

TTM TECHNOLOGIES INC

Form 10-Q

November 06, 2009

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**  
**Form 10-Q**

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 28, 2009**

**Commission File Number: 0-31285**

**TTM TECHNOLOGIES, INC.**

*(Exact name of registrant as specified in its charter)*

**DELAWARE**

*(State or other jurisdiction of incorporation or organization)*

**91-1033443**

*(I.R.S. Employer Identification No.)*

**2630 South Harbor Boulevard, Santa Ana, California 92704**

*(Address of principal executive offices)*

**(714) 327-3000**

*(Registrant's telephone number, including area code)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  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 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  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Number of shares of common stock, \$0.001 par value, of registrant outstanding at October 30, 2009: 43,170,990

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I: FINANCIAL INFORMATION</b>	
Item 1. Financial Statements (unaudited)	
<u>Consolidated Condensed Balance Sheets as of September 28, 2009 and December 31, 2008</u>	3
<u>Consolidated Condensed Statements of Operations for the quarter and three quarters ended September 28, 2009 and September 29, 2008</u>	4
<u>Consolidated Condensed Statements of Cash Flows for the three quarters ended September 28, 2009 and September 29, 2008</u>	5
<u>Notes to Consolidated Condensed Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	26
<u>Item 4. Controls and Procedures</u>	26
<b>PART II: OTHER INFORMATION</b>	
<u>Item 1. Legal Proceedings</u>	27
<u>Item 1A. Risk Factors</u>	27
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	37
<u>Item 3. Defaults Upon Senior Securities</u>	37
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	37
<u>Item 5. Other Information</u>	37
<u>Item 6. Exhibits</u>	38
<b>SIGNATURES</b>	39
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32.1</u>	
<u>Exhibit 32.2</u>	

**Table of Contents**

**TTM TECHNOLOGIES, INC.**  
**Consolidated Condensed Balance Sheets**  
**As of September 28, 2009 and December 31, 2008**

	<b>September 28, 2009</b>	<b>December 31, 2008</b>
	<b>(Unaudited)</b>	
	<b>(In thousands)</b>	
	<b>As Adjusted (Note 2)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 199,318	\$ 148,465
Short-term investments	1,419	3,657
Accounts receivable, net of allowances of \$5,065 in 2009 and \$4,911 in 2008	95,897	115,232
Inventories	61,722	71,011
Prepaid expenses and other current assets	2,427	2,581
Income taxes receivable	4,951	3,432
Assets held for sale	10,000	3,250
Deferred income taxes	6,358	5,502
 Total current assets	 382,092	 353,130
Property, plant and equipment, net of accumulated depreciation of \$105,289 in 2009 and \$100,911 in 2008	89,353	114,931
Debt issuance costs, net	3,672	4,044
Deferred income taxes	34,580	34,329
Goodwill	14,120	14,149
Definite-lived intangibles, net of accumulated amortization of \$20,135 in 2009 and \$17,773 in 2008	16,000	18,330
Deposits and other non-current assets	3,068	1,327
	\$ 542,885	\$ 540,240
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 37,392	\$ 48,750
Accrued salaries, wages and benefits	21,716	21,596
Other accrued expenses	3,860	2,422
 Total current liabilities	 62,968	 72,768
 Convertible senior notes, net of discount	 138,601	 134,914
Other long-term liabilities	4,484	2,522
 Total long-term liabilities	 143,085	 137,436

Edgar Filing: TTM TECHNOLOGIES INC - Form 10-Q

Commitments and contingencies (Note 9)

Stockholders' equity:

Common stock, \$0.001 par value; 100,000 shares authorized, 43,159 and 42,811 shares issued and outstanding in 2009 and 2008, respectively	43	43
Additional paid-in capital	213,749	209,401
Retained earnings	119,916	117,426
Accumulated other comprehensive income	3,124	3,166
Total stockholders' equity	336,832	330,036
	\$ 542,885	\$ 540,240

See accompanying notes to consolidated condensed financial statements.

**Table of Contents**

**TTM TECHNOLOGIES, INC.**  
**Consolidated Condensed Statements of Operations**  
**For the Quarter and Three Quarters Ended September 28, 2009 and September 29, 2008**  
**(Unaudited)**  
**(In thousands, except per share data)**

	<b>Quarter Ended</b>		<b>Three Quarters Ended</b>	
	<b>As Adjusted</b>		<b>As Adjusted</b>	
	<b>(Note 2)</b>		<b>(Note 2)</b>	
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>28,</b>	<b>29,</b>	<b>28,</b>	<b>29,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net sales	\$ 139,075	\$ 169,019	\$ 432,552	\$ 516,065
Cost of goods sold	114,868	136,878	357,017	409,596
Gross profit	24,207	32,141	75,535	106,469
Operating (income) expenses:				
Selling and marketing	6,546	7,552	20,037	23,016
General and administrative	9,403	8,138	25,460	25,315
Amortization of definite-lived intangibles	860	951	2,580	2,848
Restructuring charges	2,501		5,009	
Impairment of long-lived assets	10,293		10,636	
Metal reclamation				(3,700)
Total operating expenses	29,603	16,641	63,722	47,479
Operating (loss) income	(5,396)	15,500	11,813	58,990
Other income (expense):				
Interest expense	(2,919)	(2,628)	(8,396)	(8,288)
Interest income	196	702	356	1,147
Other, net	57	(384)	96	(1,388)
Total other expense, net	(2,666)	(2,310)	(7,944)	(8,529)
(Loss) income before income taxes	(8,062)	13,190	3,869	50,461
Income tax benefit (provision)	3,177	(4,397)	(1,379)	(18,184)
Net (loss) income	\$ (4,885)	\$ 8,793	\$ 2,490	\$ 32,277
Basic (loss) earnings per share	\$ (0.11)	\$ 0.21	\$ 0.06	\$ 0.76
Diluted (loss) earnings per share	\$ (0.11)	\$ 0.20	\$ 0.06	\$ 0.75

See accompanying notes to consolidated condensed financial statements.



**Table of Contents**

**TTM TECHNOLOGIES, INC.**  
**Consolidated Condensed Statements of Cash Flows**  
**For the Three Quarters Ended September 28, 2009 and September 29, 2008**

	<b>Three Quarters Ended</b>	
	<b>As Adjusted</b>	
	<b>(Note 2)</b>	
	<b>September</b>	<b>September 29,</b>
	<b>28,</b>	<b>2008</b>
	<b>2009</b>	<b>2008</b>
	<b>(Unaudited)</b>	
	<b>(In thousands)</b>	
Cash flows from operating activities:		
Net income	\$ 2,490	\$ 32,277
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	14,491	15,903
Amortization of definite-lived intangible assets	2,678	2,936
Amortization of convertible notes debt discount and debt issuance costs	4,059	4,106
Non-cash interest imputed on other long-term liabilities	112	94
Income tax benefit from restricted stock units released and common stock options exercised	(17)	(217)
Deferred income taxes	(1,078)	4,772
Stock-based compensation	4,698	3,861
Impairment of long-lived assets	10,636	
Net loss on sale of property, plant and equipment	84	147
Changes in operating assets and liabilities:		
Accounts receivable, net	19,292	4,478
Inventories	9,273	(10,761)
Prepaid expenses and other current assets	154	(439)
Income taxes receivable	(2,165)	2,237
Accounts payable	(10,129)	(8,416)
Accrued salaries, wages and benefits and other accrued expenses	2,717	1,913
Net cash provided by operating activities	57,295	52,891
Cash flows from investing activities:		
Purchase of property, plant and equipment and equipment deposits	(9,301)	(12,213)
Proceeds from sale of property, plant and equipment	663	136
Purchase of licensing agreement	(350)	
Redesignation of cash and cash equivalents to short-term investments		(19,522)
Proceeds from redemption of short-term investments	2,238	
Net cash used in investing activities	(6,750)	(31,599)
Cash flows from financing activities:		
Proceeds from the issuance of convertible senior notes		175,000
Principal payments on long-term debt		(85,000)
Proceeds from exercise of common stock options	297	2,421
Payment of debt issuance costs		(5,751)



Edgar Filing: TTM TECHNOLOGIES INC - Form 10-Q

Proceeds from warrants		26,197
Payment of convertible note hedge		(38,257)
Excess income tax benefit from restricted stock units released and common stock options exercised	17	217
Net cash provided by financing activities	314	74,827
Effect of foreign currency exchange rates on cash and cash equivalents	(6)	670
Net increase in cash and cash equivalents	50,853	96,789
Cash and cash equivalents at beginning of period	148,465	18,681
Cash and cash equivalents at end of period	\$ 199,318	\$ 115,470
Supplemental cash flow information:		
Cash paid for interest	\$ 2,855	\$ 3,169
Cash paid for income taxes	3,331	10,905

Supplemental disclosures of non-cash investing and financing activities:

During the second quarter in 2009, the Company commenced the process of selling the buildings at its Redmond, Washington production facility and as a result classified such assets to assets held for sale. See Note 7.

As of September 28, 2009 and September 29, 2008, accrued purchases of equipment totaled \$272 and \$1,964, respectively.

The Company recognized an unrealized loss on derivative instruments of \$108, net of tax, for the three quarters ended September 28, 2008.

See accompanying notes to consolidated condensed financial statements.

**Table of Contents**

**TTM TECHNOLOGIES, INC.**  
**Notes to Consolidated Condensed Financial Statements**  
**(unaudited)**  
**(Dollars and shares in thousands, except per share data)**

**(1) Nature of Operations and Basis of Presentation**

TTM Technologies, Inc. (the Company or TTM) is a manufacturer of complex printed circuit boards (PCBs) used in sophisticated electronic equipment and provides backplane and sub-system assembly services for both standard and specialty products in defense and commercial operations. The Company sells to a variety of customers located both within and outside of the United States of America. The Company's customers include both original equipment manufacturers (OEMs) and electronic manufacturing services (EMS) companies. The Company's OEM customers often direct a significant portion of their purchases through EMS companies.

