections of the Company's financial results. The Audit Committee also determined that these accounting issues were confined to the accounting function in the Philippines. Finally, the Audit Committee concluded that executive management neither directed nor encouraged, nor was aware of, these activities and was not provided with accurate information concerning the unsubstantiated entries. In addition to the unsubstantiated entries, during the Audit Committee investigation various accounting errors were discovered by the investigation and by management. See Part I — "Item 4: Controls and Procedures" of this report.

The nature of the restatement adjustments and the impact of the adjustments for the three and six months ended June 28, 2009 and June 29, 2008 are shown in the following table (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008 (1)
Investigation related adjustments	$ (13,379)	$ (1,869)	$ (17,419)	$ (6,233)
Errors identified during course of investigation	(5,594)	(6,356)	(14,062)	(4,014)
	(18,973)	(8,225)	(31,481)	(10,247)
Out-of-period adjustments	84	932	(2,958)	1,573
Total adjustments	(18,889)	(7,293)	(34,439)	(8,674)
Income tax effect of adjustments	9,277	2,938	19,911	3,463
Decrease in net income	$ (9,612)	$ (4,355)	$ (14,528)	$ (5,211)

(1) Includes the correction of errors identified that occurred in fiscal 2007 and 2006 that were determined to be immaterial both individually and in the aggregate to those years. Consequently, a total of approximately $0.6 million and $0.5 million of pre-tax expense and after tax expense, respectively, identified in fiscal 2007 were recorded in the three months ended March 30, 2008 as well as a total of approximately $0.4 million of both pre-tax income and after tax income identified in fiscal 2006 were recorded in the three months ended March 30, 2008.

Investigation Related Adjustments:

As noted above, the Audit Committee's investigation found that unsubstantiated entries (a) were made at the direction of the Philippines-based finance personnel in order to report results for manufacturing operations that would be consistent with internal expense projections, (b) generally resulted in an understatement of the Company's cost of goods sold, and (c) were not directed or encouraged by, or done with the knowledge of, executive management. During the course of the investigation, various accounting errors which required adjustments were also identified. Adjustments for these unsubstantiated entries and errors affected cost of goods sold and the following balance sheet accounts:

Accounts payable and accrued liabilities: The investigation found that certain expenses were understated by (a) not sufficiently accruing expenses or (b) reversing previously recorded expenses through manual journal entries that were not based on actual transactions or reasonable estimates of expenses. The accounts primarily affected were accruals for manufacturing expenses such as subcontracted wafering costs, electricity, and freight and other accrued expenses. Unsubstantiated entries were also recorded to reduce uninvoiced receipts liability accounts, with an offsetting reduction to cost of goods sold.

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Inventories: The investigation found that unsubstantiated entries were made to increase inventory and decrease cost of goods sold by adjusting variance capitalization amounts. In addition, inventory obsolescence was understated for materials used in-house by wafering services of silicon ingots.

Errors Identified during Course of Investigation:

Through the investigation, errors were also found in the Philippines relating to inventories, prepaid expenses and other current assets, property, plant and equipment, and accounts payable and accrued liabilities. The primary categories of these adjustments are discussed below:

Inventories: The Company recorded corrections related to accounting for inventories in-transit and scrap, as well as the methodology used to calculate the capitalization of inventory variances.

Prepaid expenses and other current assets: Certain foreign individual income tax filings prepared for employees on foreign assignments contained omissions of taxable income. The amount of the estimated tax understatement plus interest and penalties less any employee receivables generated by the filing of amended returns has been included in the restated financials.

Property plant and equipment: In some instances, depreciation expense was not recorded in the proper period.

Accounts payable and accrued liabilities: Vendor credits were not properly applied and certain employee bonuses were not correctly accrued.

Out-Of-Period Adjustments:

The Company also recorded out-of-period adjustments during the restatement periods that were previously considered to be immaterial. These adjustments related to systems revenue, inventories, accounts payable and accruals and stock-based compensation. As part of the restatement these adjustments have now been reflected in the quarterly period in which a substantial portion of the errors arose. The primary categories of these adjustments are discussed below:

Systems revenue: The Company determined it had improperly deferred revenue earned in 2008 due to the improper application of multiple element accounting. In addition, the Company recorded revenue adjustments for several solar system contracts in 2008 for which costs to complete had not been properly estimated. Also, the Company incorrectly recorded a materials-only sale using the percentage-of-completion method.

Inventories: Various inventory adjustments were the result of the improper accounting for consigned inventory, in-transit inventories, and standard costing.

Accounts payable and accruals: The Company noted several under and over accruals of operating expenses.

Stock based compensation: The Company determined it had recorded excess stock based compensation expense due to a spreadsheet error.

The Company has also made some minor revisions to disclosures in connection with this Amendment.

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The table below summarizes: (i) the adjustments related to the investigation; (ii) errors identified during the course of the investigation; and (iii) out-of-period adjustments on the Condensed Consolidated Balance Sheet as of June 28, 2009.

	June 28, 2009		
	As Previously Reported (1)	Restatement Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 456,835	$ -	$ 456,835
Restricted cash and cash equivalents, current portion	28,303	-	28,303
Short-term investments	796	-	796
Accounts receivable, net	219,644	-	219,644
Costs and estimated earnings in excess of billings	11,133	716	11,849
Inventories	262,893	(17,431)	245,462
Advances to suppliers, current portion	27,951	(297)	27,654
Prepaid expenses and other current assets	122,260	2,183	124,443
Total current assets	1,129,815	(14,829)	1,114,986
Restricted cash and cash equivalents, net of current portion	189,235	-	189,235
Long-term investments	18,482	-	18,482
Property, plant and equipment, net	683,011	(10,587)	672,424
Goodwill	197,693	-	197,693
Other intangible assets, net	33,089	-	33,089
Advances to suppliers, net of current portion	113,197	-	113,197
Other long-term assets	85,826	(7,635)	78,191
Total assets	$ 2,450,348	$ (33,051)	$ 2,417,297
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 151,987	$ 10,995	$ 162,982
Accrued liabilities	105,960	(14,030)	91,930
Billings in excess of costs and estimated earnings	50,710	-	50,710
Customer advances, current portion	19,005	-	19,005
Total current liabilities	327,662	(3,035)	324,627
Long-term debt	136,338	-	136,338
Convertible debt	532,840	-	532,840
Customer advances, net of current portion	83,211	-	83,211
Long-term deferred tax liability	9,279	(1,648)	7,631
Other long-term liabilities	48,633	(743)	47,890
Total liabilities	1,137,963	(5,426)	1,132,537
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, $0.001 par value, 10,042,490 shares authorized; none issued and outstanding	-		-
	97	-	97

Common stock, $0.001 par value, 150,000,000 shares of class B common stock authorized; 42,033,287 shares of class B common stock issued and outstanding; $0.001 par value, 217,500,000 shares of class A common stock authorized; 54,867,940 shares of class A common stock issued; 54,566,166 shares of class A common stock outstanding			
Additional paid-in capital	1,263,166	(3,438)	1,259,728
Accumulated other comprehensive loss	(36,095)	-	(36,095)
Retained earnings	96,996	(24,187)	72,809
	1,324,164	(27,625)	1,296,539
Less: 301,774 shares of class A common stock held in treasury, at cost	(11,779)	-	(11,779)
Total stockholders' equity	1,312,385	(27,625)	1,284,760
Total liabilities and stockholders' equity	$ 2,450,348	$ (33,051)	$ 2,417,297

(1) Certain short-term warranty reserves have been revised to long-term warranty reserves to conform to the presentation in the Company's Condensed Consolidated Balance Sheets in the 2009 Form 10-K.

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The table below summarizes: (i) the adjustments related to the investigation; (ii) errors identified during the course of the investigation; and (iii) out-of-period adjustments on the Condensed Consolidated Statement of Operations for the three and six months ended June 28, 2009.

	Three Months Ended June 28, 2009			Six Months Ended June 28, 2009		
	As Previously Reported	Restatement Adjustments	As Restated	As Previously Reported	Restatement Adjustments	As Restated
Revenue:						
Systems	$ 108,724	$ 1,697	$ 110,421	$ 214,821	$ (447)	$ 214,374
Components	188,920	-	188,920	296,610	-	296,610
Total revenue	297,644	1,697	299,341	511,431	(447)	510,984
Operating costs and expenses:						
Cost of systems revenue	91,793	4,243	96,036	180,144	11,216	191,360
Cost of components revenue	147,388	15,239	162,627	225,076	21,635	246,711
Research and development	6,853	84	6,937	14,817	-	14,817
Selling, general and administrative	41,755	1,020	42,775	84,038	1,141	85,179
Total operating costs and expenses	287,789	20,586	308,375	504,075	33,992	538,067
Operating income (loss)	9,855	(18,889)	(9,034)	7,356	(34,439)	(27,083)
Other income (expense)						
Interest income	765	-	765	1,949	-	1,949
Interest expense	(9,528)	-	(9,528)	(15,649)	-	(15,649)
Gain on purchased options	21,193	-	21,193	21,193	-	21,193
Other, net	2,807	-	2,807	(4,350)	-	(4,350)
Other income (expense), net	15,237	-	15,237	3,143	-	3,143
Income (loss) before income taxes and equity in earnings of unconsolidated investees	25,092	(18,889)	6,203	10,499	(34,439)	(23,940)
Provision for (benefit from) income taxes	4,054	(9,277)	(5,223)	(4,508)	(19,911)	(24,419)
Income before equity in earnings of unconsolidated investees	21,038	(9,612)	11,426	15,007	(14,528)	479
Equity in earnings of unconsolidated investees	3,133	-	3,133	4,378	-	4,378
Net income	$ 24,171	$ (9,612)	$ 14,559	$ 19,385	$ (14,528)	$ 4,857
Net income per share of class A and class B common stock:						
Basic	$ 0.27	$ (0.11)	$ 0.16	$ 0.22	$ (0.16)	$ 0.06
Diluted	$ 0.26	$ (0.10)	$ 0.16	$ 0.22	$ (0.17)	$ 0.05
Weighted-average shares:						
Basic	90,873		90,873	87,311		87,311
Diluted	98,412		92,640	89,110		89,110

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The table below summarizes: (i) the adjustments related to the investigation; (ii) errors identified during the course of the investigation; and (iii) out-of-period adjustments on the Condensed Consolidated Statement of Comprehensive Income (Loss) for the three and six months ended June 28, 2009.

	Three Months Ended June 28, 2009			Six Months Ended June 28, 2009		
	As Previously Reported	Restatement Adjustments	As Restated	As Previously Reported	Restatement Adjustments	As Restated
Net income	$ 24,171	$ (9,612)	$ 14,559	$ 19,385	$ (14,528)	$ 4,857
Other comprehensive income (loss):						
Translation adjustment	2,550	-	2,550	(14,058)	-	(14,058)
Unrealized gain (loss) on derivatives, net of tax	(18,968)	-	(18,968)	3,566	-	3,566
Unrealized gain on investments, net of tax	-	-	-	8	-	8
Total comprehensive income (loss)	$ 7,753	$ (9,612)	$ (1,859)	$ 8,901	$ (14,528)	$ (5,627)

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The table below summarizes: (i) the adjustments related to the investigation; (ii) errors identified during the course of the investigation; and (iii) out-of-period adjustments on the Condensed Consolidated Statement of Cash Flows for the three and six months ended June 28, 2009.

	Six Months Ended June 28, 2009		
	As Previously Reported	Restatement Adjustments	As Restated
Cash flows from operating activities:			
Net income	$ 19,385	$ (14,528)	$ 4,857
Adjustments to reconcile net income to net cash used in operating activities:			
Stock-based compensation	21,130	-	21,130
Depreciation	38,934	-	38,934
Amortization of other intangible assets	8,150	-	8,150
Impairment of investments and long-lived assets	1,807	-	1,807
Non-cash interest expense	10,936	-	10,936
Amortization of debt issuance costs	1,721	-	1,721
Gain on purchased options	(21,193)	-	(21,193)
Equity in earnings of unconsolidated investees	(4,378)	-	(4,378)
Excess tax benefits from stock-based award activity	(2,610)	2,610	-
Deferred income taxes and other tax liabilities	(9,874)	(19,911)	(29,785)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(24,491)	-	(24,491)
Costs and estimated earnings in excess of billings	19,371	(1,292)	18,079
Inventories	(8,063)	14,144	6,081
Prepaid expenses and other assets	(23,378)	1,298	(22,080)
Advances to suppliers	21,442	297	21,739
Accounts payable and other accrued liabilities	(129,458)	23,820	(105,638)
Billings in excess of costs and estimated earnings	38,356	(3,828)	34,528
Customer advances	(8,086)	-	(8,086)
Net cash used in operating activities	(50,299)	2,610	(47,689)
Cash flows from investing activities:			
Increase in restricted cash and cash equivalents	(42,336)	-	(42,336)
Purchases of property, plant and equipment	(111,667)	-	(111,667)
Proceeds from sale of equipment to third-party	7,902	-	7,902
Proceeds from sales or maturities of available-for-sale securities	19,678	-	19,678
Net cash used in investing activities	(126,423)	-	(126,423)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt, net of issuance costs	82,150	-	82,150
Proceeds from issuance of convertible debt, net of issuance costs	225,018	-	225,018
Proceeds from offering of class A common stock, net of offering expenses	218,895	-	218,895
Cash paid for repurchased convertible debt	(67,949)	-	(67,949)
Cash paid for purchased options	(97,336)	-	(97,336)
Proceeds from warrant transactions	71,001	-	71,001
Proceeds from exercise of stock options	838	-	838
Excess tax benefits from stock-based award activity	2,610	(2,610)	-

Purchases of stock for tax withholding obligations on vested restricted stock	(3,122)	-	(3,122)
Net cash provided by financing activities	432,105	(2,610)	429,495
Effects of exchange rate changes on cash and equivalents	(879)	-	(879)
Net increase in cash and cash equivalents	254,504	-	254,504
Cash and cash equivalents at beginning of period	202,331	-	202,331
Cash and cash equivalents at end of period	$ 456,835	$ -	$ 456,835
Non-cash transactions:			
Non-cash interest expense capitalized and added to the cost of qualified assets	$ 3,583	$ -	$ 3,583
Issuance of common stock for purchase acquisition	1,471	-	1,471

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The table below summarizes: (i) the adjustments related to the investigation; (ii) errors identified during the course of the investigation; and (iii) out-of-period adjustments on the Condensed Consolidated Statement of Operations for the three and six months ended June 29, 2008.

	Three Months Ended June 29, 2008			Six Months Ended June 29, 2008		
	As Previously Reported (1)	Restatement Adjustments	As Restated	As Previously Reported (1)	Restatement Adjustments	As Restated
Revenue:						
Systems	$ 270,593	$ 24	$ 270,617	$ 449,444	$ 596	$ 450,040
Components	112,158	-	112,158	207,008	-	207,008
Total revenue	382,751	24	382,775	656,452	596	657,048
Operating costs and expenses:						
Cost of systems revenue	209,223	3,843	213,066	352,487	4,507	356,994
Cost of components revenue	80,688	4,857	85,545	157,930	6,464	164,394
Research and development	4,813	-	4,813	9,455	-	9,455
Selling, general and administrative	43,208	-	43,208	77,066	-	77,066
Total operating costs and expenses	337,932	8,700	346,632	596,938	10,971	607,909
Operating income	44,819	(8,676)	36,143	59,514	(10,375)	49,139
Other income (expense)						
Interest income	2,289	-	2,289	6,436	-	6,436
Interest expense	(6,097)	319	(5,778)	(12,394)	599	(11,795)
Other, net	(3,570)	-	(3,570)	(2,855)	-	(2,855)
Other income (expense), net	(7,378)	319	(7,059)	(8,813)	599	(8,214)
Income before income taxes and equity in earnings of unconsolidated investees	37,441	(8,357)	29,084	50,701	(9,776)	40,925
Provision for income taxes	7,614	(2,938)	4,676	9,419	(3,463)	5,956
Income before equity in earnings of unconsolidated investees	29,827	(5,419)	24,408	41,282	(6,313)	34,969
Equity in earnings of unconsolidated investees	1,330	1,064	2,394	1,874	1,102	2,976
Net income	$ 31,157	$ (4,355)	$ 26,802	$ 43,156	$ (5,211)	$ 37,945
Net income per share of class A and class B common stock:						
Basic	$ 0.39	$ (0.06)	$ 0.33	$ 0.54	$ (0.06)	$ 0.47
Diluted	$ 0.37	$ (0.05)	$ 0.32	$ 0.51	$ (0.05)	$ 0.45
Weighted-average shares:						
Basic	79,412		79,412	79,188		79,188
Diluted	83,365		83,365	83,182		83,182

(1)

As adjusted to reflect the adoption of new accounting guidance for both convertible debt instruments that may be settled in cash upon conversion and unvested share-based payment awards that contain rights to nonforfeitable dividends that are participating securities (see Note 1).

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The table below summarizes: (i) the adjustments related to the investigation; (ii) errors identified during the course of the investigation; and (iii) out-of-period adjustments on the Condensed Consolidated Statement of Comprehensive Income for the three and six months ended June 29, 2008.

	Three Months Ended June 29, 2008			Six Months Ended June 29, 2008		
	As Previously Reported (1)	Restatement Adjustments	As Restated	As Previously Reported (1)	Restatement Adjustments	As Restated
Net income	$ 31,157	$ (4,355)	$ 26,802	$ 43,156	$ (5,211)	$ 37,945
Other comprehensive income:						
Translation adjustment	1,924	-	1,924	12,329	-	12,329
Unrealized gain on derivatives, net of tax	5,051	-	5,051	3,595	-	3,595
Unrealized gain (loss) on investments, net of tax	469	-	469	(1,002)	-	(1,002)
Total comprehensive income	$ 38,601	$ (4,355)	$ 34,246	$ 58,078	$ (5,211)	$ 52,867

(1) As adjusted to reflect the adoption of new accounting guidance for convertible debt instruments that may be settled in cash upon conversion (see Note 1).

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The table below summarizes: (i) the adjustments related to the investigation; (ii) errors identified during the course of the investigation; and (iii) out-of-period adjustments on the Condensed Consolidated Statement of Cash Flows for the three and six months ended June 29, 2008.

	Six Months Ended June 29, 2008		
	As Previously Reported (1)	Restatement Adjustments	As Restated
Cash flows from operating activities:			
Net income	$ 43,156	$ (5,211)	$ 37,945
Adjustments to reconcile net income to net cash used in operating activities:			
Stock-based compensation	33,115	-	33,115
Depreciation	22,053	356	22,409
Amortization of other intangible assets	8,351	-	8,351
Impairment of investments and long-lived assets	5,489	-	5,489
Non-cash interest expense	8,679	-	8,679
Amortization of debt issuance costs	1,074	-	1,074
Equity in earnings of unconsolidated investees	(1,874)	(1,102)	(2,976)
Excess tax benefits from stock-based award activity	(14,639)	2,018	(12,621)
Deferred income taxes and other tax liabilities	10,080	(3,463)	6,617
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(103,132)	-	(103,132)
Costs and estimated earnings in excess of billings	(10,144)	-	(10,144)
Inventories	(67,799)	2,317	(65,482)
Prepaid expenses and other assets	(25,032)	4,058	(20,974)
Advances to suppliers	3,641	-	3,641
Accounts payable and other accrued liabilities	82,366	3,644	86,010
Billings in excess of costs and estimated earnings	(38,886)	-	(38,886)
Customer advances	4,130	-	4,130
Net cash used in operating activities	(39,372)	2,617	(36,755)
Cash flows from investing activities:			
Increase in restricted cash and cash equivalents	(15,951)	-	(15,951)
Purchases of property, plant and equipment	(95,078)	(599)	(95,677)
Purchases of available-for-sale securities	(50,970)	-	(50,970)
Proceeds from sales or maturities of available-for-sale securities	121,921	-	121,921
Cash paid for acquisitions, net of cash acquired	(13,484)	-	(13,484)
Cash paid for investments in joint ventures and other non-public companies	(22,625)	-	(22,625)
Net cash used in investing activities	(76,187)	(599)	(76,786)
Cash flows from financing activities:			
Proceeds from exercise of stock options	2,335	-	2,335
Excess tax benefits from stock-based award activity	14,639	(2,018)	12,621
Purchases of stock for tax withholding obligations on vested restricted stock	(4,194)	-	(4,194)
Net cash provided by financing activities	12,780	(2,018)	10,762

Effects of exchange rate changes on cash and equivalents		7,107		-	7,107
Net decrease in cash and cash equivalents		(95,672)		-	(95,672)
Cash and cash equivalents at beginning of period		285,214		-	285,214
Cash and cash equivalents at end of period	$	189,542	$	-	$ 189,542
Non-cash transactions:					
Additions to property, plant and equipment included in accounts payable and other accrued liabilities	$	3,838	$	-	$ 3,838
Non-cash interest expense capitalized and added to the cost of qualified assets		3,820		-	3,820
Change in goodwill relating to adjustments to acquired net assets		231		-	231

(1) As adjusted to reflect the adoption of new accounting guidance for convertible debt instruments that may be settled in cash upon conversion (see Note 1).

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Note 3. BALANCE SHEET COMPONENTS

(In thousands)		June 28, 2009		December 28, 2008 (As Restated)
Accounts receivable, net:				
Accounts receivable, gross	$	223,326	$	196,316
Less: Allowance for doubtful accounts		(2,648)		(1,863)
Less: Allowance for sales returns		(1,034)		(231)
	$	219,644	$	194,222
Inventories:				
Raw materials (1) (2)	$	32,251	$	95,092
Work-in-process (2)		36,076		25,813
Finished goods (2) (3)		177,135		127,350
	$	245,462	$	248,255

(1)In addition to polysilicon and other raw materials for solar cell manufacturing, raw materials include installation materials for systems projects.

(2)Certain balances of raw materials, work-in-process and finished goods have been reclassified to conform to the presentation in the Company's Notes to Condensed Consolidated Financial Statements in the 2009 Form 10-K.

(3)The balance of finished goods as of December 28, 2008 increased by $0.2 million for the change in amortization of capitalized non-cash interest expense capitalized in inventory as a result of the Company’s adoption of FSP APB 14-1 (see Note 1).

Prepaid expenses and other current assets:				
VAT receivables, current portion	$	28,026	$	26,489
Deferred tax assets, current portion		10,301		10,301
Foreign currency forward exchange contracts		1,378		11,443
Other receivables(4)		32,517		35,587
Other prepaid expenses		52,221		17,915
	$	124,443	$	101,735

(4)Includes tolling agreements with suppliers in which the Company provides polysilicon required for silicon ingot manufacturing and procures the manufactured silicon ingots from the suppliers (see Note 10).

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(In thousands)	June 28, 2009	December 28, 2008 (As Restated)
Other long-term assets:		
VAT receivables, net of current portion	$6,935	$6,692
Investments in joint ventures	33,366	29,007
Note receivable(5)	10,000	10,000
Other	27,890	23,417
	$78,191	$69,116

(5) In June 2008, the Company loaned $10.0 million to a third-party private company pursuant to a three-year interest-bearing note receivable that is convertible into equity at the Company's option.

Accrued liabilities:		
VAT payables	$13,883	$18,934
Income taxes payable	—	9,645
Deferred tax liability	5,658	5,658
Foreign currency forward exchange contracts	28,477	45,791
Warranty reserves	6,337	3,616
Employee compensation and employee benefits	14,139	19,018
Other	23,436	33,454
	$91,930	$136,116

Note 4. PROPERTY, PLANT AND EQUIPMENT

(In thousands)	June 28, 2009	December 28, 2008(1) (As Restated)
Land and buildings	$ 17,166	$ 13,912
Leasehold improvements	160,257	148,190
Manufacturing equipment	451,717	387,860
Computer equipment	29,435	18,658
Solar power systems	8,299	8,299
Furniture and fixtures	4,406	4,327
Construction-in-process	141,839	142,894
	813,119	724,140
Less: Accumulated depreciation	(140,695)	(101,656)
	$ 672,424	$ 622,484

(1) Property, plant and equipment, net increased $16.6 million for non-cash interest expense associated with the 1.25% debentures and 0.75% debentures that was capitalized and added to the cost of qualified assets as a result of the Company's adoption of FSP APB 14-1 (see Note 1).

Certain manufacturing equipment associated with solar cell manufacturing lines located at one of the Company's facilities in the Philippines are collateralized in favor of a customer by way of a chattel mortgage, a first ranking mortgage and a security interest in the property. The Company provided security for advance payments received from

a customer in fiscal 2008 totaling $40.0 million in the form of collateralized manufacturing equipment with a net book value of $39.4 million and $43.1 million as of June 28, 2009 and December 28, 2008, respectively (see Note 8).

The Company evaluates its long-lived assets, including property, plant and equipment and other intangible assets with finite lives (see Note 5), for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS No. 144”). Factors considered important that could result in an impairment review include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of acquired assets and significant negative industry or economic trends.

Ongoing weak global credit market conditions have had a negative impact on the Company’s earnings during the first half of fiscal 2009. From time to time, the Company may temporarily remove certain long-lived assets from service based on projections of reduced capacity needs. The Company believes the current adverse change in its business climate resulting in lower forecasted revenue for fiscal 2009 is temporary in nature and does not indicate that the fair values of its long-lived assets have fallen below their carrying values as of June 28, 2009.

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Note 5. BUSINESS COMBINATION, GOODWILL AND OTHER INTANGIBLE ASSETS

Acquisition of Tilt Solar

On April 14, 2009, the Company completed the acquisition of Tilt Solar which was not material to the Company’s financial position or results of operations.

Goodwill

The following table presents the changes in the carrying amount of goodwill under the Company's reportable business segments:

(In thousands)	Systems	Components	Total
As of December 28, 2008	$ 181,801	$ 14,919	$ 196,720
Goodwill acquired	581	—	581
Translation adjustment	—	392	392
As of June 28, 2009	$ 182,382	$ 15,311	$ 197,693

The balance of goodwill within the Systems Segment increased $0.6 million as of June 28, 2009 due to the Company’s acquisition of Tilt Solar, which represents the excess of the purchase price over the fair value of the underlying net tangible and other intangible assets of Tilt Solar. The Company records a translation adjustment for the revaluation of its Euro and Australian dollar functional currency subsidiaries’ goodwill and other intangible assets into U.S. dollar. For the three months ended June 28, 2009, the translation adjustment increased the balance of goodwill within the Components Segment by $0.4 million.

In accordance with SFAS No. 142, “Accounting for Goodwill and Other Intangible Assets” (“SFAS No. 142”), goodwill is tested for impairment at least annually, or more frequently if certain indicators are present. The Company conducts its annual impairment test of goodwill as of the Sunday closest to the end of the third fiscal quarter of each year. Impairment of goodwill is tested at the Company’s reporting unit level which is at the segment level by comparing each segment’s carrying amount, including goodwill, to the fair value of that segment. To determine fair value, the Company has historically utilized a market multiples comparative approach. In performing its analysis, the Company has utilized information with assumptions and projections it considers reasonable and supportable. If the carrying amount of the reporting unit exceeds its implied fair value, goodwill is considered impaired and a second step is performed to measure the amount of impairment loss, if any. Based on its last impairment test as of September 28, 2008, the Company determined there was no impairment.

Under SFAS No. 142, goodwill of a reporting unit shall be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Ongoing weak global credit market conditions have had a negative impact on the Company’s earnings and the profitability of its Systems Segment during the first half of fiscal 2009. Management evaluated all the facts and circumstances, including the duration and severity of the decline in its revenue and market capitalization and the reasons for it, to assess whether an impairment indicator exists that would require impairment testing of its reporting units. Management concluded that no impairment indicator existed as of June 28, 2009, because the decline in revenue is deemed to be temporary in nature and management does not believe that there is a significant adverse change in the long-term business prospects for its Systems Segment.

Other Intangible Assets

The following tables present details of the Company's acquired other intangible assets:

(In thousands)	Gross	Accumulated Amortization	Net
As of June 28, 2009			
Patents and purchased technology	$ 51,398	$ (36,668)	$ 14,730
Purchased in-process research and development	1,000	—	1,000
Tradenames	2,566	(1,934)	632
Customer relationships and other	28,303	(11,576)	16,727
	$ 83,267	$ (50,178)	$ 33,089
As of December 28, 2008			
Patents and purchased technology	$ 51,398	$ (31,322)	$ 20,076
Tradenames	2,501	(1,685)	816
Customer relationships and other	27,456	(8,858)	18,598
	$ 81,355	$ (41,865)	$ 39,490

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In connection with the acquisition of Tilt Solar, the Company recorded $1.5 million of other intangible assets in the second quarter of fiscal 2009. All of the Company's acquired other intangible assets, excluding goodwill, are subject to amortization. Amortization expense for other intangible assets totaled $4.1 million and $8.2 million for the three and six months ended June 28, 2009, respectively, and $4.0 million and $8.4 million for the three and six months ended June 29, 2008, respectively. As of June 28, 2009, the estimated future amortization expense related to other intangible assets is as follows (in thousands):

2009 (remaining six months)	$ 8,288
2010	15,308
2011	5,274
2012	4,114
Thereafter	105
	$ 33,089

Note 6. INVESTMENTS

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). Level 2 measurements are inputs that are observable for assets or liabilities, either directly or indirectly, other than quoted prices included within Level 1.

Assets Measured at Fair Value on a Recurring Basis

The following tables present information about the Company's available-for-sale securities accounted for under SFAS No. 115, "Accounting for Investment in Certain Debt and Equity Securities" ("SFAS No. 115"), that are measured at fair value on a recurring basis and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value in accordance with the provisions of SFAS No. 157. Information about the Company's foreign currency derivatives measured at fair value on a recurring basis is disclosed in Note 14. The Company does not have any nonfinancial assets or nonfinancial liabilities that are recognized or disclosed at fair value in its condensed consolidated financial statements on a recurring basis.

	June 28, 2009			
(In thousands)	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ 496,130	$ —	$ 796	$ 496,926
Bank notes	—	19,825	—	19,825
Corporate securities	—	—	18,482	18,482
Total available-for-sale securities	$ 496,130	$ 19,825	$ 19,278	$ 535,233

	December 28, 2008			
(In thousands)	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ 227,190	$ —	$ 7,185	$ 234,375
Bank notes	—	49,610	—	49,610
Corporate securities	—	9,994	23,577	33,571
Total available-for-sale securities	$ 227,190	$ 59,604	$ 30,762	$ 317,556

Available-for-sale securities utilizing Level 3 inputs to determine fair value are comprised of investments in money market funds totaling $0.8 million and $7.2 million as of June 28, 2009 and December 28, 2008, respectively, and

auction rate securities totaling $18.5 million and $23.6 million as of June 28, 2009 and December 28, 2008, respectively.

Money Market Funds

Investments in money market funds utilizing Level 3 inputs consist of the Company's investments in the Reserve Primary Fund and the Reserve International Liquidity Fund (collectively referred to as the "Reserve Funds"). The net asset value per share for the Reserve Funds fell below $1.00 because the funds had investments in Lehman, which filed for bankruptcy on September 15, 2008. As a result of this event, the Reserve Funds wrote down their investments in Lehman to zero and also announced that the funds would be closed and distributed to holders. The Company has estimated its loss on the Reserve Funds to be approximately $2.2 million based upon information publicly disclosed by the Reserve Funds relative to its holdings and remaining obligations. The Company recorded impairment charges of zero and $1.2 million in the three and six months ended June 28, 2009, respectively, and $1.0 million during the second half of fiscal 2008, in "Other, net" in its Condensed Consolidated Statements of Operations, thereby establishing a new cost basis for each fund. The Company's other money market fund instruments are classified within Level 1 of the fair value hierarchy because they are valued using quoted prices for identical instruments in active markets.