The accompanying consolidated condensed financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These consolidated condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial position, the results of operations and cash flows of the Company for the periods presented. It is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's most recent Annual Report on Form 10-K. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Company's consolidated condensed financial statements and accompanying notes. Actual results could differ materially from those estimates. The Company uses a 13-week fiscal quarter accounting period with the first quarter ending on the Monday closest to April 1 and the fourth quarter always ending on December 31. The third quarters ended September 28, 2009 and September 29, 2008 each contained 91 days. The three quarters ended September 28, 2009 and September 29, 2008 contained 271 and 273 days, respectively.

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (ASC). The ASC became the single source of authoritative, nongovernmental generally accepted accounting principles (GAAP) in the United States, other than guidance issued by the SEC. The ASC is effective for interim and annual periods ending after September 15, 2009. The adoption of ASC did not have a material impact on the Company's financial statements.

Certain reclassifications of prior year amounts have been made to conform to the current year presentation. Beginning in the second quarter of 2009, the Company reports gains and losses from the sale or disposal of property, plant and equipment as a component of general and administrative expenses in the consolidated condensed statements of operations. Prior to the second quarter 2009, the gains and losses from the sale or disposal of property, plant and equipment were included as a component of cost of goods sold.

**Table of Contents****TTM TECHNOLOGIES, INC.****Notes to Consolidated Condensed Financial Statements (Continued)****(2) Change in Method of Accounting for Convertible Senior Notes**

On January 1, 2009, the Company adopted new authoritative guidance for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) by separately accounting for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The Company has retrospectively applied this method of accounting back to the issuance date of convertible debt, which for the Company was May 2008. The impact of the retrospective application is summarized below:

**Balance Sheet**

	<b>December 31, 2008</b>		
	<b>As Originally Reported</b>	<b>Effect of Change (in thousands)</b>	<b>Adjusted as a result of the change in accounting method</b>
Debt issuance costs, net	5,297	(1,253)	4,044
Deferred income taxes	49,183	(14,854)	34,329
Deposits and other non-current assets	1,230	97	1,327
Total Assets	\$ 556,250	\$ (16,010)	\$ 540,240
Other accrued expenses	2,385	37	2,422
Convertible senior notes, net of discount	175,000	(40,086)	134,914
Total Liabilities	250,253	(40,049)	210,204
Additional paid-in capital	183,721	25,680	209,401
Retained earnings	119,067	(1,641)	117,426
Total stockholders' equity	305,997	24,039	330,036
	\$ 556,250	\$ (16,010)	\$ 540,240

**Statements of Operations**

	<b>For the Quarter Ended September 29, 2008</b>			<b>For the Three Quarters Ended September 29, 2008</b>		
	<b>As Originally Reported</b>	<b>Effect of Change (in thousands)</b>	<b>Adjusted as a result of the change in accounting method</b>	<b>As Originally Reported</b>	<b>Effect of Change (in thousands)</b>	<b>Adjusted as a result of the change in accounting method</b>
Cost of goods sold	\$ 136,873	\$ 5	\$ 136,878	\$ 409,590	\$ 6	\$ 409,596
Interest expense	(1,556)	(1,072)	(2,628)	(6,679)	(1,609)	(8,288)

Edgar Filing: TTM TECHNOLOGIES INC - Form 10-Q

Income tax provision	(4,809)	412	(4,397)	(18,802)	618	(18,184)
Net income	9,458	(665)	8,793	33,274	(997)	32,277
Basic earnings per share	\$ 0.22	\$ (0.01)	\$ 0.21	\$ 0.78	\$ (0.02)	\$ 0.76
Diluted earnings per share	\$ 0.22	\$ (0.02)	\$ 0.20	\$ 0.77	\$ (0.02)	\$ 0.75

Further, the change in accounting method increased interest expense by approximately \$1,177 and \$3,392, for the quarter and three quarters ended September 28, 2009, respectively, decreased net income by \$732 and \$2,109 for the quarter and three quarters ended September 28, 2009, respectively, and decreased basic and dilutive earnings per share by \$0.02 and \$0.05 for the quarter and three quarters ended September 28, 2009, respectively.

**(3) Short-Term Investments**

Short-term investments are comprised of an investment in The Reserve Primary Fund (Primary Fund), a money market fund that has suspended redemptions and is being liquidated. The Company records these investments as trading securities and at fair market value.

The Company has requested redemption of its remaining investment in the Primary Fund and during the three quarters ended September 28, 2009 received an additional distribution of funds in the amount of \$2,238. The Company expects continued distribution to occur as the Primary Fund's assets mature or are sold. The Company expects to recover the remaining carrying value in the Primary Fund as of September 28, 2009. The Company classified its investment in the Primary Fund as a short-term investment on the Company's consolidated condensed balance sheet at September 28, 2009 and December 31, 2008. At September 28, 2009 and December 31, 2008, the fair value of the Company's remaining investment in the Primary Fund was \$1,419 and \$3,657, respectively. See Note 8.

Subsequent to September 28, 2009, the Company received an additional distribution of funds in the amount of \$393.

**Table of Contents****TTM TECHNOLOGIES, INC.****Notes to Consolidated Condensed Financial Statements (Continued)****(4) Inventories**

Inventories as of September 28, 2009 and December 31, 2008 consist of the following:

	<b>September 28, 2009</b>	<b>December 31, 2008</b>
	<b>(In thousands)</b>	
Raw materials	\$ 22,418	\$ 25,998
Work-in-process	32,364	36,290
Finished goods	6,940	8,723
	<b>\$ 61,722</b>	<b>\$ 71,011</b>

**(5) Convertible Senior Notes**

In May 2008, the Company issued 3.25% Convertible Senior Notes (Convertible Notes) due May 15, 2015, in a public offering for an aggregate principal amount of \$175,000. The Convertible Notes bear interest at a rate of 3.25% per annum. Interest is payable semiannually in arrears on May 15 and November 15 of each year, beginning November 15, 2008. The Convertible Notes are senior unsecured obligations and rank equally to the Company's future unsecured senior indebtedness and senior in right of payment to any of the Company's future subordinated indebtedness. The liability and equity components of the Convertible Notes are separately accounted for as described in Note 2.

The Company received proceeds of \$169,249 after the deduction of offering expenses of \$5,751 upon issuance of the Convertible Notes. The Company has allocated the Convertible Notes offering costs to the liability and equity components in proportion to the allocation of proceeds and accounted for them as debt issuance costs and equity issuance costs, respectively. At September 28, 2009 and December 31, 2008 the following summarizes the liability and equity components of the Convertible Notes:

	<b>September 28, 2009</b>	<b>December 31, 2008</b>
	<b>(In thousands)</b>	
<b>Liability components:</b>		
Convertible Notes	\$ 175,000	\$ 175,000
Less: Convertible Notes unamortized discount	(36,399)	(40,086)
Convertible Notes, net of discount	<b>\$ 138,601</b>	<b>\$ 134,914</b>
<b>Equity components:</b>		
Additional paid-in capital:		
Embedded conversion option    Convertible Notes	\$ 43,000	\$ 43,000
Embedded conversion option    Convertible Notes issuance costs	(1,413)	(1,413)
	<b>\$ 41,587</b>	<b>\$ 41,587</b>

At September 28, 2009 and December 31, 2008, remaining unamortized debt issuance costs included in other non-current assets were \$3,672 and \$4,044, respectively, and are being amortized to interest expense over the term of the Convertible Notes. At September 28, 2009 the remaining amortization period for the unamortized Convertible

Note discount and debt issuance costs was 5.63 years.

Additionally, the Company recognized total interest expense, before consideration of capitalized interest, on the Convertible Notes in the amount of \$2,803 and \$2,692 for the quarters ended September 28, 2009 and September 29, 2008, respectively, and \$8,325 and \$4,048 for the three quarters ended September 28, 2009 and September 29, 2008, respectively. The components of interest are as follows:

	<b>Quarter Ended</b>		<b>Three Quarters Ended</b>	
	<b>September 28, 2009</b>	<b>September 29, 2008</b>	<b>September 28, 2009</b>	<b>September 29, 2008</b>
	<b>(In thousands)</b>			
Contractual coupon interest	\$ 1,422	\$ 1,422	\$ 4,266	\$ 2,138
Amortization of Convertible Notes debt discount	1,255	1,154	3,687	1,735
Amortization of debt issuance costs	126	116	372	175
	\$ 2,803	\$ 2,692	\$ 8,325	\$ 4,048

**Table of Contents****TTM TECHNOLOGIES, INC.****Notes to Consolidated Condensed Financial Statements (Continued)*****Conversion***

At any time prior to November 15, 2014, holders may convert their Convertible Notes into cash and, if applicable, into shares of the Company's common stock based on a conversion rate of 62.6449 shares of the Company's common stock per \$1 principal amount of Convertible Notes, subject to adjustment, under the following circumstances: (1) during any calendar quarter beginning after June 30, 2008 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days during the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day of such preceding calendar quarter; (2) during the five business day period after any 10 consecutive trading day period in which the trading price per note for each day of that 10 consecutive trading day period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on such day; or (3) upon the occurrence of specified corporate transactions described in the prospectus supplement. As of September 28, 2009, none of the conversion criteria had been met.

On or after November 15, 2014 until the close of business on the third scheduled trading day preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, for each \$1 principal amount of notes, the Company will pay cash for the lesser of the conversion value or \$1 and shares of our common stock, if any, based on a daily conversion value calculated on a proportionate basis for each day of the 60 trading day observation period. Additionally, in the event of a fundamental change as defined in the prospectus supplement, or other conversion rate adjustments such as share splits or combinations, other distributions of shares, cash or other assets to stockholders, including self-tender transactions (Other Conversion Rate Adjustments), the conversion rate may be modified to adjust the number of shares per \$1 principal amount of the notes.