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Auction Rate Securities

Auction rate securities in which the Company invested are primarily student loans, the majority of which are triple-A rated and substantially guaranteed by the U.S. government under the Federal Family Education Loan Program ("FFELP"). Historically, these securities have provided liquidity through a Dutch auction at pre-determined intervals every 7 to 49 days. At the end of each reset period, investors can continue to hold the securities or sell the securities at par through an auction process. The "stated" or "contractual" maturities for these securities generally are between 20 to 30 years. Beginning in February 2008, the auction rate securities market experienced a significant increase in the number of failed auctions, resulting from a lack of liquidity, which occurs when sell orders exceed buy orders, and does not necessarily signify a default by the issuer.

All auction rate securities held by the Company have failed to clear at auctions in subsequent periods. For failed auctions, the Company continues to earn interest on these investments at the contractual rate. Prior to 2008, failed auctions rarely occurred, however, such failures could continue to occur in the future. In the event the Company needs to access funds invested in such auction rate securities, the Company will not be able to do so until a future auction is successful, the issuer redeems the securities, a buyer is found outside of the auction process or the securities mature. Accordingly, auction rate securities held are classified as "Long-term investments" in the Condensed Consolidated Balance Sheets, because they are not expected to be used to fund current operations and such classification is consistent with the stated contractual maturities of the securities.

The Company determined that use of a valuation model was the best available technique for measuring the fair value of its auction rate securities. The Company used an income approach valuation model to estimate the price that would be received to sell its securities in an orderly transaction between market participants ("exit price") as of the balance sheet dates. The exit price was derived as the weighted average present value of expected cash flows over various periods of illiquidity, using a risk adjusted discount rate that was based on the credit risk and liquidity risk of the securities. While the valuation model was based on both Level 2 (credit quality and interest rates) and Level 3 inputs, the Company determined that the Level 3 inputs were the most significant to the overall fair value measurement, particularly the estimates of risk adjusted discount rates and ranges of expected periods of illiquidity. The valuation model also reflected the Company's intention to hold its auction rate securities until they can be liquidated in a market that facilitates orderly transactions. The following key assumptions were used in the valuation model:

- 5 years to liquidity;
- continued receipt of contractual interest which provides a premium spread for failed auctions; and
- discount rates ranging from 4.4% to 9.47%, which incorporates a spread for both credit and liquidity risk.

Based on these assumptions, the Company estimated that the auction rate securities with a stated par value of $21.1 million at June 28, 2009 would be valued at approximately 88% of their stated par value, or $18.5 million, representing a decline in value of approximately $2.6 million. At December 28, 2008, the Company estimated that auction rate securities with a stated par value of $26.1 million would be valued at approximately 91% of their stated par value, or $23.6 million, representing a decline in value of approximately $2.5 million. Due to one auction rate security's downgrade from a triple-A rating to a Baa1 rating, the length of time that has passed since the auctions failed and the ongoing uncertainties regarding future access to liquidity, the Company has determined the impairment is other-than-temporary and recorded impairment losses of $0.5 million and $0.6 million in the three and six months ended June 28, 2009, respectively, and $2.5 million in the fourth quarter of fiscal 2008, in "Other, net" in its Condensed Consolidated Statements of Operations. The following table provides a summary of changes in fair value of the Company's available-for-sale securities utilizing Level 3 inputs for the six months ended June 28, 2009:

(In thousands)

	Money Market Funds	Auction Rate Securities
Balance at December 28, 2008	$ 7,185	$ 23,577
Sales and distributions (1)	(5,151)	(4,526)
Impairment loss recorded in “Other, net”	(1,238)	(569)
Balance at June 28, 2009	$ 796	$ 18,482

(1) The Company sold an auction rate security with a carrying value of $4.5 million for $4.6 million to a third-party outside of the auction process and received distributions of $5.2 million from the Reserve Funds.

The following table provides a summary of changes in fair value of the Company’s available-for-sale securities which utilized Level 3 inputs for the six months ended June 29, 2008:

(In thousands)	Auction Rate Securities
Balance at December 31, 2007	$ —
Transfers from Level 2 to Level 3	29,050
Purchases	10,000
Sales	(13,000)
Unrealized loss included in other comprehensive income	(964)
Balance at June 29, 2008	$ 25,086

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The following table summarizes unrealized gains and losses by major security type designated as available-for-sale:

	June 28, 2009				December 28, 2008			
		Unrealized				Unrealized		
(In thousands)	Cost	Gross Gains	Gross Losses	Fair Value	Cost	Gross Gains	Gross Losses	Fair Value
Money market funds	$ 496,926	$ —	$ —	$ 496,926	$ 234,375	$ —	$ —	$ 234,375
Bank notes	19,825	—	—	19,825	49,610	—	—	49,610
Corporate securities	18,482	—	—	18,482	33,579	2	(10)	33,571
Total available-for-sale securities	$ 535,233	$ —	$ —	$ 535,233	$ 317,564	$ 2	$ (10)	$ 317,556

The classification of available-for-sale securities and cash deposits is as follows:

	June 28, 2009			December 28, 2008		
(In thousands)	Available-For-Sale	Cash Deposits	Total	Available-For-Sale	Cash Deposits	Total
Cash and cash equivalents	$ 384,226	$ 72,609	$ 456,835	$ 101,523	$ 100,808	$ 202,331
Short-term restricted cash(1)	28,303	—	28,303	13,240	—	13,240
Short-term investments	796	—	796	17,179	—	17,179
Long-term restricted cash(1)	103,426	85,809	189,235	162,037	—	162,037
Long-term investments	18,482	—	18,482	23,577	—	23,577
	$ 535,233	$ 158,418	$ 693,651	$ 317,556	$ 100,808	$ 418,364

(1) The Company provided security in the form of cash collateralized bank standby letters of credit for advance payments received from customers.

The contractual maturities of available-for-sale securities is as follows:

(In thousands)	June 28, 2009	December 28, 2008
Due in less than one year	$ 516,751	$ 186,540
Due from one to two years (1)	—	3,206
Due from two to twenty years	18,482	127,810
	$ 535,233	$ 317,556

(1) The Company classifies all available-for-sale securities that are intended to be available for use in current operations as short term investments.

Assets Measured at Fair Value on a Non-Recurring Basis

The Company holds minority investments comprised of common and preferred stock in certain non-public companies. The Company monitors these minority investments for impairment and records reductions in the carrying values when necessary. Circumstances that indicate an other-than-temporary decline include valuation ascribed to the issuing company in subsequent financing rounds, decreases in quoted market price and declines in operations of the issuer. As of June 28, 2009 and December 28, 2008, the Company had $33.4 million and $29.0 million, respectively, in investments accounted for under APB Opinion No. 18, “The Equity Method of Accounting for Investments in Common Stock” (the “equity method”), and $3.1 million in investments accounted for under the cost method (see Note

11). During the fourth quarter of fiscal 2008, the Company recorded an other-than-temporary impairment charge of $1.9 million on its non-publicly traded investment accounted for using the cost method, due to the deterioration of the credit market and economic environment.

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The following table provides a summary of changes in fair value of the Company's minority investments in certain non-public companies, all of which utilize Level 3 inputs under the fair value hierarchy:

(In thousands)	Common and Preferred Stock June 28, 2009	Common and Preferred Stock June 29, 2008
Balance at the beginning of the period	$ 32,066	$ 5,304
Purchases	—	12,625
Payments	(19)	—
Equity in earnings of unconsolidated investees	4,378	2,976
Balance at the end of the period	$ 36,425	$ 20,905

Note 7. ADVANCES TO SUPPLIERS

The Company has entered into agreements with various polysilicon, ingot, wafer, solar cell and solar panel vendors that specify future quantities and pricing of products to be supplied by the vendors for periods up to 12 years. Certain agreements also provide for penalties or forfeiture of advanced deposits in the event the Company terminates the arrangements (see Note 10). Under certain agreements, the Company is required to make prepayments to the vendors over the terms of the arrangements. In the first half of fiscal 2009, the Company paid advances totaling $5.6 million in accordance with the terms of existing supply agreements. As of June 28, 2009 and December 28, 2008, advances to suppliers totaled $140.9 million and $162.6 million, respectively, the current portion of which is $27.7 million and $43.2 million, respectively.

The Company's future prepayment obligations related to these agreements as of June 28, 2009 are as follows (in thousands):

2009 (remaining six months)	$ 92,546
2010	161,414
2011	121,564
2012	72,694
	$ 448,218

Note 8. ADVANCES FROM CUSTOMERS

From time to time, the Company enters into agreements where customers make advances for future purchases of solar power products. In general, the Company pays no interest on the advances and applies the advances as shipments of products occur.

In August 2007, the Company entered into an agreement with a third-party to supply polysilicon. Under the polysilicon agreement, the Company received advances of $40.0 million in each of fiscal 2008 and 2007 from this third party. Commencing in fiscal 2010 and continuing through 2019, these advance payments are to be applied as a credit against the third party's polysilicon purchases from the Company. Such polysilicon is expected to be used by the third party to manufacture ingots, and potentially wafers, which are to be sold to the Company under an ingot supply agreement. As of June 28, 2009, the outstanding advance was $80.0 million of which $4.0 million had been classified in short-term customer advances and $76.0 million in long-term customer advances in the accompanying Condensed Consolidated Balance Sheets, based on projected product shipment dates. As of December 28, 2008, the outstanding advance of $80.0 million was classified in long-term customer advances. The Company provided security for advances of $40.0 million received in fiscal 2008 in the form of collateralized manufacturing equipment with a net

book value of $39.4 million and $43.1 million as of June 28, 2009 and December 28, 2008, respectively (see Note 4).

In April 2005, the Company entered into an agreement with one of its customers to supply solar cells. As part of this agreement, the customer agreed to fund 30.0 million Euros (approximately $35.5 million based on the exchange rate as of January 1, 2006) for the expansion of the Company's manufacturing capacity to support this customer's solar cell product demand. Beginning on January 1, 2006, the Company was obligated to pay interest at a rate of 5.7% per annum on the remaining unpaid balance. The Company's settlement of principal on the advances was recognized over product deliveries at a specified rate on a per-unit-of-product-delivered basis through the second quarter of fiscal 2009. As of June 28, 2009, the remaining outstanding advance was 10.3 million Euros (approximately $14.5 million based on the exchange rate as of June 28, 2009) of which $8.4 million and $6.1 million had been classified in short-term and long-term customer advances, respectively. As of December 28, 2008, the remaining outstanding advance was 12.5 million Euros (approximately $17.5 million based on the exchange rate as of December 28, 2008) of which $8.4 million and $9.1 million had been classified in short-term and long-term customer advances, respectively. The Company has utilized all funds advanced by this customer towards expansion of the Company's manufacturing capacity.

The Company has also entered into other agreements with customers who have made advance payments for solar products. These advances will be applied as shipments of product occur. As of June 28, 2009 and December 28, 2008, such customers had made advances of $7.7 million and $12.9 million, respectively.

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The estimated utilization of advances from customers and the related interest of $0.7 million thereto are (in thousands):

2009 (remaining six months)	$	10,295
2010		20,314
2011		8,282
2012		8,000
2013		8,000
Thereafter		48,000
	$	102,891

Note 9. RESTRUCTURING COSTS

The Company records restructuring costs in accordance with SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (“SFAS No. 146”). In response to deteriorating economic conditions, the Company reduced its global workforce of regular employees by approximately 80 positions in the first half of fiscal 2009 in order to reduce its annual operating expenses. The restructuring actions included charges of $0.5 million and $1.7 million in the three and six months ended June 28, 2009, respectively, for severance, benefits and related costs.

A summary of total restructuring activity for the three and six months ended June 28, 2009 is as follows:

	Workforce Reduction Accrual			
(In thousands)		Three Months Ended		Six Months Ended
Balance at the beginning of the period	$	156	$	—
		497		1,682
		(540)		(1,569)
Balance at the end of the period	$	113	$	113

Restructuring accruals totaled $0.1 million as of June 28, 2009 and are recorded in “Accrued liabilities” in the Condensed Consolidated Balance Sheet and represent estimated future cash outlays primarily related to severance expected to be paid within the third quarter of fiscal 2009.

A summary of the charges in the Condensed Consolidated Statements of Operations resulting from workforce reductions during the three and six months ended June 28, 2009 is as follows:

(In thousands)		Three Months Ended		Six Months Ended
Cost of systems revenue	$	80	$	259
Cost of components revenue		21		49
Research and development		53		130
Sales, general and administrative		343		1,244
Total restructuring charges	$	497	$	1,682

Note 10. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The Company leases its San Jose, California facility under a non-cancelable operating lease from Cypress, which expires in April 2011. In addition, the Company leases its Richmond, California facility under a non-cancelable operating lease from an unaffiliated third-party, which expires in September 2018. The Company also has various lease arrangements, including for its European headquarters located in Geneva, Switzerland under a lease that expires in September 2012, as well as sales and support offices in Southern California, New Jersey, Australia, Canada, Germany, Italy, Spain and South Korea, all of which are leased from unaffiliated third-parties. Future minimum obligations under all non-cancelable operating leases as of June 28, 2009 are as follows (in thousands):

2009 (remaining six months)	$	2,828
2010		5,063
2011		3,735
2012		2,843
2013		2,761
Thereafter		14,630
	$	31,860

Purchase Commitments

The Company purchases raw materials for inventory, services and manufacturing equipment from a variety of vendors. During the normal course of business, in order to manage manufacturing lead times and help assure adequate supply, the Company enters into agreements with contract manufacturers and suppliers that either allow them to procure goods and services based upon specifications defined by the Company, or that establish parameters defining the Company's requirements. In certain instances, these agreements allow the Company the option to cancel, reschedule or adjust the Company's requirements based on its business needs prior to firm orders being placed. Consequently, only a portion of the Company's disclosed purchase commitments arising from these agreements are firm, non-cancelable and unconditional commitments.

The Company also has agreements with several suppliers, including joint ventures, for the procurement of polysilicon, ingots, wafers, solar cells and solar panels which specify future quantities and pricing of products to be supplied by the vendors for periods up to 12 years and provide for certain consequences, such as forfeiture of advanced deposits and liquidated damages relating to previous purchases, in the event that the Company terminates the arrangements (see Note 7).

As of June 28, 2009, total obligations related to non-cancelable purchase orders totaled approximately $82.9 million and long-term supply agreements totaled approximately $4,040.3 million. Future purchase obligations under non-cancelable purchase orders and long-term supply agreements as of June 28, 2009 are as follows (in thousands):

2009 (remaining six months)	$ 283,425
2010	585,909
2011	584,502
2012	360,028
2013	278,338
Thereafter	2,031,026
	$ 4,123,228

Total future purchase commitments of $4,123.2 million as of June 28, 2009 include tolling agreements with suppliers in which the Company provides polysilicon required for silicon ingot manufacturing and procures the manufactured silicon ingots from the supplier. Annual future purchase commitments in the table above are calculated using the gross price paid by the Company for silicon ingots and are not reduced by the price paid by suppliers for polysilicon. Total future purchase commitments as of June 28, 2009 would be reduced by $598.7 million to $3,524.5 million had the Company's obligations under such tolling agreements been disclosed using net cash outflows.

Product Warranties

The Company generally warrants or guarantees the performance of the solar panels that it manufactures at certain levels of power output for 25 years. In addition, the Company passes through to customers long-term warranties from the original equipment manufacturers ("OEMs") of certain system components. Warranties of 25 years from solar panels suppliers are standard in the solar industry, while inverters typically carry warranty periods ranging from 5 to 10 years. In addition, the Company generally warrants its workmanship on installed systems for a period of 1, 2, 5 or 10 years. The Company maintains reserves to cover potential liability that could result from these warranties. The Company's potential liability is generally in the form of product replacement or repair. Warranty reserves are based on the Company's best estimate of such liabilities and are recognized as a cost of revenue. The Company continuously monitors product returns for warranty failures and maintains a reserve for the related warranty expenses based on various factors including, historical warranty claims, results of accelerated lab testing, field monitoring, vendor reliability estimates, and data on industry averages for similar products. Historically, warranty costs have been within

management's expectations.

Provisions for warranty reserves charged to cost of revenue were $5.3 million and $9.0 million during the three and six months ended June 28, 2009, respectively, and $4.9 million and $9.8 million for the three and six months ended June 29, 2008, respectively. Activity within accrued warranty for the three and six months ended June 28, 2009 and June 29, 2008 is summarized as follows:

	Three Months Ended		Six Months Ended	
(In thousands)	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Balance at the beginning of the period	$ 30,566	$ 19,517	$ 28,062	$ 17,194
Accruals for warranties issued during the period	5,316	4,941	8,993	9,840
Settlements made during the period	(1,774)	(1,937)	(2,947)	(4,513)
Balance at the end of the period	$ 34,108	$ 22,521	$ 34,108	$ 22,521

The accrued warranty balance at June 28, 2009 and December 28, 2008 includes $27.8 million and $24.4 million, respectively, of accrued costs included in “Other long-term liabilities” in the Condensed Consolidated Balance Sheets.

System Put-Rights

EPC projects often require the Systems Segment to undertake customer obligations including: (i) system output performance guarantees; (ii) system maintenance; (iii) penalty payments or customer termination rights if the system the Company is constructing is not commissioned within specified timeframes or other construction milestones are not achieved; (iv) guarantees of certain minimum residual value of the system at specified future dates; and (v) system put-rights whereby the Company could be required to buy-back a customer’s system at fair value on specified future dates if certain minimum performance thresholds are not met. To date, no such repurchase obligations have been required.

Uncertain Tax Positions

Total liabilities associated with uncertain tax positions under FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, and Related Implementation Issues” (“FIN 48”), were $14.0 million as of both June 28, 2009 and December 28, 2008 and are included in "Other long-term liabilities" in the Company’s Condensed Consolidated Balance Sheets as they are not expected to be paid within the next twelve months. Due to the complexity and uncertainty associated with its tax positions, the Company cannot make a reasonably reliable estimate of the period in which cash settlement will be made for its liabilities associated with uncertain tax positions in other long-term liabilities.

Indemnifications

The Company is a party to a variety of agreements pursuant to which it may be obligated to indemnify the other party with respect to certain matters. Typically, these obligations arise in connection with contracts and license agreements or the sale of assets, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of warranties, representations and covenants related to such matters as title to assets sold, negligent acts, damage to property, validity of certain intellectual property rights, non-infringement of third-party rights and certain tax related matters. In each of these circumstances, payment by the Company is typically subject to the other party making a claim to the Company pursuant to the procedures specified in the particular contract. These procedures usually allow the Company to challenge the other party’s claims or, in case of breach of intellectual property representations or covenants, to control the defense or settlement of any third-party claims brought against the other party. Further, the Company’s obligations under these agreements may be limited in terms of activity (typically to replace or correct the products or terminate the agreement with a refund to the other party), duration and/or amounts. In some instances, the Company may have recourse against third-parties and/or insurance covering certain payments made by the Company.

For up to two years (or possibly longer) after the date of Cypress’s distribution of the Company’s class B common stock on September 29, 2008, the Company cannot issue 85.8 million or more shares of its class A common stock or participate in one or more transactions (excluding the distribution itself) in which 42 million or more shares of its then-existing class A common stock were acquired, if any such transaction(s) are in connection with a plan or series of related transactions that includes the distribution. If the Company were to participate in such a transaction, and thereby triggered tax to Cypress on the distribution, then assuming that Cypress distributed 42 million shares, Cypress’s top marginal income tax rate was 40% for federal and state income tax purposes, the fair market value of the class B common stock was $25.00 per share, and Cypress’s tax basis in such stock was $5.00 per share on the date of the distribution, the Company’s liability under its indemnification obligation to Cypress would be approximately $336.0 million.

Legal Matters

From time to time the Company is a party to litigation matters and claims that are normal in the course of its operations. While the Company believes that the ultimate outcome of these matters will not have a material adverse effect on the Company, the outcome of these matters is not determinable and negative outcomes may adversely affect its financial position, liquidity or results of operations.

Note 11. JOINT VENTURES

Woongjin Energy Co., Ltd ("Woongjin Energy")

The Company and Woongjin Holdings Co., Ltd. ("Woongjin"), a provider of environmental products located in Korea, formed Woongjin Energy in fiscal 2006, a joint venture to manufacture monocrystalline silicon ingots. The Company and Woongjin have funded the joint venture through capital investments. In January 2008, the Company invested an additional $5.4 million in the joint venture. Until Woongjin Energy engages in an IPO, Woongjin Energy will refrain from declaring or making any distributions, including dividends, unless its debt-to-equity ratio immediately following such distribution would not be greater than 200%. The Company supplies polysilicon, services and technical support required for silicon ingot manufacturing to the joint venture, and the Company procures the manufactured silicon ingots from the joint venture under a five-year agreement. Payments to Woongjin Energy for manufacturing silicon ingots totaled $42.5 million and $74.8 million during the three and six months ended June 28, 2009, respectively, and $9.2 million and $15.0 million during the three and six months ended June 29, 2008, respectively. As of June 28, 2009 and December 28, 2008, $13.6 million and $22.5 million, respectively, remained due and payable to Woongjin Energy.

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As of June 28, 2009 and December 28, 2008, the Company had a $28.5 million and $24.0 million, respectively, investment in the joint venture in its Condensed Consolidated Balance Sheets which represented a 42.1% equity investment. The Company periodically evaluates the qualitative and quantitative attributes of its relationship with Woongjin Energy to determine whether the Company is the primary beneficiary of the joint venture and needs to consolidate Woongjin Energy's results into the Company's financial statements in accordance with FIN 46(R). The Company has concluded it is not the primary beneficiary of the joint venture because Woongjin Energy supplies only a portion of the Company's future estimated total ingot requirement through 2012 and the existing supply agreement is shorter than the estimated economic life of the joint venture. In addition, the Company believes that Woongjin is the primary beneficiary of the joint venture because Woongjin guarantees the initial $33.0 million loan for Woongjin Energy and exercises significant control over Woongjin Energy's board of directors, management, and daily operations.

The Company accounts for its investment in Woongjin Energy using the equity method of accounting in which the investment is classified as "Other long-term assets" in the Condensed Consolidated Balance Sheets and the Company's share of Woongjin Energy's income totaling $3.2 million and $4.5 million for the three and six months ended June 28, 2009, respectively, and $2.4 million and $3.0 million for the three and six months ended June 29, 2008, respectively, is included in "Equity in earnings of unconsolidated investees" in the Condensed Consolidated Statements of Operations. The amount of equity earnings increased year-over-year due to: (i) increases in production since Woongjin Energy began manufacturing in the third quarter of fiscal 2007 and (ii) the Company's equity investment increased from 28.8% as of June 29, 2008 to 42.1% as of June 28, 2009. Neither party has contractual obligations to provide any additional funding to the joint venture. The Company's maximum exposure to loss as a result of its involvement with Woongjin Energy is limited to its carrying value.

The Company conducted other related-party transactions with Woongjin Energy during fiscal 2008. The Company recognized zero and $0.6 million in components revenue during the three and six months ended June 29, 2008, respectively, related to the sale of solar panels to Woongjin Energy. As of June 28, 2009 and December 28, 2008, zero and $0.8 million, respectively, remained due and receivable from Woongjin Energy related to the sale of solar panels.

Summarized financial information adjusted to conform to U.S. GAAP for Woongjin Energy, as it qualifies as a "significant investee" of the Company as defined in SEC Regulation S-X Rule 1-02(bb) during the six months ended June 28, 2009, is as follows:

(In thousands)	Six Months Ended
Revenue	$ 43,701
Gross margin	25,993
Operating income	23,817
Net income	12,339

First Philec Solar Corporation ("First Philec Solar")

The Company and First Philippine Electric Corporation ("First Philec") formed First Philec Solar in fiscal 2007, a joint venture to provide wafer slicing services of silicon ingots to the Company. The Company and First Philec have funded the joint venture through capital investments. In fiscal 2008, the Company invested an additional $4.2 million in the joint venture. The Company supplies to the joint venture silicon ingots and technology required for slicing silicon, and the Company procures the silicon wafers from the joint venture under a five-year wafering supply and sales agreement. This joint venture is located in the Philippines and became operational in the second quarter of fiscal 2008. In the three and six months ended June 28, 2009, the Company paid $9.0 million and $15.8 million, respectively, to First Philec Solar for wafer slicing services of silicon ingots. As of June 28, 2009 and December 28, 2008, $3.3

million and $1.9 million, respectively, remained due and payable to First Philec Solar.

As of June 28, 2009 and December 28, 2008, the Company had a $4.9 million and $5.0 million, respectively, investment in the joint venture in its Condensed Consolidated Balance Sheets which represented a 19% equity investment. The Company periodically evaluates the qualitative and quantitative attributes of its relationship with First Philec Solar to determine whether the Company is the primary beneficiary of the joint venture and needs to consolidate First Philec Solar’s results into the Company’s financial statements in accordance with FIN 46(R). The Company has concluded it is not the primary beneficiary of the joint venture because the existing five-year agreement discussed above is considered a short period compared against the estimated economic life of the joint venture. In addition, the Company believes that First Philec is the primary beneficiary of the joint venture because First Philec exercises significant control over First Philec Solar’s board of directors, management, and daily operations.

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The Company accounts for this investment using the equity method of accounting since the Company is able to exercise significant influence over First Philec Solar due to its board positions. The Company's investment is classified as "Other long-term assets" in the Condensed Consolidated Balance Sheets and the Company's share of First Philec Solar's losses totaling $0.1 million in each of the three and six months ended June 28, 2009 is included in "Equity in earnings of unconsolidated investees" in the Condensed Consolidated Statement of Operations. The Company's maximum exposure to loss as a result of its involvement with First Philec Solar is limited to its carrying value.

Note 12. DEBT AND CREDIT SOURCES

Line of Credit

On July 13, 2007, the Company entered into a credit agreement with Wells Fargo Bank, N.A. ("Wells Fargo") and has entered into amendments to the credit agreement from time to time. As of June 28, 2009, the credit agreement provides for a $50.0 million revolving credit line, with a $50.0 million letter of credit subfeature, and a separate $150.0 million collateralized letter of credit facility. The Company may borrow up to $50.0 million and request that Wells Fargo issue up to $50.0 million in letters of credit under the letter of credit subfeature through March 27, 2010. Letters of credit issued under the subfeature reduce the Company's borrowing capacity under the revolving credit line. Additionally, the Company may request that Wells Fargo issue up to $150.0 million in letters of credit under the collateralized letter of credit facility through March 27, 2014. As detailed in the agreement, the Company pays interest of LIBOR plus 2% on outstanding borrowings under the revolving credit line, and a fee of 2% and 0.2% to 0.4% depending on maturity for outstanding letters of credit under the letter of credit subfeature and collateralized letter of credit facility, respectively. At any time, the Company can prepay outstanding loans without penalty. All borrowings under the revolving credit line must be repaid by March 27, 2010, and all letters of credit issued under the letter of credit subfeature expire on or before March 27, 2010 unless the Company provides by such date collateral in the form of cash or cash equivalents in the aggregate amount available to be drawn under letters of credit outstanding at such time. All letters of credit issued under the collateralized letter of credit facility expire no later than March 27, 2014.

In connection with the credit agreement, the Company entered into a security agreement with Wells Fargo, granting a security interest in a securities account and a deposit account to secure its obligations in connection with any letters of credit that might be issued under the collateralized letter of credit facility. SunPower North America, LLC and SunPower Corporation, Systems ("SP Systems"), both wholly-owned subsidiaries of the Company, also entered into an associated continuing guaranty with Wells Fargo. In addition, SP Systems pledged 60% of its equity interest in SunPower Systems SARL to Wells Fargo in the second quarter of fiscal 2009 to collateralize up to $50.0 million of the Company's obligations under the revolving credit line. The terms of the credit agreement include certain conditions to borrowings, representations and covenants, and events of default customary for financing transactions of this type. Covenants contained in the credit agreement include, but are not limited to, restrictions on the incurrence of additional indebtedness, pledging of assets, payment of dividends or distribution on its common stock, and purchases of property, plant and equipment and financial covenants with respect to certain liquidity, net worth and profitability metrics. If the Company fails to comply with the financial and other restrictive covenants contained in the credit agreement resulting in an event of default, all debt to Wells Fargo could become immediately due and payable and the Company's other debt may become due and payable in the event there are cross-default provisions in the agreements governing such debt.

As of June 28, 2009 and December 28, 2008, no amounts were outstanding on the revolving credit line and letters of credit totaling $49.1 million and $29.9 million, respectively, were issued by Wells Fargo under the letter of credit subfeature. In addition, letters of credit totaling $93.1 million and $76.5 million were issued by Wells Fargo under the collateralized letter of credit facility as of June 28, 2009 and December 28, 2008, respectively. As of June 28, 2009 and December 28, 2008, cash available to be borrowed under the revolving credit line was $0.9 million and $20.1 million, respectively, and includes letter of credit capacities available to be issued by Wells Fargo under the letter of

credit subfeature. Letters of credit available under the collateralized letter of credit facility at June 28, 2009 and December 28, 2008 totaled $56.9 million and $73.5 million, respectively.

Term Loan with Union Bank, N.A. ("Union Bank")

On April 17, 2009, the Company entered into a loan agreement with Union Bank under which the Company borrowed $30.0 million for a term of three years at an interest rate of LIBOR plus 2%, or approximately 2.3% at June 28, 2009. The loan is to be repaid in eight equal quarterly installments of principal plus interest commencing June 30, 2010. Unless and until the Company has granted to Union Bank a security interest in cash collateral not less than 105% of the outstanding principal amount of the loan, the Company must maintain a depository account with Union Bank holding a predetermined amount of funds. During the first year of the loan, such account is required to hold at all times a balance equal to the aggregate sum of $10.0 million plus interest due and payable during the following 12 months, calculated monthly on a rolling basis. During the second and third years of the loan, such account is required to hold at all times a balance equal to the aggregate payments due and payable with respect to principal and interest during the following 12 months, calculated monthly on a rolling basis. In connection with the loan agreement, the Company entered into a security agreement with Union Bank, which will grant a security interest in the deposit account in favor of Union Bank on April 1, 2010 if, prior to then, all of the Company's 0.75% debentures have not been converted or exchanged in a manner satisfactory to Union Bank. SunPower North America, LLC and SP Systems, both wholly-owned subsidiaries of the Company, have each guaranteed $30.0 million in principal plus interest of the Company's obligations under the loan agreement. The agreements governing the term loan with Union Bank include certain representations, covenants, and events of default customary for financing transactions of this type.

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Debt Facility Agreement with the Malaysian Government

On December 18, 2008, the Company entered into a facility agreement with the Malaysian Government. In connection with the facility agreement, the Company executed a debenture and deed of assignment in favor of the Malaysian Government, granting a security interest in a deposit account and all assets of SunPower Malaysia Manufacturing Sdn. Bhd., a wholly-owned subsidiary of the Company, to secure its obligations under the facility agreement.