The maximum number of shares issuable upon conversion, including the effect of a fundamental change and subject to Other Conversion Rate Adjustments, would be 13,978.

***Note Repurchase***

The Company is not permitted to redeem the Convertible Notes at any time prior to maturity. In the event of a fundamental change or certain default events, as defined in the prospectus supplement, holders may require the Company to repurchase for cash all or a portion of their Convertible Notes at a price equal to 100% of the principal amount, plus any accrued and unpaid interest.

***Convertible Note Hedge and Warrant Transaction***

In connection with the issuance of the Convertible Notes, the Company entered into a convertible note hedge and warrant transaction (Call Spread Transaction), with respect to the Company's common stock. The convertible note hedge, which cost an aggregate \$38,257 and was recorded, net of tax, as a reduction of additional paid-in capital, consists of the Company's option to purchase up to 10,963 common stock shares at a price of \$15.96 per share. This option expires on May 15, 2015 and can only be executed upon the conversion of the above mentioned Convertible Notes. Additionally, the Company sold warrants to purchase 10,963 shares of the Company's common stock at a price of \$18.15. This warrant transaction expires on August 17, 2015. The proceeds from the sale of warrants of \$26,197 was recorded as an addition to additional paid-in capital. The Call Spread Transaction has no effect on the terms of the Convertible Notes and reduces potential dilution by effectively increasing the conversion price of the Convertible Notes to \$18.15 per share of the Company's common stock.

**Table of Contents****TTM TECHNOLOGIES, INC.****Notes to Consolidated Condensed Financial Statements (Continued)****(6) Comprehensive Income (Loss)**

The components of accumulated other comprehensive income (loss) generally include foreign currency translation adjustments and unrealized gains and losses on effective cash flow hedges. The computation of comprehensive income was as follows:

	Quarter Ended		Three Quarters Ended	
	As Adjusted		As Adjusted	
	(Note 2)		(Note 2)	
	September	September	September	September
	28,	29,	28,	29,
	2009	2008	2009	2008
	(In thousands)			
Net (loss) income	\$ (4,885)	\$ 8,793	\$ 2,490	\$ 32,277
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of a tax of \$10 and \$108 for the quarters ended September 28, 2009 and September 29, 2008, respectively, and net of tax (benefit) of \$(26) and \$1,026 for the three quarters ended September 28, 2009 and September 29, 2008, respectively	17	163	(42)	1,726
Unrealized loss on effective cash flow hedges, net of tax benefit of \$64 for the three quarters ended September 29, 2008				(108)
Less: reclassification adjustment for losses realized in net earnings net of tax of \$442 for the three quarters ended September 29, 2008				752
Net				644
Total other comprehensive income (loss), net of tax	17	163	(42)	2,370
Comprehensive (loss) income	\$ (4,868)	\$ 8,956	\$ 2,448	\$ 34,647

**(7) Restructuring Charges and Impairment of Long-lived Assets**

On January 15, 2009, the Company announced its plan to close its Redmond, Washington facility and lay off approximately 370 employees at this site. In addition, the Company laid off about 140 employees at various other U.S. facilities on January 15, 2009. On September 1, 2009, the Company announced its plan to close its Hayward and Los Angeles, California facilities and lay off approximately 340 employees. The Company has recorded \$2,501, consisting of \$1,763 for the PCB Manufacturing segment and \$738 for the Backplane Assembly segment, and \$5,009 consisting of \$4,271 for the PCB Manufacturing segment and \$738 for the Backplane Assembly segment, in separation costs related to these restructurings for the quarter and three quarters ended September 28, 2009, respectively. These separation charges have been classified as restructuring charges in the consolidated condensed statement of operations. As of September 28, 2009, \$2,227 of accrued separation costs remain for approximately 317 employees yet to be separated. The Company expects the remaining employees to be separated and remaining accrued restructuring costs to be paid by the first quarter of 2010. Accrued restructuring costs are included as a component of accrued salaries, wages and benefits in the consolidated condensed balance sheet.



Additionally, the Company expects to incur contract termination costs ranging from \$1,000 to \$2,000 related to closures of its leased manufacturing facilities between fourth quarter of 2009 and first quarter of 2010. The estimated contract termination costs relate primarily to the PCB Manufacturing segment.

The below table shows the utilization of the accrued restructuring costs during the three quarters ended September 28, 2009:

	<b>(In thousands)</b>
Accrued at December 31, 2008	\$
Estimated severance charges	5,009
Amount paid	(2,782)
Accrued at September 28, 2009	\$ 2,227

The Company recorded the impairment of certain long-lived assets, including assets held for sale, for its Redmond, Washington, Dallas, Oregon, and two California facilities in the amount of \$10,293 and \$10,636 for the quarter and three quarters ended September 28, 2009, respectively. The impairment for the Redmond, Washington and the two California facilities of \$8,043 and \$8,386 for the quarter and three quarters ended September 28, 2009, respectively, is directly related to facility closures and consisted of buildings and machinery and equipment. Additionally, in the third quarter of 2009, the Company reduced the carrying value of the Dallas, Oregon facility, which is classified as an asset held for sale, by \$2,250 to record the estimated fair value less costs to sell given current market conditions. These charges are presented as impairment of long-lived assets in the Company's consolidated condensed statement of operations. The Redmond, Washington and Los Angeles, California facilities are part of the Company's PCB Manufacturing segment, while the Hayward, California facility is part of the Backplane Assembly segment.

**Table of Contents****TTM TECHNOLOGIES, INC.****Notes to Consolidated Condensed Financial Statements (Continued)**

During the second quarter 2009, the Company also commenced the process of selling the buildings at the Redmond, Washington facility and therefore classified \$9,000, representing the lesser of carrying value or fair value less costs to sell, to assets held for sale, (Note 8).

**(8) Fair Value Measures*****Fair Value of Financial Instruments***

During the second quarter of 2009, the Company adopted new authoritative guidance requiring disclosures about the fair value of financial instruments for interim reporting periods.

The carrying amount and estimated fair value of the Company's financial instruments at September 28, 2009 and December 31, 2008 were as follows:

	September 28, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Short-term investments	\$ 1,419	\$ 1,419	\$ 3,657	\$ 3,657
Convertible senior notes	138,601	172,847	134,914	87,553

The fair value of the convertible senior notes was estimated based on quoted market prices at the end of the reporting period.

***Fair Value Measures***

The Company measures at fair value its financial and non-financial assets by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

Level 1 Quoted market prices in active markets for identical assets or liabilities;

Level 2 Significant other observable inputs (e.g., quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs); and

Level 3 Unobservable inputs in which there is little or no market data, which require the reporting unit to develop its own assumptions.

At September 28, 2009, the following financial asset was measured at fair value on a recurring basis using the type of inputs shown:

	September 28, 2009	Fair Value Measurements Using:		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
	(In thousands)			
Short-term investments	\$ 1,419			\$ 1,419

The Company values its short-term investments using some market data, specific management assumptions and other relevant information generated by market transactions involving identical or similar comparable investments.

The changes in financial assets classified as Level 3 inputs as of September 28, 2009 were as follows:

	(In thousands)
<b>Fair Value Measurement using Significant Unobservable Inputs (Level 3)</b>	
Beginning balance at December 31, 2008	\$ 3,657
Transfers to level 3	

Settlement	(2,238)
Changes in fair value included in earnings	
Ending balance at September 28, 2009	\$ 1,419

**Table of Contents****TTM TECHNOLOGIES, INC.****Notes to Consolidated Condensed Financial Statements (Continued)**

The majority of the Company's non-financial instruments, which include goodwill, intangible assets, inventories, and property, plant and equipment, are not required to be carried at fair value on a recurring basis. However, if certain triggering events occur (or at least annually for goodwill) such that a non-financial instrument is required to be evaluated for impairment, a resulting asset impairment would require that the non-financial instrument be recorded at the lower of its historical cost or its fair value.

During the three quarters ended September 28, 2009, the Company reviewed for impairment the carrying value of the Redmond, Washington, Hayward and Los Angeles, California production facilities' assets that may not be recoverable as a result of the closure of the facilities. The Company also reviewed for impairment its Dallas, Oregon facility, which is classified as an asset held for sale. The Company evaluates regularly whether events and circumstances have occurred that indicate possible impairment and relies on a number of factors, including operating results, business plans, economic projections, and anticipated future cash flows. During the quarter and three quarters ended September 28, 2009, the Redmond, Washington, and two California facilities were impaired by \$8,043 and \$8,386, respectively, and the carrying value of such assets were reduced to their fair value. Because the primary determination of fair value was management's review of current auction rates of similar assets, the resulting fair value is considered a Level 2 input.

Additionally, assets held for sale, consisting of buildings at the Company's Dallas, Oregon and Redmond, Washington facilities, are carried at the lesser of carrying value or fair value less costs to sell. During the quarter ended September 28, 2009, the Dallas, Oregon facility was impaired by \$2,250 and the carrying value of this asset was reduced to its fair value. Fair value is remeasured on a periodic basis and is primarily determined using appraisals and comparable prices of similar assets, which are considered to be Level 2 inputs.

**(9) Commitments and Contingencies*****Legal Matters***

Prior to the Company's acquisition of Tyco Printed Circuit Group LP (PCG) in October 2006, PCG made legal commitments to the U.S. Environmental Protection Agency (U.S. EPA) and the State of Connecticut regarding settlement of enforcement actions against the PCG operations in Connecticut. On August 17, 2004, PCG was sentenced for Clean Water Act violations and was ordered to pay a \$6,000 fine and an additional \$3,700 to fund environmental projects designed to improve the environment for Connecticut residents. In September 2004, PCG agreed to a stipulated judgment with the Connecticut Attorney General's office and the Connecticut Department of Environmental Protection (Connecticut DEP) under which PCG paid a \$2,000 civil penalty and agreed to implement capital improvements of \$2,400 to reduce the volume of rinse water discharged from its manufacturing facilities in Connecticut. The obligations to the U.S. EPA were completed as of July 1, 2009. The Connecticut DEP obligation involves the installation of rinse water recycling systems at the Stafford, Connecticut facilities. As of September 28, 2009, one recycling system was completed and placed into operation, and approximately \$661 remains to be expended in the form of capital improvements to meet the second rinse water recycling system requirement. The Company has assumed these legal commitments as part of its purchase of PCG. Failure to meet either commitment could result in further costly enforcement actions.