Under the terms of the facility agreement, the Company may borrow up to Malaysian Ringgit 1.0 billion (approximately $283.1 million based on the exchange rate as of June 28, 2009) to finance the construction of its third solar cell manufacturing facility in Malaysia. The loans within the facility agreement are divided into two tranches that may be drawn through June 2010. Principal is to be repaid in six quarterly payments starting in July 2015, and a non-weighted average interest rate of approximately 4.4% per annum accrues and is payable starting in July 2015. The Company has the ability to prepay outstanding loans without premium or penalty and all borrowings must be repaid by October 30, 2016. The terms of the facility agreement include certain conditions to borrowings, representations and covenants, and events of default customary for financing transactions of this type. As of June 28, 2009 and December 28, 2008, the Company had borrowed Malaysian Ringgit 375.0 million (approximately $106.2 million based on the exchange rate as of June 28, 2009) and Malaysian Ringgit 190.0 million (approximately $54.6 million based on the exchange rate as of December 28, 2008), respectively, under the facility agreement.

4.75%, 1.25% and 0.75% Convertible Debentures

The following table summarizes the Company’s outstanding convertible debt:

	June 28, 2009			December 28, 2008		
(In thousands)	Carrying Value	Face Value	Fair Value(1)	Carrying Value	Face Value	Fair Value(1)
4.75% debentures	$ 230,000	$ 230,000	$ 264,617	$ —	$ —	—
1.25% debentures	162,339	198,608	155,731	156,350	198,608	143,991
0.75% debentures	140,501	151,883	137,454	200,823	225,000	166,747
	$ 532,840	$ 580,491	$ 557,802	$ 357,173	$ 423,608	$ 310,738

(1) The fair value of the convertible debt was determined based on quoted market prices as reported by an independent pricing source.

In May 2009, the Company issued $230.0 million in principal amount of its 4.75% senior convertible debentures and received net proceeds of $225.0 million, before payment of the offering expenses and the cost of the convertible debenture hedge transactions described below. Interest on the 4.75% debentures is payable on April 15 and October 15 of each year, beginning on October 15, 2009. Holders of the 4.75% debentures are able to exercise their right to convert the debentures at any time into shares of the Company's class A common stock at a conversion price equal to $26.40 per share. The applicable conversion rate may adjust in certain circumstances, including upon a fundamental change, as defined in the indenture governing the 4.75% debentures. If not earlier converted, the 4.75% debentures mature on April 15, 2014. Holders may also require the Company to repurchase all or a portion of their 4.75% debentures upon a fundamental change at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest. In the event of certain events of default, such as the Company's failure to make certain payments or perform or observe certain obligations thereunder, Wells Fargo, the trustee, or holders of a specified amount of then-outstanding 4.75% debentures will have the right to declare all amounts then outstanding due and payable.

In February 2007, the Company issued $200.0 million in principal amount of its 1.25% senior convertible debentures and received net proceeds of $194.0 million. Interest on the 1.25% debentures is payable on February 15 and August 15 of each year, which commenced August 15, 2007. The 1.25% debentures mature on February 15, 2027. Holders may require the Company to repurchase all or a portion of their 1.25% debentures on each of February 15, 2012, February 15, 2017 and February 15, 2022, or if the Company experiences certain types of corporate transactions constituting a fundamental change, as defined in the indenture governing the 1.25% debentures. In addition, the Company may redeem some or all of the 1.25% debentures on or after February 15, 2012. The 1.25% debentures are convertible, subject to certain conditions, into cash up to the lesser of the principal amount or the conversion value. If the conversion value is greater than $1,000, then the excess conversion value will be convertible into the Company's class A common stock. The initial effective conversion price of the 1.25% debentures is approximately $56.75 per share and is subject to customary adjustments in certain circumstances.

In July 2007, the Company issued $225.0 million in principal amount of its 0.75% senior convertible debentures and received net proceeds of $220.1 million. Interest on the 0.75% debentures is payable on February 1 and August 1 of each year, which commenced February 1, 2008. The 0.75% debentures mature on August 1, 2027. Holders may require the Company to repurchase all or a portion of their 0.75% debentures on each of August 1, 2010, August 1, 2015, August 1, 2020, and August 1, 2025, or if the Company is involved in certain types of corporate transactions constituting a fundamental change, as defined in the indenture governing the 0.75% debentures. In addition, the Company may redeem some or all of the 0.75% debentures on or after August 1, 2010. The 0.75% debentures will be classified as short-term debt in the Company's Condensed Consolidated Balance Sheet beginning on August 1, 2009. The 0.75% debentures are convertible, subject to certain conditions, into cash up to the lesser of the principal amount or the conversion value. If the conversion value is greater than $1,000, then the excess conversion value will be convertible into cash, class A common stock or a combination of cash and class A common stock, at the Company's election. The initial effective conversion price of the 0.75% debentures is approximately $82.24 per share and is subject to customary adjustments in certain circumstances.

The 4.75% debentures, 1.25% debentures and 0.75% debentures are senior, unsecured obligations of the Company, ranking equally with all existing and future senior unsecured indebtedness of the Company. The 4.75% debentures, 1.25% debentures and 0.75% debentures are effectively subordinated to the Company's indebtedness to the extent of the value of the related collateral and structurally subordinated to indebtedness and other liabilities of the Company's subsidiaries. The 4.75% debentures, 1.25% debentures and 0.75% debentures do not contain any sinking fund requirements.

If the closing price of the Company's class A common stock equaled or exceeded 125% of the initial effective conversion price governing the 1.25% debentures and/or 0.75% debentures for 20 out of 30 consecutive trading days in the last month of the fiscal quarter then holders of the 1.25% debentures and/or 0.75% debentures have the right to

convert the debentures any day in the following fiscal quarter. For the quarter ended September 28, 2008, the closing price of the Company’s class A common stock equaled or exceeded 125% of the $56.75 per share initial effective conversion price governing the 1.25% debentures for 20 out of 30 consecutive trading days ending on September 28, 2008, thus holders of the 1.25% debentures were able to exercise their right to convert the debentures any day during the fourth quarter in fiscal 2008. As of December 28, 2008, the Company received notices for the conversion of approximately $1.4 million of the 1.25% debentures which the Company settled for approximately $1.2 million in cash and 1,000 shares of class A common stock.

Because the closing price of the Company’s class A common stock on at least 20 of the last 30 trading days during the fiscal quarters ending June 28, 2009, March 29, 2009 and December 28, 2008 did not equal or exceed $70.94, or 125% of the applicable conversion price for its 1.25% debentures, and $102.80, or 125% of the applicable conversion price for its 0.75% debentures, holders of the 1.25% debentures and 0.75% debentures are unable to exercise their right to convert the debentures, based on the market price conversion trigger, any day in the first, second and third quarters of fiscal 2009. Accordingly, the Company classified the 1.25% debentures and 0.75% debentures as long-term debt in its Condensed Consolidated Balance Sheets as of June 28, 2009 and December 28, 2008. This test is repeated each fiscal quarter, therefore, if the market price conversion trigger is satisfied in a subsequent quarter, the debentures may again be re-classified as short-term debt.

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The 1.25% debentures and 0.75% debentures are subject to the provisions of FSP APB 14-1, adopted by the Company on December 29, 2008, since the debentures must be settled at least partly in cash upon conversion. The 4.75% debentures are not subject to the provisions of FSP APB 14-1 since they are only convertible into the Company's class A common stock. The Company estimated that the effective interest rate for similar debt without the conversion feature was 9.25% and 8.125% on the 1.25% debentures and 0.75% debentures, respectively. The principal amount of the outstanding debentures, the unamortized discount and the net carrying value as of June 28, 2009 was $350.5 million, $47.7 million and $302.8 million, respectively, and as of December 28, 2008 was $423.6 million, $66.4 million and $357.2 million, respectively. In the second quarter of fiscal 2009, the Company repurchased a portion of its 0.75% debentures with a principal amount, unamortized discount and net carrying value of $73.1 million, $5.9 million and $67.2 million, respectively, for approximately $67.9 million. The Company recognized $5.9 million and $10.9 million in non-cash interest expense during the three and six months ended June 28, 2009, respectively, related to the adoption of FSP APB 14-1, as compared to $4.3 million and $8.7 million during the three and six months ended June 29, 2008, respectively (see Note 1). As of June 28, 2009, the remaining weighted average period over which the unamortized discount will be recognized is as follows (in thousands):

2009 (remaining six months)	$	11,405
2010		19,661
2011		14,687
2012		1,898
	$	47,651

Call Spread Overlay ("CSO")

Concurrent with the issuance of the 4.75% debentures, the Company entered into certain convertible debenture hedge transactions (the "Purchased Options") with affiliates of certain of the 4.75% debenture underwriters. The Purchased Options allow the Company to purchase up to approximately 8.7 million shares of the Company's class A common stock and are intended to reduce the potential dilution upon conversion of the 4.75% debentures in the event that the market price per share of the Company's class A common stock at the time of exercise is greater than the conversion price of the 4.75% debentures. The Purchased Options will be settled on a net share basis. Each convertible debenture hedge transaction is a separate transaction, entered into by the Company with each option counter-party, and is not part of the terms of the 4.75% debentures. The Company paid aggregate consideration of $97.3 million for the Purchased Options on May 4, 2009. The exercise price of the Purchased Options is $26.40 per share of the Company's class A common stock, subject to adjustment for customary anti-dilution and other events.

Under EITF 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" ("EITF 07-5"), the Purchased Options are deemed to be a mark-to-market derivative during the period in which the over-allotment option in favor of the 4.75% debenture underwriters is unexercised. The Company entered into the debenture underwriting agreement on April 28, 2009 and the 4.75% debenture underwriters exercised the over-allotment option in full on April 29, 2009. During the one-day period that the underwriters' over-allotment option was outstanding, the Company's class A common stock price increased substantially, resulting in a non-cash non-taxable gain on Purchased Options of $21.2 million in each of the three and six months ended June 28, 2009 in its Condensed Consolidated Statements of Operations.

The Company also entered into certain warrant transactions whereby the Company agreed to sell to affiliates of certain of the 4.75% debenture underwriters warrants (the "warrants") to acquire up to approximately 8.7 million shares of the Company's class A common stock. The warrants expire in 2014. If the market price per share of the Company's class A common stock exceeds the exercise price of the warrants, the warrants will have a dilutive effect on the Company's earnings per share. Each warrant transaction is a separate transaction, entered into by the Company with each option counter-party, and is not part of the terms of the 4.75% debentures. Holders of the 4.75% debentures do

not have any rights with respect to the warrants. The warrants were sold for aggregate cash consideration of approximately $71.0 million on May 4, 2009. The exercise price of the warrants is $38.50 per share of the Company's class A common stock, subject to adjustment for customary anti-dilution and other events.

The Purchased Options and sale of warrants described above represent a CSO with respect to the 4.75% debentures. Assuming full performance by the counter-parties, the transactions effectively increase the conversion price of the 4.75% debentures from $26.40 to $38.50. The Company's net cost of the Purchased Options and sale of warrants for the CSO was $26.3 million.

Note 13. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income (loss) includes unrealized gains and losses on the Company's available-for-sale investments, foreign currency derivatives designated as cash flow hedges and translation adjustments. The components of comprehensive income (loss) were as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	June 28, 2009	June 29, 2008 (As Restated)	June 28, 2009	June 29, 2008
Net income	$ 14,559	$ 26,802	$ 4,857	$ 37,945
Other comprehensive income (loss):				
Translation adjustment	2,550	1,924	(14,058)	12,329
Unrealized gain (loss) on investments, net of tax	—	469	8	(1,002)
Unrealized gain (loss) on derivatives, net of tax	(18,968)	5,051	3,566	3,595
Total comprehensive income (loss)	$ (1,859)	$ 34,246	$ (5,627)	$ 52,867

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Note 14. FOREIGN CURRENCY DERIVATIVES

The Company has non-U.S. subsidiaries that operate and sell the Company's products in various global markets, primarily in Europe. As a result, the Company is exposed to risks associated with changes in foreign currency exchange rates. It is the Company's policy to use various hedge instruments to manage the exposures associated with purchases of foreign sourced equipment, net asset or liability positions of its subsidiaries and forecasted revenues and expenses. Beginning in the second quarter of fiscal 2008, the Company changed the flow of transactions to European subsidiaries that have Euro functional currency, resulting in greater exposure to changes in the value of the Euro and limiting the Company's ability to fully hedge certain Euro-denominated revenue. The Company currently does not enter into foreign currency derivative financial instruments for speculative or trading purposes.

On December 29, 2008, the Company adopted SFAS No. 161 which had no financial impact on the Company's condensed consolidated financial statements and only required additional financial statement disclosures related to derivatives (see Note 1). The Company has applied the requirements of SFAS No. 161 on a prospective basis. Accordingly, disclosures related to interim periods prior to the date of adoption have not been presented.

Under SFAS No. 133, the Company is required to recognize derivative instruments as either assets or liabilities at fair value in the Condensed Consolidated Balance Sheets. The Company calculates the fair value of its option and forward contracts based on market volatilities, spot rates and interest differentials from published sources. The following table presents information about the Company's hedge instruments measured at fair value on a recurring basis as of June 28, 2009 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value in accordance with the provisions of SFAS No. 157:

(In thousands)	Balance Sheet Classification	Significant Other Observable Inputs (Level 2)
Assets		
Cash flow hedges under SFAS No. 133:		
Foreign currency option contracts	Prepaid expenses and other current assets	$ 1,378
Liabilities		
Cash flow hedges under SFAS No. 133:		
Foreign currency forward exchange contracts	Accrued liabilities	$ 28,477

The following table summarizes the amount of unrealized loss recognized in "Accumulated other comprehensive loss" ("OCI") in "Stockholders' equity" in the Condensed Consolidated Balance Sheet:

(In thousands)	Unrealized Loss Recognized in OCI (Effective Portion)	Loss Reclassified from OCI to Cost of Revenue (Effective Portion)		Loss Recognized in Other, Net on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	As of June 28,	Three Months	Six Months Ended	Three Months	Six Months Ended

	2009	Ended June 28, 2009	June 28, 2009	Ended June 28, 2009	June 28, 2009
Cash flow hedges:					
Foreign currency forward exchange contracts	$ (22,520)	$ —	$ (125)	$ (180)	$ (1,658)
Foreign currency option contracts	—	—	—	(391)	(876)
	$ (22,520)	$ —	$ (125)	$ (571)	$ (2,534)

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The following table summarizes the amount of loss recognized in "Other, net" in the Condensed Consolidated Statements of Operations in the three and six months ended June 28, 2009:

(In thousands)	Three Months Ended June 28, 2009	Six Months Ended June 28, 2009
Balance sheet hedges not designated as hedging instruments under SFAS No. 133:		
Foreign currency forward exchange contracts	$ (2,148)	$ (3,986)

Foreign Currency Exchange Risk

Cash Flow Exposure

The Company's subsidiaries have had and will continue to have material cash flows, including revenues and expenses, that are denominated in currencies other than their functional currencies. The Company's cash flow exposure primarily relates to trade accounts receivable and accounts payable. Changes in exchange rates between the Company's subsidiaries' functional currencies and other currencies in which they transact will cause fluctuations in cash flows expectations and cash flows realized or settled. Accordingly, the Company enters into option and forward contracts to hedge the value of a portion of these forecasted cash flows.

In accordance with SFAS No. 133, the Company accounts for its hedges of forecasted foreign currency purchases as cash flow hedges. As of June 28, 2009, the Company has outstanding cash flow hedge forward contracts and option contracts with an aggregate notional value of $391.7 million and $50.3 million, respectively. As of December 28, 2008, the Company had outstanding cash flow hedge forward contracts and option contracts with an aggregate notional value of $364.5 million and $147.5 million, respectively. The maturity dates of the outstanding contracts as of June 28, 2009 range from July 2009 to June 2010. Changes in fair value of the effective portion of hedge contracts are recorded in "Accumulated other comprehensive loss" in "Stockholders' equity" in the Condensed Consolidated Balance Sheets. Amounts deferred in accumulated other comprehensive loss are reclassified to "Cost of revenue" in the Condensed Consolidated Statements of Operations in the periods in which the hedged exposure impacts earnings. The Company expects to reclassify $22.5 million of net losses related to these option and forward contracts that are included in accumulated other comprehensive loss at June 28, 2009 to "Cost of revenue" in the following twelve months as the Company realizes the cost effects of the related forecasted foreign currency cost of revenue transactions. The amounts ultimately recorded in the Condensed Consolidated Statements of Operations will be contingent upon the actual exchange rates when the related forecasted foreign currency cost of revenue transactions are realized, and therefore, unrealized losses at June 28, 2009 could change.