The Company is subject to various other legal matters, which it considers normal for its business activities. While the Company currently believes that the amount of any ultimate potential loss for known matters would not be material to the Company's financial condition, the outcome of these actions is inherently difficult to predict. In the event of an adverse outcome, the ultimate potential loss could have a material adverse effect on the Company's financial condition or results of operations in a particular period. The Company has accrued amounts for its loss contingencies which are probable and estimable at September 28, 2009 and December 31, 2008.

***Environmental Matters***

The process to manufacture PCBs requires adherence to city, county, state and federal environmental regulations regarding the storage, use, handling and disposal of chemicals, solid wastes and other hazardous materials as well as air quality standards. Management believes that its facilities comply in all material respects with environmental laws and regulations. The Company has in the past received certain notices of violations and has been required to engage in

certain minor corrective activities. There can be no assurance that violations will not occur in the future. The Company is involved in various stages of investigation and cleanup related to environmental remediation at various production sites. The Company currently estimates that it will incur total remediation costs of \$913 over the next 12 to 84 months related to three Connecticut production sites and one Washington production site.

**Table of Contents****TTM TECHNOLOGIES, INC.****Notes to Consolidated Condensed Financial Statements (Continued)**

For the Connecticut production sites, the Company is in various stages of investigation and cleanup related to environmental remediation matters for two of the sites and is investigating a third site. The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. The third Connecticut site is being investigated under Connecticut's Land Transfer Act. The Company concluded that it was probable that it would incur remedial costs for these sites of approximately \$776 and \$908 as of September 28, 2009 and December 31, 2008, respectively, the liability for which is included in other long-term liabilities. This accrual was discounted at 8% per annum based on the Company's best estimate of the liability, which the Company estimated as ranging from \$839 to \$1,274 on an undiscounted basis.

For the Washington production site, the Company discovered copper contamination in the soil and groundwater that exceeded state and city standard levels. The Company engaged a consultant to investigate the underlying soil and groundwater and determined that such contamination was limited. The contaminated soil was removed and groundwater treatment installed as of September 28, 2009. The Company is taking voluntary cleanup actions to remediate both the soil and groundwater and has a remaining accrual of \$137 for such remediation costs as of September 28, 2009.

The liabilities recorded do not take into account any claims for recoveries from insurance or third parties and none are anticipated. These costs are mostly comprised of estimated consulting costs to evaluate potential remediation requirements, completion of the remediation, and monitoring of results achieved. As of September 28, 2009, the Company anticipates paying these costs ratably over the next 12 to 84 months, which timeframes vary by site. Subject to the imprecision in estimating future environmental remediation costs, the Company does not expect the outcome of the environmental remediation matters, either individually or in the aggregate, to have a material adverse effect on its financial position, results of operations, or cash flows.

**Standby Letters of Credit**

The Company maintains two letters of credit: a \$1,000 standby letter of credit expiring February 28, 2010 related to the lease of one of its production facilities and a \$764 standby letter of credit expiring December 31, 2009 associated with its insured workers compensation program.

**(10) Earnings (Loss) Per Share**

The following is a reconciliation of the numerator and denominator used to calculate basic earnings (loss) per share and diluted earnings (loss) per share for the quarter and three quarters ended September 28, 2009 and September 29, 2008:

	<b>Quarters Ended</b>		<b>Three Quarters Ended</b>	
	<b>As Adjusted</b>		<b>As Adjusted</b>	
	<b>(Note 2)</b>		<b>(Note 2)</b>	
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>28,</b>	<b>29,</b>	<b>28,</b>	<b>29,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>(In thousands, except per share amounts)</b>			
Net (loss) income	\$ (4,885)	\$ 8,793	\$ 2,490	\$ 32,277
Weighted average shares outstanding	43,142	42,805	43,048	42,637
Dilutive effect of stock options and restricted stock units		377	410	362
Diluted shares	43,142	43,182	43,458	42,999

Earnings (loss) per share:

Basic	\$	(0.11)	\$	0.21	\$	0.06	\$	0.76
Dilutive	\$	(0.11)	\$	0.20	\$	0.06	\$	0.75

For the third quarter ended September 28, 2009 potential shares of common stock consisting of stock options to purchase approximately 2,122 shares of common stock at exercise prices ranging from \$2.76 to \$16.82 per share and 1,185 restricted stock units, were not included in the computation of diluted earnings per share because the Company incurred a net loss from operations and, as a result, the impact would be anti-dilutive. Stock options and restricted stock units to purchase 1,532 shares of common stock for the third quarter ended September 29, 2008 and 2,223 and 1,848 shares of common stock for the three quarters ended September 28, 2009 and September 29, 2008, respectively, were not considered in calculating diluted earnings per share because the options' exercise price or the total expected proceeds under the treasury stock method for stock options or restricted stock units was greater than the average market price of common shares during those periods and, therefore, the effect would be anti-dilutive.

**Table of Contents****TTM TECHNOLOGIES, INC.****Notes to Consolidated Condensed Financial Statements (Continued)**

Additionally, for the quarter and three quarters ended September 28, 2009, the effect of 10,963 shares of common stock related to the Company's Convertible Notes and the effect of 21,926 warrants to purchase shares of the Company's common stock were not included in the computation of dilutive earnings per share because the conversion price of the Convertible Notes and the strike price of the warrants to purchase the Company's common stock were greater than the average market price of common shares during those periods and, therefore, the effect would be anti-dilutive.

**(11) Stock-Based Compensation**

Stock-based compensation expense is recognized in the accompanying consolidated condensed statements of operations as follows:

	Quarter Ended		Three Quarters Ended	
	September 28, 2009	September 29, 2008	September 28, 2009	September 29, 2008
	(In thousands)			
Cost of goods sold	\$ 413	\$ 388	\$ 1,263	\$ 1,011
Selling and marketing	133	116	413	307
General and administrative	980	888	3,022	2,543
Stock-based compensation expense recognized	1,526	1,392	4,698	3,861
Income tax benefit recognized	(548)	(431)	(1,602)	(1,339)
Total stock-based compensation expense after income taxes	\$ 978	\$ 961	\$ 3,096	\$ 2,522

The Company granted 28 stock option awards during the quarter ended September 28, 2009 with an estimated weighted average fair value per share option of \$6.12 and granted 83 and 110 stock option awards during the three quarters ended September 28, 2009 and September 29, 2008, respectively, with an estimated weighted average fair value per share option of \$4.52 and \$6.81, respectively. The Company did not grant any stock option awards during the quarter ended September 29, 2008. The fair value for stock options granted is calculated using the Black-Scholes option-pricing model on the date of grant. For the quarter and three quarters ended September 28, 2009 and for the three quarters ended September 29, 2008, the following assumptions were used in determining the fair value:

	Quarter Ended	Three Quarters Ended	
	September 28, 2009	September 28, 2009	September 29, 2008
Risk-free interest rate	2.9%	2.4%	2.9%
Dividend yield			
Expected volatility	60%	60%	69%
Expected term in months	66	66	66

The Company determines the expected term of its stock option awards separately for employees and directors based on a periodic review of its historical stock option exercise experience. This calculation excludes pre-vesting forfeitures and uses assumed future exercise patterns to account for option holders' expected exercise and post-vesting termination behavior for outstanding stock options over their remaining contractual terms. Expected volatility is calculated using the Company's historical stock price to calculate expected volatility over the expected term of each grant. The risk-free



interest rate for the expected term of each option granted is based on the U.S. Treasury yield curve in effect at the time of grant. As of September 28, 2009, \$1,427 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 0.7 years.

Additionally, the Company granted 2 restricted stock units for the quarter ended September 29, 2008 and 684 and 504 restricted stock units for the three quarters ended September 28, 2009 and September 29, 2008, respectively. The units granted were estimated to have a weighted-average fair value per unit of \$11.25 for the quarter ended September 29, 2008, and \$4.54 and \$11.46 for the three quarters ended September 28, 2009 and September 29, 2008, respectively. The Company did not grant any restricted stock units during the quarter ended September 28, 2009. The fair value for restricted stock units granted during the period is based on the closing share price on the date of grant. As of September 28, 2009, \$5,473 of total unrecognized compensation cost related to restricted stock units is expected to be recognized over a weighted-average period of 0.8 years.

**Table of Contents****TTM TECHNOLOGIES, INC.****Notes to Consolidated Condensed Financial Statements (Continued)****(12) Asset Retirement Obligations**

The Company has recorded estimated asset retirement obligations related to the restoration of its leased manufacturing facilities to shell condition upon termination of the leases in place at those facilities and for removal of asbestos at its owned Stafford, Connecticut and Santa Clara, California manufacturing plants. These obligations were acquired in connection with the Company's October 2006 acquisition of PCG. The adjustment to estimated asset retirement obligations and related assets for the Hayward and Los Angeles, California manufacturing facilities in the amount of \$691 were recorded for estimated asset retirement obligations in the third quarter 2009 related to restoration of the Company's leased manufacturing facilities to shell condition, due to changes in the expected timing and amount of cash flows. The change in estimate was recorded as an addition to the corresponding asset, which was subsequently determined to be impaired (Note 7).

Activity related to asset retirement obligations is as follows and is included in other long-term liabilities:

	<b>(In thousands)</b>
Asset retirement obligations at December 31, 2008	\$ 1,384
Accretion expense	58
Adjustment to estimate	691
Asset retirement obligations at September 28, 2009	\$ 2,133

**(13) Concentration of Credit Risk**

In the normal course of business, the Company extends credit to its customers, which are concentrated primarily in the computer and electronics instrumentation and aerospace/defense industries, and some of which are located outside the United States. The Company performs ongoing credit evaluations of customers and does not require collateral. The Company also considers the credit risk profile of the entity from which the receivable is due in further evaluating collection risk.

As of September 28, 2009 and December 31, 2008, the Company's 10 largest customers in the aggregate accounted for 59% and 58%, respectively, of total accounts receivable. If one or more of the Company's significant customers were to become insolvent or were otherwise unable to pay for the manufacturing services provided, it would have a material adverse effect on the Company's financial condition and results of operations.

**(14) Segment Information**

The operating segments reported below are the Company's segments for which separate financial information is available and upon which operating results are evaluated by the chief operating decision maker on a timely basis to assess performance and to allocate resources. The Company has two reportable segments: PCB Manufacturing and Backplane Assembly. These reportable segments are each managed separately as they distribute and manufacture distinct products with different production processes. Each reportable segment operates predominantly in the same industry with production facilities that produce similar customized products for its customers and use similar means of product distribution. PCB Manufacturing fabricates printed circuit boards, and Backplane Assembly is a contract manufacturing business that specializes in assembling backplanes and sub-system assemblies.

The Company evaluates segment performance based on operating segment income, which is operating income before amortization of intangibles. Interest expense and interest income are not presented by segment since they are not included in the measure of segment profitability reviewed by the chief operating decision maker. All inter-company transactions, including sales of PCBs from the PCB Manufacturing segment to the Backplane Assembly segment, have been eliminated.

<b>Quarter Ended</b>	<b>Three Quarters Ended</b>
<b>As Adjusted</b>	<b>As Adjusted</b>
<b>(Note 2)</b>	<b>(Note 2)</b>

Edgar Filing: TTM TECHNOLOGIES INC - Form 10-Q

	<b>September 28, 2009</b>	<b>September 29, 2008</b>	<b>September 28, 2009</b>	<b>September 29, 2008</b>
	<b>(In thousands)</b>			
<b>Net Sales:</b>				
PCB Manufacturing	\$ 123,171	\$ 148,003	\$ 378,065	\$ 446,304
Backplane Assembly	23,950	29,254	77,975	92,984
Total sales	147,121	177,257	456,040	539,288
Inter-company sales	(8,046)	(8,238)	(23,488)	(23,223)
Total net sales	\$ 139,075	\$ 169,019	\$ 432,552	\$ 516,065
<b>Operating Segment (Loss) Income:</b>				
PCB Manufacturing	\$ (1,897)	\$ 14,307	\$ 13,219	\$ 54,765
Backplane Assembly	(2,639)	2,144	1,174	7,073
Total operating segment income (loss)	(4,536)	16,451	14,393	61,838
Amortization of intangibles	(860)	(951)	(2,580)	(2,848)
Total operating (loss) income	(5,396)	15,500	11,813	58,990
Total other expense	(2,666)	(2,310)	(7,944)	(8,529)
(Loss) income before income taxes	\$ (8,062)	\$ 13,190	\$ 3,869	\$ 50,461

**Table of Contents**

**TTM TECHNOLOGIES, INC.**

**Notes to Consolidated Condensed Financial Statements (Continued)**

The Company's customers include both OEMs and EMS companies. The Company's OEM customers often direct a significant portion of their purchases through EMS companies.

For the quarter and three quarters ended September 28, 2009, no one customer accounted for 10% of net sales. For the quarter and three quarters ended September 29, 2008, one customer accounted for approximately 12% and 13% of net sales, respectively. Sales to the Company's 10 largest customers for the quarters ended September 28, 2009 and September 29, 2008 were 54% and 51%, respectively. Sales to the Company's 10 largest customers for the three quarters ended September 28, 2009 and September 29, 2008 were 53% and 50%, respectively. The loss of one or more major customers or a decline in sales to the Company's major customers would have a material adverse effect on the Company's financial condition and results of operations.

**(15) Metal Reclamation**

During the first quarter of 2008, the Company recognized \$3,700 of income related to a pricing reconciliation of metal reclamation activity attributable to a single vendor. As a result of the pricing reconciliation, the Company discovered that the vendor had inaccurately compensated the Company for gold reclamations over the last several years.

**(16) Subsequent Events**

During the second quarter 2009, the Company implemented the new authoritative guidance regarding 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. The authoritative guidance sets forth:

the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements;

the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and

the disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

There were no material subsequent events which required examination or evaluation through November 6, 2009, the date the Company's consolidated condensed financial statements were issued.

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

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated condensed financial statements and the related notes and the other financial information included in this Quarterly Report on Form 10-Q. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of specified factors, including those set forth in Item 1A Risk Factors of Part II below and elsewhere in this Quarterly Report on Form 10-Q.

This discussion and analysis should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in our annual report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission.

**Overview**

We are a one-stop provider of time-critical and technologically complex printed circuit boards (PCBs) and backplane assemblies, which serve as the foundation of sophisticated electronic products. We serve high-end commercial and aerospace/defense markets including the networking/communications infrastructure, defense, high-end computing, and industrial/medical markets which are characterized by high levels of complexity and moderate production volumes. Our customers include original equipment manufacturers (OEMs), electronic manufacturing services (EMS) providers, and aerospace/defense companies. Our time-to-market and high technology focused manufacturing services enable our customers to reduce the time required to develop new products and bring them to market.

We measure customers as those companies that have placed at least two orders in the preceding 12-month period. As of September 28, 2009, we had approximately 715 customers and approximately 900 as of September 29, 2008. Sales to our 10 largest customers accounted for 54% of our net sales in the third quarter ended September 28, 2009 and 51% of our net sales in the third quarter ended September 29, 2008. Sales to our 10 largest customers for the three quarters ended September 28, 2009 and September 29, 2008 were 53% and 50% of our net sales, respectively. We sell to OEMs both directly and indirectly through EMS companies. Sales attributable to our five largest OEM customers accounted for approximately 35% and 30% of our net sales in the quarters ended September 28, 2009 and September 29, 2008, respectively.

The following table shows the percentage of our net sales attributable to each of the principal end markets we served for the periods indicated.

End Markets(1)	Quarter Ended		Three Quarters Ended	
	September 28, 2009	September 29, 2008	September 28, 2009	September 29, 2008
Aerospace/Defense	44%	39%	45%	36%
Networking/Communications	35	39	35	41
Computing/Storage/Peripherals	12	11	11	11
Medical/Industrial/Instrumentation/Other	9	11	9	12
Total	100%	100%	100%	100%

(1) Sales to EMS companies are classified by the end markets of their OEM customers.

For PCBs, we measure the time sensitivity of our products by tracking the quick-turn percentage of our work. We define quick-turn orders as those with delivery times of 10 days or less, which typically captures research and development, prototype, and new product introduction work, in addition to unexpected short-term demand among our customers. Generally, we quote prices after we receive the design specifications and the time and volume requirements from our customers. Our quick-turn services command a premium price as compared to standard lead-time products. Quick-turn orders were consistent at 11% of PCB revenue in both third quarters of 2008 and 2009. We also deliver a significant percentage of compressed lead-time work with lead times of 11 to 20 days. We receive a premium price for this work as well. Purchase orders may be cancelled prior to shipment. We charge customers a fee, based on percentage completed, if an order is cancelled once it has entered production.

We derive revenues primarily from the sale of printed circuit boards and backplane assemblies using customer-supplied engineering and design plans. We recognize revenues when persuasive evidence of a sales arrangement exists, the sales terms are fixed and determinable, title and risk of loss have transferred, and collectibility is reasonably assured generally when products are shipped to the customer. Net sales consist of gross sales less an allowance for returns, which typically has been less than 2% of gross sales. We provide our customers a limited right of return for defective printed circuit boards and backplane assemblies. We record an estimated amount for sales returns and allowances at the time of sale based on historical information.

**Table of Contents**

Cost of goods sold consists of materials, labor, outside services, and overhead expenses incurred in the manufacture and testing of our products as well as stock-based compensation expense. Many factors affect our gross margin, including capacity utilization, product mix, production volume, and yield. We do not participate in any significant long-term contracts with suppliers, and we believe there are a number of potential suppliers for the raw materials we use.

Selling and marketing expenses consist primarily of salaries and commissions paid to our internal sales force and independent sales representatives, salaries paid to our sales support staff, stock-based compensation expense as well as costs associated with marketing materials and trade shows. We generally pay higher commissions to our independent sales representatives for quick-turn work, which generally has a higher gross profit component than standard lead-time work.

General and administrative costs primarily include the salaries for executive, finance, accounting, information technology, facilities and human resources personnel, as well as insurance expenses, expenses for accounting and legal assistance, incentive compensation expense, stock-based compensation expense, bad debt expense, and gains or losses on the sale or disposal of property, plant and equipment.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our consolidated condensed financial statements included in this report have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses, and related disclosure of contingent assets and liabilities.

A critical accounting policy is defined as one that is both material to the presentation of our consolidated condensed financial statements and requires management to make difficult, subjective or complex judgments that could have a material effect on our financial condition or results of operations. These policies require us to make assumptions about matters that are highly uncertain at the time of the estimate. Different estimates we could reasonably have used, or changes in the estimates that are reasonably likely to occur, would have a material effect on our financial condition or results of operations.

Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management has discussed the development, selection and disclosure of these estimates with the audit committee of our board of directors. Actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies include asset valuation related to bad debts and inventory obsolescence; sales returns and allowances; impairment of long-lived assets, including goodwill and intangible assets; realizability of deferred tax assets; and determining self-insured reserves, asset retirement obligations and environmental liabilities.

***Allowance for Doubtful Accounts***

We provide customary credit terms to our customers and generally do not require collateral. We perform ongoing credit evaluations of the financial condition of our customers and maintain an allowance for doubtful accounts based upon historical collections experience and expected collectibility of accounts. Our actual bad debts may differ from our estimates.