Cash flow hedges are tested for effectiveness each period on an average to average rate basis using regression analysis. The change in the time value of the options as well as the cost of forward points (the difference between forward and spot rates at inception) on forward exchange contracts are excluded from the Company's assessment of hedge effectiveness. The premium paid or time value of an option whose strike price is equal to or greater than the market price on the date of purchase is recorded as an asset in the Condensed Consolidated Balance Sheets. Thereafter, any change to this time value and the cost of forward points is included in "Other, net" in the Condensed Consolidated Statements of Operations. Amounts recorded in "Other, net" were losses of $0.6 million and $2.5 million during the three and six months ended June 28, 2009, respectively, due to loss in time value and cost of forward points, as compared to zero during the comparable periods of 2008.

Transaction Exposure

Other derivatives not designated as hedging instruments under SFAS No. 133 consist of forward contracts used to hedge the net balance sheet effect of foreign currency denominated assets and liabilities primarily for intercompany transactions, receivables from customers, prepayments to suppliers and advances received from customers. Changes in exchange rates between the Company's subsidiaries' functional currencies and the currencies in which these assets and liabilities are denominated can create fluctuations in the Company's reported consolidated financial position, results of operations and cash flows. The Company enters into forward contracts to hedge foreign currency denominated monetary assets and liabilities against the short-term effects of currency exchange rate fluctuations. The Company records its derivative contracts at fair value with the related gains or losses recorded in "Other, net." The gains or losses on these contracts are substantially offset by transaction gains or losses on the underlying balances being hedged. As of June 28, 2009 and December 28, 2008, the Company held forward contracts with an aggregate notional value of $394.6 million and $66.6 million, respectively, to hedge balance sheet exposure related to transactions with third-parties. These forward contracts have maturities of one month or less.

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Credit Risk

The Company’s option and forward contracts do not contain any credit-risk-related contingent features. The Company is exposed to credit losses in the event of nonperformance by the counter-parties of its option and forward contracts. The Company enters into derivative contracts with high-quality financial institutions and limits the amount of credit exposure to any one counter-party. In addition, the derivative contracts are limited to a time period of less than one year and the Company continuously evaluates the credit standing of its counter-party financial institutions.

Note 15. INCOME TAXES

In the three and six months ended June 28, 2009, the Company’s effective rate of income tax benefit of 84.2% and 102.0%, respectively, was primarily attributable to domestic and foreign income taxes in certain jurisdictions where the Company’s operations were profitable, net of nondeductible amortization of purchased other intangible assets, discrete stock option deductions and the discrete non-cash non-taxable gain on purchased options of $21.2 million. The Company’s income tax provision for the three and six months ended June 29, 2008 of 16.1% and 14.6%, respectively, was primarily attributable to domestic and foreign income taxes in certain jurisdictions where the Company’s operations were profitable, net of the consumption of non-stock net operating loss carryforwards. As a result of the Company’s adoption of FSP APB 14-1, the tax provision during the three and six months ended June 29, 2008 was retroactively adjusted from 35.6% and 33.4%, respectively, to 16.1% and 14.6%, respectively (see Note 1). The Company’s interim period tax provision is estimated based on the expected annual worldwide tax rate and takes into account the tax effect of discrete items.

Note 16. NET INCOME PER SHARE OF CLASS A AND CLASS B COMMON STOCK

Effective December 29, 2008, the Company adopted FSP EITF 03-6-1, which requires to include certain participating securities when it uses the two-class method to calculate net income per share. Under the two-class method, net income per share is computed by dividing earnings allocated to common stockholders by the weighted-average number of common shares outstanding for the period. In applying the two-class method, earnings are allocated to both common stock and other participating securities based on their respective weighted-average shares outstanding during the period. No allocation is generally made to other participating securities in the case of a loss per share. In accordance with the implementation provisions of FSP EITF 03-6-1, prior period share data and net income per share has been retrospectively adjusted (see Note 1).

Basic weighted-average shares is computed using the weighted-average of the combined class A and class B common stock outstanding. Class A and class B common stock are considered equivalent securities for purposes of the earnings per share calculation because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation. The Company's outstanding unvested restricted stock awards are considered participating securities as they may participate in dividends, if declared, even though the awards are not vested. As participating securities, the unvested restricted stock awards are allocated a proportionate share of net income, but excluded from the basic weighted-average shares. Diluted weighted-average shares is computed using basic weighted-average shares plus any potentially dilutive securities outstanding during the period using the if-converted method and treasury-stock-type method, except when their effect is anti-dilutive. Potentially dilutive securities include stock options, restricted stock units and senior convertible debentures.

The following is a summary of other outstanding anti-dilutive potential common stock:

	As of	
(In thousands)	June 28, 2009	June 29, 2008

Stock options	407	17
Restricted stock units	2,014	301

The following table presents the calculation of basic and diluted net income per share:

(In thousands, except per share data)	Three Months Ended June 28, 2009	Three Months Ended June 29, 2008 (As Restated)	Six Months Ended June 28, 2009	Six Months Ended June 29, 2008 (As Restated)
Basic net income per share:				
Net income	$ 14,559	$ 26,802	$ 4,857	$ 37,945
Less: Undistributed earnings allocated to unvested restricted stock awards	(53)	(373)	(20)	(560)
Net income available to common stockholders	$ 14,506	$ 26,429	$ 4,837	$ 37,385
Basic weighted-average common shares	90,873	79,412	87,311	79,188
Basic net income per share	$ 0.16	$ 0.33	$ 0.06	$0.47
Diluted net income per share:				
Net income	$ 14,559	$ 26,802	$ 4,857	$ 37,945
Less: Undistributed earnings allocated to unvested restricted stock awards	(52)	(355)	(20)	(533)
Diluted net income	$ 14,507	$ 26,447	$ 4,837	$ 37,412
Basic weighted-average common shares	90,873	79,412	87,311	79,188
Effect of dilutive securities:				
Stock options	1,625	2,649	1,700	2,843
Restricted stock units	142	100	99	69
1.25% debentures	—	1,145	—	1,052
0.75% debentures	—	59	—	30
Diluted weighted-average common shares	92,640	83,365	89,110	83,182
Diluted net income per share	$ 0.16	$ 0.32	$ 0.05	$0.45

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After reviewing the circumstances of the LBIE administrative proceedings regarding the Lehman bankruptcy, the Company recorded approximately 2.9 million shares of class A common stock lent to LBIE in connection with the 1.25% debentures as issued and outstanding starting on September 15, 2008, the date on which LBIE commenced administrative proceedings, for the purpose of computing and reporting the Company's basic weighted-average common shares.

Holders of the Company's 4.75% debentures may convert the debentures into shares of the Company's class A common stock, at the applicable conversion rate, at any time on or prior to maturity (see Note 12). Pursuant to SFAS No. 128, "Earnings per Share" ("SFAS No. 128"), the 4.75% debentures are included in the calculation of diluted net income per share if their inclusion is dilutive under the if-converted method. There were no dilutive potential common shares under the 4.75% debentures during the three and six months ended June 28, 2009.

Holders of the Company's 1.25% debentures and 0.75% debentures may, under certain circumstances at their option, convert the debentures into cash and, if applicable, shares of the Company's class A common stock at the applicable conversion rate, at any time on or prior to maturity (see Note 12). Pursuant to EITF 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share" ("EITF 04-8"), the 1.25% debentures and 0.75% debentures are included in the calculation of diluted net income per share if their inclusion is dilutive under the treasury-stock-type method. For the three and six months ended June 28, 2009, the Company's average stock price for the period did not exceed the conversion price for the 1.25% debentures and 0.75% debentures. During each of the three and six months ended June 29, 2008, dilutive potential common shares includes approximately 1.1 million shares for the impact of the 1.25% debentures as the Company experienced a substantial increase in its common stock price during the first half of fiscal 2008 as compared to the conversion price pursuant to the terms of the 1.25% debentures. Similarly, dilutive potential common shares includes approximately 59,000 shares and 30,000 shares for the three and six months ended June 29, 2008, respectively, for the impact of the 0.75% debentures. Under the treasury-stock-type method, the Company's 1.25% debentures and 0.75% debentures will generally have a dilutive impact on net income per share if the Company's average stock price for the period exceeds the conversion price for the debentures.

Note 17. STOCK-BASED COMPENSATION

The following table summarizes the consolidated stock-based compensation expense by line item in the Condensed Consolidated Statements of Operations:

(In thousands)	Three Months Ended June 28, 2009	Three Months Ended June 29, 2008 (As Restated)	Six Months Ended June 28, 2009	Six Months Ended June 29, 2008 (As Restated)
Cost of systems revenue	$ 1,474	$ 2,239	$ 1,772	$ 4,750
Cost of components revenue	3,083	2,890	3,681	4,093
Research and development	1,566	972	2,913	1,783
Sales, general and administrative	5,953	12,506	12,764	22,489
Total stock-based compensation expense	$ 12,076	$ 18,607	$ 21,130	$ 33,115

The following table summarizes the consolidated stock-based compensation expense, by type of awards:

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(In thousands)	Three Months Ended June 28, 2009	Three Months Ended June 29, 2008 (As Restated)	Six Months Ended June 28, 2009	Six Months Ended June 29, 2008 (As Restated)
Employee stock options	$ 1,270	$ 1,014	$ 2,298	$ 2,201
Restricted stock awards and units	9,431	10,229	19,515	18,130
Shares and options released from re-vesting restrictions	—	7,627	168	13,633
Change in stock-based compensation capitalized in inventory	1,375	(263)	(851)	(849)
Total stock-based compensation expense	$ 12,076	$ 18,607	$ 21,130	$ 33,115

In connection with its acquisition of PowerLight Corporation (referenced as SP Systems) on January 10, 2007, the Company issued 1.1 million shares of its class A common stock and 0.5 million stock options to employees of SP Systems. The class A common stock and stock options were valued at $60.4 million and were subject to certain transfer restrictions and a repurchase option held by the Company. The Company recognized the expense as the re-vesting restrictions of these shares lapsed over the two-year period beginning on the date of acquisition. The value of shares released from such re-vesting restrictions is included in stock-based compensation expense in the table above.

The following table summarizes the Company’s stock option activities:

	Shares (in thousands)	Weighted-Average Exercise Price Per Share
Outstanding as of December 28, 2008	2,545	$ 8.96
Exercised	(273)	3.07
Forfeited	(47)	22.34
Outstanding as of June 28, 2009	2,225	9.40
Exercisable as of June 28, 2009	1,655	4.58

The following table summarizes the Company’s non-vested stock options and restricted stock activities thereafter:

	Stock Options		Restricted Stock Awards and Units	
	Shares (in thousands)	Weighted-Average Exercise Price Per Share	Shares (in thousands)	Weighted-Average Grant Date Fair Value Per Share
Outstanding as of December 28, 2008	1,113	$ 14.82	1,604	$ 69.71
Granted	—	—	1,497	28.03
Vested(1)	(496)	4.26	(298)	65.87
Forfeited	(47)	22.34	(269)	69.20
Outstanding as of June 28, 2009	570	23.39	2,534	45.45

(1)

Restricted stock awards and units vested include shares withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements.

Note 18. SEGMENT AND GEOGRAPHICAL INFORMATION

The Chief Operating Decision Maker ("CODM"), as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), is the Company's Chief Executive Officer. The CODM assesses the performance of the Systems Segment and Components Segment using information about their revenue and gross margin. The following tables present revenue by geography and segment, gross margin by segment and revenue by significant customer. Revenue is based on the destination of the shipments.

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(As a percentage of total revenue)	Three Months Ended June 28, 2009	Three Months Ended June 29, 2008 (As Restated)	Six Months Ended June 28, 2009	Six Months Ended June 29, 2008 (As Restated)
Revenue by geography:				
United States	49%	15%	55%	18%
Europe:				
Spain	1%	66%	1%	60%
Germany	21%	8%	17%	8%
Italy	16%	3%	15%	3%
Other	7%	5%	6%	4%
Rest of world	6%	3%	6%	7%
	100%	100%	100%	100%
Revenue by segment:				
Systems	37%	71%	42%	68%
Components	63%	29%	58%	32%
	100%	100%	100%	100%
Gross margin by segment:				
Systems	13%	21%	11%	21%
Components	14%	24%	17%	21%

(As a percentage of total revenue) Significant Customers:	Business Segment	Three Months Ended June 28, 2009	Three Months Ended June 29, 2008	Six Months Ended June 28, 2009	Six Months Ended June 29, 2008
Florida Power & Light Company	Systems	19%	*	22%	*
Sedwick Corporate, S.L.	Systems	*	19%	*	24%
Naturener Group	Systems	*	43%	*	30%

* denotes less than 10% during the period

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

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q/A contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that do not represent historical facts and may be based on underlying assumptions. We use words such as "may," "will," "should," "could," "would," "expect, "pipeline," "believe," "estimate," "predict," "potential" and "continue" to identify forward-looking statements in this Quarterly Report on Form 10-Q/A including our plans and expectations regarding future financial results, operating results, business strategies, projected costs, products, competitive positions, management's plans and objectives for future operations, our ability to obtain financing and industry trends. Such forward-looking statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q/A and involve a number of risks and uncertainties, some beyond our control, that could cause actual results to differ materially from those anticipated by these forward-looking statements. Please see "PART II. OTHER INFORMATION, Item 1A: Risk Factors" of the June 2009 Form 10-Q and our other filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 28, 2008, for additional information on risks and uncertainties that could cause actual results to differ. These forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we are under no obligation to, and expressly disclaim any responsibility to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

The following information has been amended to reflect the impact of the restatements described elsewhere in this Quarterly Report on Form 10-Q/A. The following information has been revised to reflect our restated results of operations and cash flows and should be read in conjunction with the Condensed Consolidated Financial Statements and the accompanying Notes to Condensed Consolidated Financial Statements included in this Amendment. Our fiscal quarters end on the Sunday closest to the end of the applicable calendar quarter. All references to fiscal periods apply to our fiscal quarters or year which ends on the Sunday closest to the calendar month end.

Restatement of Previously Issued Condensed Consolidated Financial Statements

Background and Scope of Investigation

On November 16, 2009, our Company announced that its Audit Committee commenced an independent investigation into certain accounting and financial reporting matters at our Philippines operations ("SPML"). The Audit Committee retained independent counsel, forensic accountants and other experts to assist it in conducting the investigation.

As a result of the investigation, the Audit Committee concluded that certain unsubstantiated accounting entries were made at the direction of the Philippines-based finance personnel in order to report results for manufacturing operations that would be consistent with internal expense projections. The entries generally resulted in an understatement of our Company's cost of goods sold (referred to as "cost of revenue" in our Condensed Consolidated Statements of Operations). The Audit Committee concluded that the efforts were not directed at achieving our Company's overall financial results or financial analysts' projections of our Company's financial results. The Audit Committee also determined that these accounting issues were confined to the accounting function in the Philippines. Finally, the Audit Committee concluded that executive management neither directed nor encouraged, nor was aware of, these activities and was not provided with accurate information concerning the unsubstantiated entries. In addition to the unsubstantiated entries, during the Audit Committee investigation various accounting errors were discovered by the investigation and by management. See Part I — "Item 4: Controls and Procedures" of this report.