***Inventories***

In assessing the realization of inventories, we are required to make judgments as to future demand requirements and compare these with current and committed inventory levels. Provision is made to reduce excess and obsolete inventories to their estimated net realizable value. Our inventory requirements may change based on our projected customer demand, market conditions, technological and product life cycle changes, longer or shorter than expected usage periods, and other factors that could affect the valuation of our inventories. We maintain certain finished goods inventories near certain key customer locations in accordance with agreements with those customers. Although this inventory is typically supported by valid purchase orders, should these customers ultimately not purchase these inventories, our results of operations and financial condition would be adversely affected.





**Table of Contents*****Revenue Recognition***

We derive revenues primarily from the sale of printed circuit boards and backplane assemblies using customer-supplied engineering and design plans and recognize revenues when persuasive evidence of a sales arrangement exists, the sales terms are fixed and determinable, title and risk of loss have transferred, and collectibility is reasonably assured generally when products are shipped to the customer. We provide our customers a limited right of return for defective printed circuit boards and backplane assemblies. We accrue an estimated amount for sales returns and allowances at the time of sale based on historical information. To the extent actual experience varies from our historical experience, revisions to these allowances may be required.

***Long-lived Assets***

We have significant long-lived tangible and intangible assets consisting of property, plant and equipment, definite-lived intangibles, and goodwill. We review these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. In addition, we perform an impairment test related to goodwill at least annually. Our goodwill and intangibles are largely attributable to our acquisitions of other businesses. We have two reporting units, which are also our operating segments, and both contained goodwill prior to our 2008 annual impairment testing.

During the fourth quarter 2008, we performed our annual impairment assessment of goodwill, which requires the use of a fair-value based analysis. We determined the fair value of our operating segments based on discounted cash flows and market approach analyses and considered factors such as a weakening economy, reduced expectations for future cash flows coupled with a decline in the market price of our stock and market capitalization for a sustained period, as indicators for potential goodwill impairment. In conjunction with our annual assessment of goodwill, we also assessed other long-lived assets, specifically definite-lived intangibles and property, plant and equipment, for potential impairment given similar impairment indicators. The completion of our impairment assessment determined that the carrying value of our goodwill and certain long-lived assets at production facilities exceeded their fair value. As a result, charges were recorded to adjust goodwill and long-lived assets to their fair value as of December 31, 2008. There were no events or changes in circumstances during the three quarters ended September 28, 2009 to indicate that the carrying amount of such assets may not be recoverable, with the exception of assets related to the closure of our Redmond, Washington and Hayward and Los Angeles, California production facilities and an asset held for sale. We recorded the impairment of certain long-lived assets for our Redmond, Washington, and two California facilities in the amount of \$8.1 million and \$8.4 million for the quarter and three quarters ended September 28, 2009, respectively, and this is directly related to our facility closures. Additionally, in the third quarter of 2009, we reduced the value of the Dallas, Oregon facility, which is classified as an asset held for sale, by \$2.2 million to record the estimated fair value less cost to sell given current market conditions.

We use an estimate of the future undiscounted net cash flows in measuring whether our long-lived tangible assets and definite-lived intangible assets are recoverable. If forecasts and assumptions used to support the realizability of our goodwill and other long-lived assets change in the future, significant impairment charges could result that would adversely affect our results of operations and financial condition.

***Income Taxes***

Deferred income tax assets are reviewed for recoverability, and valuation allowances are provided, when necessary, to reduce deferred tax assets to the amounts expected to be realized. At September 28, 2009 and December 31, 2008, we had net deferred income tax assets of \$40.9 million and \$39.8 million, respectively, and no valuation allowance. Should our expectations of taxable income change in future periods, it may be necessary to establish a valuation allowance, which could affect our results of operations in the period such a determination is made. In addition, we record income tax provision or benefit during interim periods at a rate that is based on expected results for the full year. If we were to establish a valuation allowance subsequent to September 28, 2009, and then determine that it is more likely than not that some or all of our deferred income tax assets would be realizable in an amount greater than what already is recorded, we would reverse all or a portion of the valuation allowance in the period the determination is made. If future changes in market conditions cause actual results for the year to be more or less favorable than those expected, adjustments to the effective income tax rate could be required.



**Table of Contents*****Self Insurance***

We are self-insured for group health insurance and worker's compensation benefits provided to our employees, and we purchase insurance to protect against claims at the individual and aggregate level. The insurance carrier adjudicates and processes employee claims and is paid a fee for these services. We reimburse our insurance carriers for paid claims subject to variable monthly limitations. We estimate our exposure for claims incurred but not reported at the end of each reporting period and use our judgment with the assistance of actuarial and claim advisors, in determining the number of claims and related claim amounts outstanding as well as historical information supplied by our insurance carriers and brokers on an annual basis to estimate our liability for these claims. This liability is subject to an aggregate stop-loss that ranges between \$100,000 and \$250,000 per individual. Our actual claims experience may differ from our estimates.

***Asset Retirement Obligations and Environmental Liabilities***

We establish liabilities for the costs of asset retirement obligations when a legal or contractual obligation exists to dispose of or restore an asset upon its retirement and the timing and cost of such work can be reasonably estimated. In addition, we accrue an estimate of the costs of environmental remediation for work at identified sites where an assessment has indicated it is probable that cleanup costs are or will be required and may be reasonably estimated. In making these estimates, we consider information that is currently available, existing technology, enacted laws and regulations, and our estimates of the timing of the required remedial actions, and we discount these estimates at 8%. We also are required to estimate the amount of any probable recoveries, including insurance recoveries. We recorded an adjustment to our estimate for asset retirement obligations in the amount of \$0.7 million during the third quarter ended September 28, 2009 related to changes in the estimated timing and amount of cash flows to restore our leased Hayward and Los Angeles, California manufacturing facilities to shell condition.

**Results of Operations****Quarter and Three Quarters Ended September 28, 2009 Compared to the Quarter and Three Quarters Ended September 29, 2008**

There were 91 days in both of the third quarters ended September 28, 2009 and September 29, 2008 and 271 and 273 days in the three quarters ended September 28, 2009 and September 29, 2008, respectively.

On January 1, 2009, we adopted the new authoritative guidance regarding convertible debt instruments, including those that may be settled in cash upon conversion. Issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The new authoritative guidance requires retrospective application back to the issuance date of the convertible debt, which for us was May 2008. The financial data for the comparative quarter and three quarters of 2008 discussed below in our results of operations has been adjusted retrospectively to conform to the new authoritative guidance. Also see Note 2 in the notes to the consolidated condensed financial statements.

**Table of Contents**

The following table sets forth statement of operations data expressed as a percentage of net sales for the periods indicated:

	Quarter Ended		Three Quarters Ended	
	September 28, 2009	As Adjusted September 29, 2008	September 28, 2009	As Adjusted September 29, 2008
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	82.6	81.0	82.5	79.4
Gross profit	17.4	19.0	17.5	20.6
Operating (income) expenses:				
Selling and marketing	4.7	4.5	4.6	4.5
General and administrative	6.8	4.8	5.9	4.9
Amortization of definite-lived intangibles	0.6	0.5	0.6	0.5
Restructuring charges	1.8		1.2	
Impairment of long-lived assets	7.4		2.5	
Metal reclamation				(0.7)
Total operating expenses	21.3	9.8	14.8	9.2
Operating (loss) income	(3.9)	9.2	2.7	11.4
Other income (expense):				
Interest expense	(2.1)	(1.6)	(1.9)	(1.6)
Interest income	0.1	0.4	0.1	0.2
Other, net	0.1	(0.2)		(0.2)
Total other expense, net	(1.9)	(1.4)	(1.8)	(1.6)
Income (loss) before income taxes	(5.8)	7.8	0.9	9.8
Income tax benefit (provision)	2.3	(2.6)	(0.3)	(3.5)
Net (loss) income	(3.5)%	5.2%	0.6%	6.3%

We have two reportable segments: PCB Manufacturing and Backplane Assembly. These reportable segments are managed separately because they distribute and manufacture distinct products with different production processes. PCB Manufacturing fabricates printed circuit boards. Backplane Assembly is a contract manufacturing business that specializes in assembling backplanes into sub-assemblies and other complete electronic devices. PCB Manufacturing customers are either EMS or OEM companies, while Backplane Assembly customers are usually OEMs. Our Backplane Assembly segment includes our Hayward, California and Shanghai, China plants and our Ireland sales and distribution infrastructure. Our PCB Manufacturing segment is composed of seven domestic PCB fabrication plants, and a facility which provides follow-on value-added services primarily for one of the PCB Manufacturing plants. The following table compares net sales by reportable segment for the quarters ended September 28, 2009 and September 29, 2008 and the three quarters ended September 28, 2009 and September 29, 2008:

	Quarter Ended	Three Quarters Ended
--	---------------	----------------------

	<b>September 28, 2009</b>	<b>September 29, 2008</b>	<b>September 28, 2009</b>	<b>September 29, 2008</b>
	<b>(In thousands)</b>			
<b>Net sales:</b>				
PCB Manufacturing	\$ 123,171	\$ 148,003	\$ 378,065	\$ 446,304
Backplane Assembly	23,950	29,254	77,975	92,984
Total sales	147,121	177,257	456,040	539,288
Inter-company sales	(8,046)	(8,238)	(23,488)	(23,223)
Total net sales	\$ 139,075	\$ 169,019	\$ 432,552	\$ 516,065

**Net Sales**

Net sales decreased \$29.9 million, or 17.7%, from \$169.0 million in the third quarter 2008 to \$139.1 million in the third quarter 2009 due to reduced demand at most of our production facilities resulting from a downturn in the global economy and the shutdown of our Redmond, Washington production facility at the end of March 2009. The \$29.9 million revenue decline reflects lower demand, mainly in our PCB Manufacturing commercial end markets, partially offset by increased pricing, and compounded by the closure of our Redmond, Washington facility. PCB volume declined approximately 25% due to reduced demand while prices rose approximately 7% due to a shift in production mix toward more high-technology production. Our quick-turn production, which we measure as orders placed and shipped within 10 days, remained consistent at 11% of PCB sales in the third quarters ended 2008 and 2009.