Business

We are a vertically integrated solar products and services company that designs, manufactures and markets high-performance solar electric power technologies. Our solar cells and solar panels are manufactured using proprietary processes, and our technologies are based on more than 15 years of research and development. Of all the solar cells available for the mass market, we believe our solar cells have the highest conversion efficiency, a measurement of the amount of sunlight converted by the solar cell into electricity. Our solar power products are sold through our components and systems business segments.

Business Segments Overview

Components Segment: Our Components Segment sells solar power products, including solar cells, solar panels and inverters, which convert sunlight to electricity compatible with the utility network. We believe our solar cells provide the following benefits compared with conventional solar cells:

- superior performance, including the ability to generate up to 50% more power per unit area;
- superior aesthetics, with our uniformly black surface design that eliminates highly visible reflective grid lines and metal interconnect ribbons; and

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- more efficient use of silicon, a key raw material used in the manufacture of solar cells.

We sell our solar components products to installers and resellers, including our third-party global dealer network, for use in residential and commercial applications where the high efficiency and superior aesthetics of our solar power products provide compelling customer benefits. We also sell products for use in multi-megawatt solar power plant applications. In many situations, we offer a materially lower area-related cost structure for our customers because our solar panels require a substantially smaller roof or land area than conventional solar technology and half or less of the roof or land area of commercial solar thin film technologies. We sell our products primarily in North America, Europe and Asia, principally in regions where public policy has accelerated solar power adoption.

We manufacture our solar cells at our two facilities in the Philippines, and are developing a third solar cell manufacturing facility in Malaysia. Our solar cells are then combined into solar panels at our solar panel assembly facility located in the Philippines or by third-party subcontractors.

Systems Segment: Our Systems Segment generally sells solar power systems directly to system owners and developers. When we sell a solar power system, it may include services such as development, engineering, procurement of permits and equipment, construction management, access to financing, monitoring and maintenance. We believe our solar systems provide the following benefits compared with competitors' systems:

- superior performance delivered by maximizing energy delivery and financial return through systems technology design;

- superior systems design to meet customer needs and reduce cost, including non-penetrating, fast roof installation technologies; and

- superior channel breadth and delivery capability including turnkey systems.

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Our customers include commercial and governmental entities, investors, utilities, production home builders, dealers and home owners. We work with development, construction, system integration and financing companies to deliver our solar power systems to customers. Our solar power systems are designed to generate electricity over a system life typically exceeding 25 years and are principally designed to be used in large-scale applications with system ratings of typically more than 500 kilowatts. Worldwide, more than 550 SunPower solar power systems have been constructed or are under contract, rated in the aggregate at more than 450 megawatts of peak capacity.

We have solar power system projects completed in various countries including Germany, Italy, Portugal, South Korea, Spain and the United States. We sell distributed rooftop and ground-mounted solar power systems as well as central-station power plants. In the United States, distributed solar power systems are typically rated at more than 500 kilowatts of capacity to provide a supplemental, distributed source of electricity for a customer’s facility. Many customers choose to purchase solar electricity under a power purchase agreement with a financing company which buys the system from us. In Europe, our products and systems are typically purchased by a financing company and operated as a central-station solar power plant. These power plants are rated with capacities of approximately one to thirty megawatts, and generate electricity for sale under tariff to private and public utilities.

In 2008, we began serving the utility market in the United States, as regulated utilities began seeking cost-effective renewable energy to meet governmental renewable portfolio standard requirements. We believe we are well positioned for long-term success, despite difficult near-term economic conditions, with our substantial order pipeline for utility scale projects. Examples include an agreement with Pacific Gas and Electric Company (“PG&E”) to build a 210 megawatt (“MWAC”) solar power plant in California from 2010 to 2012, an agreement with FPL Group Inc. (“FPL Group”) to supply solar panels and photovoltaic tracking and support structure equipment of 300 to 600 MWAC from 2010 to 2012, an agreement with Florida Power & Light Company (“FPL”) to build two solar photovoltaic power plants totaling 35 MWAC in Florida from 2009 to 2010, an agreement with Xcel Energy Inc. (“Xcel”) to build a 17 MWAC solar power plant in Colorado in 2010, and another agreement with Exelon Corporation (“Exelon”) to build a 8 MWAC solar power plant in Chicago in 2009. While we have contracts for these projects, there are substantial additional events, including obtaining financing and proper governmental permits, which must occur in order for the projects to move forward.

We manufacture certain of our solar power system products at our manufacturing facilities in Richmond, California and at other facilities located close to our customers. Some of our solar power system products are also manufactured for us by third-party suppliers.

Restructuring Costs

In response to deteriorating economic conditions, we reduced our global workforce of regular employees by approximately 80 positions in the first half of fiscal 2009 in order to reduce our annual operating expenses. The restructuring actions included charges of $0.5 million and $1.7 million in the three and six months ended June 28, 2009, respectively, for severance, benefits and related costs. Restructuring accruals totaled $0.1 million as of June 28, 2009 and are recorded in “Accrued liabilities” in the Condensed Consolidated Balance Sheet and represent estimated future cash outlays primarily related to severance expected to be paid within the third quarter of fiscal 2009. For additional details see Note 9 of Notes to our Condensed Consolidated Financial Statements.

Accounting Changes and Recent Accounting Pronouncements

For a description of accounting changes and recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, in our Condensed Consolidated Financial Statements, see Note 1 of Notes to our Condensed Consolidated Financial Statements.

Results of Operations for the Three and Six Months Ended June 28, 2009 (Restated) and June 29, 2008 (Restated)

Revenue

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	June 28, 2009 (As Restated)	June 29, 2008 (As Restated)	June 28, 2009 (As Restated)	June 29, 2008 (As Restated)
Systems revenue	$ 110,421	$ 270,617	$ 214,374	$ 450,040
Components revenue	188,920	112,158	296,610	207,008
Total revenue	$ 299,341	$ 382,775	$ 510,984	$ 657,048

Total Revenue: During the three and six months ended June 28, 2009, our total revenue of approximately $299.3 million and $511.0 million, respectively, represented a decrease of 22% from total revenue reported in each of the comparable periods of fiscal 2008. The decrease in our total revenue during the three and six months ended June 28, 2009 as compared to the same periods in fiscal 2008 is attributable to the difficult economic and credit environment globally. Revenue earned in the three and six months ended June 29, 2008 primarily related to the then ongoing construction of several large-scale solar power plants in Spain and high demand for our solar panels.

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Sales outside the United States represented approximately 51% and 45% of our total revenue for the three and six months ended June 28, 2009, respectively, as compared to 85% and 82% in the three and six months ended June 29, 2008, respectively. The change in geography mix is primarily due to: (i) the expiration of an attractive governmental feed-in tariff in Spain in September 2008; (ii) the construction of a 25 MWAC solar power plant for FPL in Desoto County, Florida in the first half of fiscal 2009; and (iii) revenue growth from our Components Segment in the United States, particularly in California, due to generous government incentives, focused advertising and our effective dealer network.

Concentrations: We have three customers that each accounted for 10 percent or more of our total revenue in one period during the three and six months ended June 28, 2009 and June 29, 2008 as follows:

		Three Months Ended		Six Months Ended	
		June 28,	June 29,	June 28,	June 29,
(As a percentage of total revenue)		2009	2008	2009	2008
Significant Customers:	Business Segment				
FPL	Systems	19%	*	22%	*
Naturener Group	Systems	*	43%	*	30%
Sedwick Corporate, S.L.	Systems	*	19%	*	24%

* denotes less than 10% during the period

We generate revenue from two business segments, as follows:

Systems Segment Revenue: Our systems revenue for the three and six months ended June 28, 2009 was $110.4 million and $214.4 million, respectively, which accounted for 37% and 42%, respectively, of our total revenue. Systems revenue for the three and six months ended June 29, 2008 was $270.6 million and $450.0 million, respectively, which accounted for 71% and 68%, respectively, of our total revenue. During the three and six months ended June 28, 2009, our systems revenue decreased 59% and 52%, respectively, as compared to revenue earned in the comparable periods of fiscal 2008, due to the difficult economic conditions resulting in near-term challenges in financing system projects. In the three and six months ended June 29, 2008, our Systems Segment benefited from strong power plant scale demand in Europe, primarily in Spain, and reflected the significant completion of Spain based projects in the second quarter of fiscal 2008 before the expiration of a governmental feed-in tariff in September 2008.

FPL was a significant customer to the Systems Segment during the three and six months ended June 28, 2009 due to the construction of a 25 MWAC solar power plant in Desoto County, Florida. Sedwick Corporate, S.L. and Naturener Group were significant customers to the Systems Segment during the three and six months ended June 29, 2008 due to the then ongoing construction of several large-scale solar power plants in Spain.

Components Segment Revenue: Components revenue for the three and six months ended June 28, 2009 was $188.9 million and $296.6 million, respectively, or 63% and 58%, respectively, of our total revenue. Components revenue for the three and six months ended June 29, 2008 was $112.2 million and $207.0 million, respectively, or 29% and 32%, respectively, of our total revenue. During the three and six months ended June 28, 2009, our components revenue increased 68% and 43%, respectively, as compared to revenue earned in the comparable periods of fiscal 2008, primarily due to growing demand in Germany and the United States, particularly in California, due to generous government incentives, focused advertising and our effective dealer network. In the three and six months ended June

29, 2008, our Components Segment benefited from strong demand in the residential and small commercial roof-top markets through our third-party dealer network in both Europe and the United States.

Cost of Revenue

Details to cost of revenue by segment:

	Three Months Ended					
	Systems		Components		Consolidated	
(Dollars in thousands)	June 28, 2009 (As Restated)	June 29, 2008 (As Restated)	June 28, 2009 (As Restated)	June 29, 2008 (As Restated)	June 28, 2009 (As Restated)	June 29, 2008 (As Restated)
Amortization of other intangible assets	$ 1,841	$ 1,841	$ 954	$ 1,066	$ 2,795	$ 2,907
Stock-based compensation	1,474	2,239	3,083	2,890	4,557	5,129
Non-cash interest expense	347	65	893	80	1,240	145
Impairment of long-lived assets	-	-	-	-	-	-
Materials and other cost of revenue	92,374	208,921	157,697	81,509	250,071	290,430
Total cost of revenue	$ 96,036	$ 213,066	$ 162,627	$ 85,545	$ 258,663	$ 298,611
Total cost of systems revenue as a percentage of revenue	87%	79%	86%	76%	86%	78%
Total gross margin percentage	13%	21%	14%	24%	14%	22%

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	Six Months Ended					
	Systems		Components		Consolidated	
(Dollars in thousands)	June 28, 2009 (As Restated)	June 29, 2008 (As Restated)	June 28, 2009 (As Restated)	June 29, 2008 (As Restated)	June 28, 2009 (As Restated)	June 29, 2008 (As Restated)
Amortization of other intangible assets	$ 3,682	$ 4,009	$ 1,906	$ 2,110	$ 5,588	$ 6,119
Stock-based compensation	1,772	4,750	3,681	4,093	5,453	8,843
Non-cash interest expense	577	101	1,163	132	1,740	233
Impairment of long-lived assets	-	1,343	-	4,146	-	5,489
Materials and other cost of revenue	185,329	346,791	239,961	153,913	425,290	500,704
Total cost of revenue	$ 191,360	$ 356,994	$ 246,711	$ 164,394	$ 438,071	$ 521,388
Total cost of systems revenue as a percentage of revenue	89%	79%	83%	79%	86%	79%
Total gross margin percentage	11%	21%	17%	21%	14%	21%

Total Cost of Revenue: We had 14 and 8 active solar cell manufacturing lines in our two solar cell manufacturing facilities as of June 28, 2009 and June 29, 2008, respectively, with a total rated annual solar cell manufacturing capacity of 494 megawatts and 254 megawatts, respectively. During the three and six months ended June 28, 2009, our two solar cell manufacturing facilities operated at approximately 49% and 61% capacity, respectively, producing 63.6 megawatts and 157.3 megawatts, respectively, as compared to the three and six months ended June 29, 2008 when our facilities operated at approximately 74% and 71% capacity, respectively, producing 49.8 megawatts and 88.3 megawatts, respectively. During the three and six months ended June 28, 2009, our total cost of revenue was $258.7 million and $438.1 million, respectively, which represented decreases of 13% and 16%, respectively, compared to the total cost of revenue reported in the comparable periods of fiscal 2008. As a percentage of total revenue, our total cost of revenue increased to 86% for each of the three and six months ended June 28, 2009, respectively, compared to 78% and 79% in the three and six months ended June 29, 2008, respectively. This increase in total cost of revenue as a percentage of total revenue is reflective of: (i) lower factory utilization due to our planned transition to a demand driven manufacturing strategy to reduce inventory levels and (ii) higher amortization of capitalized interest expense. This increase in total cost of revenue as a percentage of total revenue was partially offset by: (i) decreased costs of polysilicon beginning in the second quarter of fiscal 2008; (ii) reduced expenses associated with the amortization of other intangible assets and stock-based compensation; and (iii) one-time asset impairment charges of $5.5 million in the first quarter of fiscal 2008 relating to the wind down of our imaging detector product line and for the write-down of certain solar product manufacturing equipment which became obsolete due to new processes (the costs associated with the $3.3 million write-down of certain solar product manufacturing equipment was recovered from the vendor in the third quarter of fiscal 2008).

Systems Segment Gross Margin: Gross margin was $14.4 million and $23.0 million for the three and six months ended June 28, 2009, respectively, or 13% and 11%, respectively, of systems revenue. Gross margin was $57.6 million and $93.0 million for the three and six months ended June 29, 2008, respectively, or 21% each of the three and six months ended June 29, 2008, respectively, of systems revenue. Gross margin decreased due to lower average selling prices for our solar power systems and Systems Segment overhead costs incurred that are fixed in nature when systems revenue decreased 59% and 52% in the three and six months ended June 28, 2009, respectively, as compared to the same periods in fiscal 2008.

Components Segment Gross Margin: Gross margin was $26.3 million and $49.9 million for the three and six months ended June 28, 2009, respectively, or 14% and 17%, respectively, of components revenue. Gross margin was $26.6 million and $42.6 million for the three and six months ended June 29, 2008, respectively, or 24% and 21%, respectively, of components revenue. Gross margin decreased due to lower average selling prices for our solar power products and higher unabsorbed variance costs due to lower factory utilization, partially offset by continued reduction in silicon costs.

Research and Development

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	June 28, 2009 (As Restated)	June 29, 2008	June 28, 2009	June 29, 2008
Stock-based compensation	$ 1,566	$ 972	$ 2,913	$ 1,783
Other research and development	5,371	3,841	11,904	7,672
Total research and development	$ 6,937	$ 4,813	$ 14,817	$ 9,455
Total research and development as a percentage of revenue	2%	1%	3%	1%

During the three and six months ended June 28, 2009, our research and development expense was $6.9 million and $14.8 million, respectively, which represented increases of 44% and 57%, respectively, from research and development expense reported in the comparable periods of fiscal 2008. The increase in spending during the three and six months ended June 28, 2009 compared to the same periods in fiscal 2008 resulted primarily from costs related to the improvement of our current generation solar cell manufacturing technology, development of our third generation of solar cells, development of next generation solar panels, development of next generation trackers and rooftop systems, and development of systems performance monitoring products. These increases were partially offset by grants and cost reimbursements received from various government entities in the United States totaling approximately $0.5 million and $2.3 million in the three and six months ended June 28, 2009, respectively, compared to approximately $2.0 million and $3.7 million in the three and six months ended June 29, 2008, respectively.