**Table of Contents**

Net sales decreased \$83.5 million, or 16.2%, from \$516.1 million for the three quarters ended September 29, 2008 to \$432.6 million for the three quarters ended September 28, 2009 due to reduced demand at most of our production facilities resulting from a downturn in the global economy and the shutdown of our Redmond, Washington production facility at the end of March 2009. The \$83.5 million revenue decline reflects lower demand mainly in the commercial end markets of both our Backplane Assembly operations and our PCB Manufacturing facilities and the closure of our Redmond, Washington facility. PCB volume declined approximately 27% due to reduced demand while prices rose approximately 13% due to a shift in production mix toward more high-technology production. Our quick-turn production, which we measure as orders placed and shipped within 10 days, decreased from 12% of PCB sales for the three quarters ended September 29, 2008 to 11% of PCB sales for the three quarters ended September 28, 2009. The increasingly complex nature of our quick-turn work requires more time to manufacture, thereby extending some of these orders beyond the 10-day delivery window.

***Cost of Goods Sold***

Cost of goods sold decreased \$22.0 million, or 16.1%, from \$136.9 million for the third quarter 2008 to \$114.9 million for the third quarter 2009 due primarily to the decline in PCB volume discussed above. The decrease in cost of goods sold was mostly driven by lower labor, direct material costs and supplies associated with lower production volume. As a percentage of net sales, cost of goods sold increased from 81.0% for the third quarter 2008 to 82.6% for the third quarter 2009, primarily due to lower absorption of fixed costs on lower revenue and costs related to the closure of our Hayward and Los Angeles, California facilities.

Cost of goods sold decreased \$52.6 million, or 12.8%, from \$409.6 million for the three quarters ended September 29, 2008 to \$357.0 million for the three quarters ended September 28, 2009. Cost of goods sold decreased mainly due to lower labor, direct material costs and supplies associated with lower production volume. As a percentage of net sales, cost of goods sold increased from 79.4% for the three quarters ended September 29, 2008 to 82.5% for the three quarters ended September 28, 2009, primarily due to lower absorption of fixed costs on lower revenue and costs related to the closure of our Redmond, Washington and Hayward and Los Angeles, California production facilities.

***Gross Profit***

As a result of the foregoing, gross profit decreased \$7.9 million, or 24.6%, from \$32.1 million for the third quarter 2008 to \$24.2 million for the third quarter 2009. Our gross margin decreased from 19.0% in the third quarter 2008 to 17.4% in the third quarter 2009. Additionally, gross profit decreased \$31.0 million, or 29.1%, from \$106.5 million for the three quarters ended September 29, 2008 to \$75.5 million for the three quarters ended September 28, 2009. Gross margin decreased from 20.6% for the three quarters ended September 29, 2008 to 17.5% for the three quarters ended September 28, 2009. The decrease in our gross margin was due primarily to lower fixed cost absorption and costs related to the closure of our Redmond, Washington and Hayward and Los Angeles, California facilities.

***Selling and Marketing Expenses***

Selling and marketing expenses decreased \$1.1 million, or 14.5%, from \$7.6 million for the third quarter 2008 to \$6.5 million for the third quarter 2009. Additionally, selling and marketing expenses decreased \$3.0 million, or 13.0%, from \$23.0 million for the three quarters ended September 29, 2008 to \$20.0 million for the three quarters ended September 28, 2009. The decrease in selling and marketing expense was primarily a result of lower selling labor and commission expenses due to lower net sales. As a percentage of net sales, selling and marketing expenses were 4.7% in the third quarter 2009 as compared to 4.5% in the third quarter 2008 and 4.6% for the three quarters ended September 28, 2009 and 4.5% for the three quarters ended September 29, 2008.

***General and Administrative Expenses***

General and administrative expenses increased \$1.3 million from \$8.1 million, or 4.8% of net sales, for the third quarter 2008 to \$9.4 million, or 6.8% of net sales, for the third quarter 2009. Additionally, general and administrative expenses increased \$0.2 million from \$25.3 million, or 4.9% of net sales, for the three quarters ended September 29, 2008 to \$25.5 million, or 5.9% of net sales, for the three quarters ended September 28, 2009. The increase in expense for the quarter and three quarters ended September 28, 2009 primarily relates to costs associated with the evaluation of strategic opportunities.



**Table of Contents*****Restructuring Charges***

Restructuring charges recorded for the quarter and three quarters ended September 28, 2009 are related to separation costs associated with the lay off of approximately 850 employees, of which 370 employees are associated with the closure of the Redmond, Washington production facility in March 2009, 140 employees are related to other U.S. facilities in January 2009, and approximately 340 are associated with the Hayward and Los Angeles, California facilities. Additionally, we expect to incur contract termination costs ranging from \$1.0 million to \$2.0 million related to closures of our leased manufacturing facilities between fourth quarter of 2009 and first quarter of 2010.

***Impairment of Long-lived Assets***

Impairment of long-lived assets for the quarter and three quarters ended September 28, 2009 are related to the closure of the Redmond, Washington and the Hayward and Los Angeles, California production facilities, consisting of buildings and machinery and equipment. Additionally, in the third quarter of 2009, we reduced the value of the Dallas, Oregon facility, which is classified as an asset held for sale, by \$2.2 million to record the estimated fair value less cost to sell given current market conditions. We do not expect to incur any additional significant impairment charges related to these closures.

***Metal Reclamation***

During the first quarter 2008, we recognized \$3.7 million of income related to a pricing reconciliation of metal reclamation activity attributable to a single vendor. As a result of the pricing reconciliation, we discovered that the vendor had inaccurately compensated us for gold reclamations over several years. While pricing reconciliations of this nature occur periodically, we do not expect to recognize a similar amount in future periods.

***Other Expense, net***

Other expense, net increased \$0.4 million from \$2.3 million for the quarter ended September 29, 2008 to \$2.7 million for the quarter ended September 28, 2009. The overall net increase consists of a \$0.3 million increase in interest expense, and a \$0.5 million decrease in interest income, offset by a \$0.4 million decrease in other, net. Interest income declined due to lower interest rates, partially offset by higher cash balances. During the third quarter of 2008, we recognized as other, net a \$0.6 million estimated loss on a money market fund that suspended redemption and is being liquidated. No such loss was realized in the third quarter of 2009.

Other, net expense decreased by \$0.6 million from \$8.5 million for the three quarters ended September 29, 2008 to \$7.9 million for the three quarters ended September 28, 2009. The overall net decrease consists of a \$0.1 million increase in interest expense, and a \$0.8 million decrease in interest income, offset by a \$1.5 million decrease in other, net. Interest income declined due to lower interest rates, partially offset by higher cash balances. In connection with the full repayment of our credit facility in 2008, we realized a loss on the settlement of a derivative of \$1.2 million, which was recognized as other, net, as well as the full amortization of the remaining debt issuance costs, which is a component of interest expense. During 2008, we also recognized as other, net a \$0.6 million estimated loss on a money market fund that suspended redemption and is being liquidated. No such loss on settlement or full amortization of debt issuance costs on full repayment of debt or loss on a money market fund that suspended redemptions was realized in 2009.

***Liquidity and Capital Resources***

Our principal sources of liquidity have been cash provided by operations and the issuance of Convertible Notes. Our principal uses of cash have been to meet debt service requirements, finance capital expenditures, and fund working capital requirements. We anticipate that servicing debt, funding working capital requirements, financing capital expenditures, and potential acquisitions will continue to be the principal demands on our cash in the future.

As of September 28, 2009, we had net working capital of approximately \$319.1 million, compared to \$280.4 million as of December 31, 2008. This increase in working capital is attributable to the growth in cash balances, which resulted from earnings generated in the period combined with the reductions made in accounts receivable and inventories.

Our annual 2009 capital expenditure plan is expected to total approximately \$12 million and will fund capital equipment purchases to expand our technological capabilities throughout our facilities and replace aging equipment.





**Table of Contents**

The following table provides information on contractual obligations as of September 28, 2009:

<b>Contractual Obligations(1)(2)</b>	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1 3 Years (In thousands)</b>	<b>4 5 Years</b>	<b>After 5 Years</b>
Debt obligations	\$ 175,000	\$	\$	\$	\$ 175,000
Interest on debt obligations	34,126	5,688	11,375	11,375	5,688
Operating leases	6,143	2,786	2,059	359	939
Purchase obligations	908	908			
<b>Total contractual obligations</b>	<b>\$ 216,177</b>	<b>\$ 9,382</b>	<b>\$ 13,434</b>	<b>\$ 11,734</b>	<b>\$ 181,627</b>

(1) Unrecognized uncertain tax benefits of \$0.1 million are not included in the table above as we are not sure when the amount will be paid.

(2) Environmental liabilities of \$0.9 million, not included in the table above, are accrued and recorded as liabilities in the consolidated balance sheet.

We are involved in various stages of investigation and cleanup related to environmental remediation at various production sites. We currently estimate that we will incur total remediation costs of \$0.9 million over the next 12 to 84 months related to three Connecticut production sites and our former Washington production site.

For our Connecticut production sites, we are involved in various stages of investigation and cleanup related to environmental remediation matters for two of the sites and we are investigating a third site. We currently estimate that we will incur remediation costs of \$0.8 million to \$1.3 million. In addition, we have obligations to the Connecticut DEP to make certain environmental asset improvements to the waste water treatment systems in two Connecticut plants. These costs are estimated to be \$0.7 million and have been considered in our capital expenditure plan for 2009. Lastly, we are required to maintain a Compliance Management Plan until July 1, 2009 under a compliance agreement with the U.S. EPA that we assumed from PCG.