Sales, General and Administrative

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	June 28, 2009 (As Restated)	June 29, 2008	June 28, 2009 (As Restated)	June 29, 2008
Amortization of other intangible assets	$ 1,303	$ 1,127	$ 2,562	$ 2,232
Stock-based compensation	5,953	12,506	12,764	22,489
Other sales, general and administrative	35,519	29,575	69,853	52,345
Total sales, general and administrative	$ 42,775	$ 43,208	$ 85,179	$ 77,066
Total sales, general and administrative as a percentage of revenue	14%	11%	17%	12%

During the three and six months ended June 28, 2009, our sales, general and administrative ("SG&A") expense was $42.8 million and $85.2 million, respectively, which represents a decrease of 1% and an increase of 11%, respectively, from SG&A expense reported in the comparable periods of fiscal 2008. The decrease in our SG&A expense during the three months ended June 28, 2009 compared to the same period of fiscal 2008 resulted primarily from cost-reduction efforts, including headcount reductions. The increase in our SG&A expense during the six months ended June 28, 2009 compared to the same period of fiscal 2008 resulted primarily from higher spending in all areas of sales, marketing, finance and information technology to support the growth of our business, particularly sales and marketing costs to launch our new marketing campaign and expand our third-party dealer network with nearly 600 dealers worldwide.

Other Income (Expense), Net

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	June 28, 2009	June 29, 2008 (As Restated)	June 28, 2009	June 29, 2008 (As Restated)
Interest income	$ 765	$ 2,289	$ 1,949	$ 6,436
Total interest income as a percentage of revenue	0%	1%	0%	1%
Non-cash interest expense	$ (4,675)	$ (4,150)	(9,196)	(8,446)
Other interest expense	(4,853)	(1,628)	(6,453)	(3,349)
Total interest expense	$ (9,528)	$ (5,778)	$ (15,649)	$ (11,795)
Total interest expense as a percentage of revenue	3%	2%	3%	2%
Gain on purchased options	$ 21,193	$ -	$ 21,193	$ -
	7%	0%	4%	0%

Total gain on purchased options as a percentage of revenue				
Other, net	$ 2,807	$ (3,570)	$ (4,350)	$ (2,855)
Total other, net as a percentage of revenue	1%	1%	1%	0%

Interest income represents interest income earned on our cash, cash equivalents, restricted cash, restricted cash equivalents, available-for-sale securities and a notes receivable. The decrease in interest income of 67% and 70% during the three and six months ended June 28, 2009, respectively, as compared to the same periods in fiscal 2008, resulted from lower interest rates earned on cash holdings during the first half of fiscal 2009 as compared to the same period in fiscal 2008.

Interest expense during the three and six months ended June 28, 2009 relates to borrowings under our senior convertible debentures, the facility agreement with the Malaysian Government, the term loan with Union Bank N.A. ("Union Bank"), fees for our outstanding letters of credit with Wells Fargo Bank, N.A. ("Wells Fargo") and customer advance payments. Interest expense during the three and six months ended June 29, 2008 relates to borrowings under our senior convertible debentures, fees for our outstanding letters of credit with Wells Fargo and customer advance payments. The increase in interest expense of 65% and 33% in the three and six months ended June 28, 2009, respectively, compared to the same periods in fiscal 2008 is primarily due to additional indebtedness related to our $230.0 million in principal amount of 4.75% senior convertible debentures ("4.75% debentures") issued on May 4, 2009, approximately $106.2 million outstanding loans under the facility agreement with the Malaysian Government and $30.0 million under the term loan with Union Bank. This increase was partially offset by higher capitalized interest of $2.3 million and $4.8 million in the three and six months ended June 28, 2009, respectively, compared to $2.1 million and $4.4 million in the three and six months ended June 29, 2008, respectively, and the repurchase of a portion of our 0.75% debentures with a principal amount, unamortized discount and net carrying value of $73.1 million, $5.9 million and $67.2 million, respectively.

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In connection with the issuance of our 4.75% debentures, we entered into Purchased Options intended to reduce the potential dilution that would occur upon conversion of the debentures. The Purchased Options, which are indexed to our class A common stock, were deemed to be mark-to-market derivatives during the period in which the over-allotment option in favor of the 4.75% debenture underwriters was unexercised. We entered into the debenture underwriting agreement on April 28, 2009 and the 4.75% debenture underwriters exercised the over-allotment option in full on April 29, 2009. During the one-day period that the underwriters' over-allotment option was outstanding, our class A common stock price increased substantially, resulting in a non-cash non-taxable gain on Purchased Options of $21.2 million in the second quarter of fiscal 2009 in our Condensed Consolidated Statement of Operations.

The following table summarizes the components of other, net:

(Dollars in thousands)	Three Months Ended June 28, 2009	Three Months Ended June 29, 2008	Six Months Ended June 28, 2009	Six Months Ended June 29, 2008
Gain (loss) on derivatives and foreign exchange	$ 3,230	$ (3,584)	$ (2,548)	$ (2,828)
Impairment of investments	(489)	-	(1,807)	-
Other income (expense), net	66	14	5	(27)
Total other, net	$ 2,807	$ (3,570)	$ (4,350)	$ (2,855)

Other, net was comprised of $2.8 million of income and $4.4 million of expenses during the three and six months ended June 28, 2009, respectively, consisting primarily of $3.2 million of gains and $2.5 million of losses during the three and six months ended June 28, 2009, respectively, on derivatives and changes in foreign exchange rates largely due to the volatility in the current markets as well as impairment charges of $0.5 million and $1.8 million during the three and six months ended June 28, 2009, respectively, for certain money market funds and auction rate securities. Other, net was comprised of $3.6 million and $2.9 million of expenses during the three and six months ended June 29, 2008, respectively, consisting primarily of $3.6 million and $2.8 million of losses during the three and six months ended June 29, 2008, respectively, on derivatives and foreign exchange.

Income Taxes

(Dollars in thousands)	Three Months Ended June 28, 2009 (As Restated)	Three Months Ended June 29, 2008 (As Restated)	Six Months Ended June 28, 2009 (As Restated)	Six Months Ended June 29, 2008 (As Restated)
Provision for (benefit from) income taxes	$ (5,223)	$ 4,676	$ (24,419)	$ 5,956
As a percentage of revenue	2%	1%	5%	1%

In the three and six months ended June 28, 2009, our effective rate of income tax benefit of 84.2% and 102.0%, respectively, was primarily due to domestic and foreign income taxes in certain jurisdictions where our operations are profitable, net of nondeductible amortization of purchased other intangible assets, discrete stock option deductions and the discrete non-cash non-taxable gain on purchased options of $21.2 million. Our income tax provision for the three and six months ended June 29, 2008 of 16.1% and 14.6%, respectively, was primarily attributable to domestic and foreign income taxes in certain jurisdictions where our operations were profitable, net of the consumption of non-stock net operating loss carryforwards. Our interim period tax provision is estimated based on the expected annual worldwide tax rate and takes into account the tax effect of discrete items.

Equity in earnings of unconsolidated investees

	Three Months Ended	Six Months Ended

(Dollars in thousands)	June 28, 2009	June 29, 2008 (As Restated)	June 28, 2009	June 29, 2008 (As Restated)
Equity in earnings of unconsolidated investees	$ 3,133	$ 2,394	$ 4,378	$ 2,976
As a percentage of revenue	1%	1%	1%	0%

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During the three and six months ended June 28, 2009, our equity in earnings of unconsolidated investees were gains of $3.1 million and $4.4 million, respectively, compared to gains of $2.4 million and $3.0 million in the three and six months ended June 29, 2008, respectively. Our share of Woongjin Energy Co. Ltd's ("Woongjin Energy") income totaled $3.2 million and $4.5 million in the three and six months ended June 28, 2009, respectively, compared to $2.4 million and $3.0 million in the three and six months ended June 29, 2008, respectively, due to: (i) increases in production since Woongjin Energy began manufacturing in the third quarter of fiscal 2007; and (ii) our equity investment increased from 28.8% as of June 29, 2008 to 42.1% as of June 28, 2009. First Philec Solar Corporation ("First Philec Solar") became operational in the second quarter of fiscal 2008 and our share of the joint venture's loss totaled $0.1 million in each of the three and six months ended June 28, 2009, compared to zero in each of the three and six months ended June 29, 2008.

Liquidity and Capital Resources

Cash Flows

A summary of the sources and uses of cash and cash equivalents is as follows:

(Dollars in thousands)	Six Months Ended June 28, 2009 (As Restated)	Six Months Ended June 29, 2008 (As Restated)
Net cash used in operating activities	$ (47,689)	$ (36,755)
Net cash used in investing activities	(126,423)	(76,786)
Net cash provided by financing activities	429,495	10,762

Operating Activities

Net cash used in operating activities of $47.7 million in the six months ended June 28, 2009 was primarily the result of a decrease in accounts payable and other accrued liabilities of $105.6 million due to decreased purchases in response to the overall poor business climate and an increase in accounts receivable of $24.5 million, partially offset by net income of $4.9 million, plus non-cash charges totaling $82.7 million for depreciation, amortization, impairment of investments, stock-based compensation and non-cash interest expense, less non-cash income of $25.6 million related to a gain on Purchased Options and our equity share in earnings of joint ventures, and other changes in operating assets and liabilities of $20.4 million.

Net cash used in operating activities of $36.8 million in the six months ended June 29, 2008 was primarily the result of increases in accounts receivable of $103.1 million and inventory of $65.5 million, as well as decreases in billings in excess of costs and estimated earnings of $38.9 million related to contractual timing of system project billings and other changes in operating assets and liabilities of $29.3 million. These items were partially offset by net income of $37.9 million, plus non-cash charges totaling $79.1 million for depreciation, amortization, impairment of long-lived assets, stock-based compensation and non-cash interest expense, less non-cash income of $3.0 million for our share in earnings of Woongjin Energy. In addition, these items were offset by increases in accounts payable and other accrued liabilities of $86.0 million. The significant increases in substantially all of our operating assets and liabilities resulted from our substantial revenue increase in the six months ended June 29, 2008 compared to previous periods which impacted net income and working capital.

Investing Activities

Net cash used in investing activities during the six months ended June 28, 2009 was $126.4 million, of which $111.7 million relates to capital expenditures primarily associated with manufacturing capacity expansion in the Philippines and Malaysia and $42.3 million relates to increases in restricted cash and cash equivalents for the second drawdown under the facility agreement with the Malaysian government. Cash used in investing activities was partially offset by $19.7 million in proceeds received from the sales or maturities of available-for-sale securities and $7.9 million in proceeds received from the sale of equipment to a third-party subcontractor.

Net cash used in investing activities during the six months ended June 29, 2008 was $76.8 million, of which $95.7 million relates to capital expenditures primarily associated with manufacturing capacity expansion in the Philippines. Also during the six months ended June 29, 2008: (i) restricted cash and cash equivalents increased by $16.0 million for advanced payments received from customers that we provided security in the form of cash collateralized bank standby letters of credit; (ii) we paid $13.5 million in cash for the acquisition of Solar Solutions, net of cash acquired; and (iii) we invested an additional $22.6 million in joint ventures and other non-public companies. Cash used in investing activities was partially offset by $71.0 million in proceeds received from the sales or maturities of available-for-sale securities, net of available-for-sale securities purchased during the period.

Financing Activities

Net cash provided by financing activities during the six months ended June 28, 2009 reflects cash received of: (i) $218.9 million in net proceeds from our public offering of 10.35 million shares of our class A common stock; (ii) $198.7 million in net proceeds from the issuance of $230.0 million in principal amount of our 4.75% debentures, after reflecting the payment of the net cost of the convertible debenture hedge transactions; (iii) Malaysian Ringgit 185.0 million (approximately $52.4 million based on the exchange rate as of June 28, 2009) from the Malaysian Government under our facility agreement; (iv) $29.8 million in net proceeds from Union Bank under our $30.0 million term loan; and (v) $0.8 million from stock option exercises. Cash received during the six months ended June 28, 2009 was partially offset by cash paid of $67.9 million to repurchase approximately $73.1 million in principal amount of our 0.75% senior convertible debentures ("0.75% debentures") and $3.1 million for treasury stock purchases that were used to pay withholding taxes on vested restricted stock.

Net cash provided by financing activities during the six months ended June 29, 2008 reflects $2.3 million from stock option exercises and $12.6 million in excess tax benefits from stock-based award activity, partially offset by cash paid of $4.2 million for treasury stock purchases that were used to pay withholding taxes on vested restricted stock.

Debt and Credit Sources

Line of Credit

As of June 28, 2009 and December 28, 2008, no amounts were outstanding on the revolving credit line and letters of credit totaling $49.1 million and $29.9 million, respectively, were issued by Wells Fargo under the letter of credit subfeature. In addition, letters of credit totaling $93.1 million and $76.5 million were issued by Wells Fargo under the collateralized letter of credit facility as of June 28, 2009 and December 28, 2008, respectively. As of June 28, 2009 and December 28, 2008, cash available to be borrowed under the revolving credit line was $0.9 million and $20.1 million, respectively, and includes letter of credit capacities available to be issued by Wells Fargo under the letter of credit subfeature. Letters of credit available under the collateralized letter of credit facility as of June 28, 2009 and December 28, 2008 totaled $56.9 million and $73.5 million, respectively. As detailed in the agreement, we pay fees of 2% and 0.2% to 0.4% depending on maturity for outstanding letters of credit under the letter of credit subfeature and collateralized letter of credit facility, respectively. All letters of credit issued under the letter of credit subfeature expire on or before March 27, 2010 unless we provide by such date collateral in the form of cash or cash equivalents in the aggregate amount available to be drawn under letters of credit outstanding at such time. All letters of credit issued under the collateralized letter of credit facility expire no later than March 27, 2014. For additional details see Note 12 of Notes to our Condensed Consolidated Financial Statements.

Term Loan

On April 17, 2009, we entered into a loan agreement with Union Bank under which we borrowed $30.0 million for a three year term at an interest rate of LIBOR plus 2%, or approximately 2.3% at June 28, 2009. The loan is to be repaid in eight equal quarterly installments of principal plus interest commencing June 30, 2010. For additional details see Note 12 of Notes to our Condensed Consolidated Financial Statements.

Debt Facility Agreement with the Malaysian Government

As of June 28, 2009 and December 28, 2008, we borrowed Malaysian Ringgit 375.0 million, approximately $106.2 million based on the exchange rate as of June 28, 2009, and Malaysian Ringgit 190.0 million, approximately $54.6 million based on the exchange rate as of December 28, 2008, respectively, under the facility agreement with the Malaysian Government to finance the construction of our third solar cell manufacturing facility ("FAB3") in Malaysia.

An additional Malaysian Ringgit 625.0 million, approximately $176.9 million based on the exchange rate as of June 28, 2009, may be drawn through June 2010. Principal is to be repaid in six quarterly payments starting in July 2015, and a non-weighted average interest rate of approximately 4.4% per annum accrues and is payable starting in July 2015. We have the ability to prepay outstanding loans without premium or penalty and all borrowings must be repaid by October 30, 2016. For additional details see Note 12 of Notes to our Condensed Consolidated Financial Statements.

4.75%, 1.25% and 0.75% Convertible Debentures

In May 2009, we issued $230.0 million in principal amount of our 4.75% debentures and received net proceeds of $225.0 million, before payment of the net cost of the convertible debenture hedge transactions of $26.3 million. Interest on the 4.75% debentures is payable on April 15 and October 15 of each year, beginning on October 15, 2009. Holders of the 4.75% debentures are able to exercise their right to convert the debentures at any time into shares of our class A common stock at a conversion price equal to $26.40 per share. The applicable conversion rate may adjust in certain circumstances, including upon a fundamental change, as defined in the indenture governing the 4.75% debentures. If not earlier converted, the 4.75% debentures mature on April 15, 2014. Holders may also require us to repurchase all or a portion of their 4.75% debentures upon a fundamental change at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest. In the event of certain events of default, such as our failure to make certain payments or perform or observe certain obligations thereunder, Wells Fargo (the trustee) or holders of a specified amount of then-outstanding 4.75% debentures will have the right to declare all amounts then outstanding due and payable. For additional details see Note 12 of Notes to our Condensed Consolidated Financial Statements.

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In February 2007, we issued $200.0 million in principal amount of our 1.25% senior convertibl