For our Washington production site, we discovered copper contamination in the soil and groundwater that exceeded state and city standards. We engaged a consultant to investigate the underlying soil and groundwater and determined that such contamination was limited. The contaminated soil was removed and groundwater treatment installed as of September 28, 2009. We are taking voluntary cleanup actions to remediate both soil and groundwater and have a

remaining accrual of \$0.1 million for such remediation costs.

Based on our current level of operations, we believe that cash generated from operations, available cash and the proceeds from the issuance of Convertible Notes will be adequate to meet our currently anticipated debt service, capital expenditures, and working capital needs for the next 12 months and beyond. Our principal liquidity needs for periods beyond the next 12 months are to meet debt service requirements as well as for other contractual obligations as indicated in our contractual obligations table above and for capital purchases under our annual capital expenditure plan.

Net cash provided by operating activities was \$57.3 million for the three quarters ended 2009, compared to \$52.9 million for the three quarters ended 2008. Our 2009 operating cash flow of \$57.3 million primarily reflects net income of \$2.5 million, offset by noncash items of \$10.6 million of impairment of long-lived assets, \$21.2 million of depreciation and amortization, \$4.7 million of stock-based compensation, a net decrease in working capital of \$19.1 million primarily reflecting a reduction in accounts receivable and inventories, and other of \$0.3 million, partially offset by an increase in net deferred income tax assets of \$1.1 million.

Net cash used in investing activities was \$6.8 million for the three quarters ended 2009, compared to \$31.6 million for the three quarters ended 2008. Net cash used in investing activities in 2009 was composed of purchases, net of disposal proceeds of approximately \$8.6 million of property, plant and equipment, and a purchase of a licensing agreement for \$0.4 million, offset by the proceeds from the redemption of short-term investments of \$2.2 million. Net cash used in investing activities in 2008 was composed of purchases, net of disposal proceeds of approximately \$12.2 million and the redesignation of \$19.5 million from cash and cash equivalents to short-term investments.

Net cash provided by financing activities was \$0.3 million for the three quarters ended 2009, compared to \$74.8 million for the three quarters ended 2008. Cash proceeds of \$0.3 million for the three quarters ended 2009 reflect exercises of employee stock options. Cash proceeds of \$74.8 million for the three quarters ended 2008 primarily reflect cash proceeds from the issuance of Convertible Notes of \$175.0 million, proceeds from the sale of warrants of \$26.2 million and exercises of employee stock options of \$2.4 million, partially offset by debt repayment of \$85.0 million, payment for the convertible note hedge of \$38.3 million and debt issuance costs of \$5.8 million.

**Table of Contents**

In May 2008, we issued our Convertible Notes in a public offering with an aggregate principal amount of \$175.0 million. The Convertible Notes bear interest at a rate of 3.25% per annum. Interest is payable semiannually in arrears on May 15 and November 15 of each year, beginning November 15, 2008. The Convertible Notes are senior unsecured obligations and will rank equally to our future unsecured senior indebtedness and senior in right of payment to any of our future subordinated indebtedness and are accounted for by separately accounting for the liability and equity components of convertible debt. We received proceeds of \$169.2 million after the deduction of offering expenses of \$5.8 million. At September 28, 2009 the remaining amortization period for the unamortized Convertible Note discount in the amount of \$36.4 million and debt issuance costs of \$3.7 million was 5.63 years. The amortization of the Convertible Notes debt discount and unamortized debt issuance costs are based on an effective interest rate of 8.37%.

At any time prior to November 15, 2014, holders may convert their Convertible Notes into cash and, if applicable, into shares of our common stock based on a conversion rate of 62.6449 shares of our common stock per \$1,000 principal amount of Convertible Notes, subject to adjustment, under the following circumstances: (1) during any calendar quarter beginning after June 30, 2008 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days during the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day of such preceding calendar quarter; (2) during the five business day period after any 10 consecutive trading day period in which the trading price per note for each day of that 10 consecutive trading day period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on such day; or (3) upon the occurrence of specified corporate transactions described in the prospectus supplement related to the Convertible Notes, which can be found on the SEC's website at [www.sec.gov](http://www.sec.gov). As of September 28, 2009, none of the conversion criteria had been met.

On or after November 15, 2014 until the close of business on the third scheduled trading day preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, for each \$1,000 principal amount of notes, we will pay cash for the lesser of the conversion value or \$1,000 and shares of our common stock, if any, based on a daily conversion value calculated on a proportionate basis for each day of the 60 trading day observation period. Additionally, in the event of a fundamental change as defined in the prospectus supplement, or other conversion rate adjustments such as share splits or combinations, other distributions of shares, cash or other assets to stockholders, including self-tender transactions (Other Conversion Rate Adjustments), the conversion rate may be modified to adjust the number of shares per \$1,000 principal amount of the notes.

The maximum number of shares issuable upon conversion, including the effect of a fundamental change and subject to Other Conversion Rate Adjustments, would be approximately 14 million shares.

We are not permitted to redeem the notes at any time prior to maturity. In the event of a fundamental change or certain default events, as defined in the prospectus supplement, holders may require us to repurchase for cash all or a portion of their notes at a price equal to 100% of the principal amount, plus any accrued and unpaid interest.

In connection with the issuance of the Convertible Notes, we entered into a convertible note hedge and warrant transaction (Call Spread Transaction), with respect to our common stock. The convertible note hedge, which cost an aggregate \$38.3 million and was recorded, net of tax, as a reduction of additional paid-in capital, consists of our option to purchase up to 11.0 million shares of common stock at a price of \$15.96 per share. This option expires on May 15, 2015 and can only be executed upon the conversion of the Convertible Notes. Additionally, we sold warrants for the option to purchase 11.0 million shares of our common stock at a price of \$18.15 per share. The warrants expire on August 17, 2015. The proceeds from the sale of warrants of \$26.2 million was recorded as an addition to additional paid-in capital. The Call Spread Transaction has no effect on the terms of the Convertible Notes and reduces potential dilution by effectively increasing the conversion price of the Convertible Notes to \$18.15 per share of our common stock.

As of September 28, 2009, we had two outstanding standby letters of credit: a \$1.0 million standby letter of credit expiring February 28, 2010 related to the lease of one of our production facilities and a \$0.8 million standby letter of credit expiring December 31, 2009 associated with our workers compensation insurance program.

On January 15, 2009, we announced a plan to close our Redmond, Washington facility and laid off approximately 370 employees at this site. In addition, we laid off about 140 employees at various other U.S. facilities. On September 1, 2009, we announced a plan to close our Hayward and Los Angeles, California facilities and lay off approximately 340 employees. In the three quarters of 2009, we have recorded \$5.0 million in separation costs related to this restructuring, while approximately 317 employees are yet to be separated. We expect the remaining employees to be separated and accrued restructuring costs in the amount of \$2.2 million to be utilized by the first quarter of 2010. Additionally, we expect to incur contract termination costs ranging from \$1.0 million to \$2.0 million related to closures of our leased manufacturing facilities between fourth quarter of 2009 and first quarter of 2010.

**Table of Contents****Off Balance Sheet Arrangements**

We do not currently have, nor have we ever had, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts. As a result, we are not materially exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in these relationships.

**Item 3. *Quantitative and Qualitative Disclosures about Market Risk***

*Interest Rate Risk.* Our interest income is more sensitive to fluctuation in the general level of U.S. interest rates than to changes in rates in other markets. Changes in U.S. interest rates affect the interest earned on cash and cash equivalents. Our outstanding debt bears a fixed interest rate and therefore is not subject to the effects of interest rate fluctuation.

*Foreign Currency Exchange Risk.* We are subject to risks associated with transactions that are denominated in currencies other than the U.S. dollar, as well as the effects of translating amounts denominated in a foreign currency to the U.S. dollar as a normal part of the reporting process. Our Chinese operations utilize the Chinese Yuan or RMB as the functional currency, which results in the Company recording a translation adjustment that is included as a component of accumulated other comprehensive income within stockholders' equity. Net foreign currency transaction gains and losses on transactions denominated in currencies other than the U.S. dollar were not material during the quarters and three quarters ended September 28, 2009 and September 29, 2008. We currently do not utilize any derivative instruments to hedge foreign currency risks.

**Item 4. *Controls and Procedures******Evaluation of Disclosure Controls and Procedures.***

We maintain a system of disclosure controls and procedures for financial reporting to give reasonable assurance that information required to be disclosed in our reports submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. These controls and procedures also give reasonable assurance that information required to be disclosed in such reports is accumulated and communicated to management to allow timely decisions regarding required disclosures.

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), together with management, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of September 28, 2009, pursuant to Rules 13a-15(e) of the Exchange Act. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) are effective.

***Changes in Internal Control over Financial Reporting.***

There has been no change in our internal control over financial reporting that occurred during the quarter ended September 28, 2009 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

***Inherent Limitations on Effectiveness of Controls***

Our management, including our principal executive officer and chief financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls also can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become

inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

**Table of Contents****PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

Prior to our acquisition of PCG in October 2006, PCG made legal commitments to the U.S. EPA and the State of Connecticut regarding settlement of enforcement actions against the PCG operations in Connecticut. On August 17, 2004, PCG was sentenced for Clean Water Act violations and was ordered to pay a \$6 million fine and an additional \$3.7 million to fund environmental projects designed to improve the environment for Connecticut residents. In September 2004, PCG agreed to a stipulated judgment with the Connecticut Attorney General's office and the Connecticut Department of Environmental Protection (DEP) under which PCG paid a \$2 million civil penalty and agreed to implement capital improvements of \$2.4 million to reduce the volume of rinse water discharged from its manufacturing facilities in Connecticut. The obligations to the U.S. EPA were completed as of July 1, 2009. The Connecticut DEP obligations involves the installation of rinse water recycling systems at the Stafford, Connecticut facilities. As of September 28, 2009, one recycling system was completed and placed into operation, and approximately \$0.7 million remains to be expended in the form of capital improvements to meet the second rinse water recycling system requirement. We have assumed these legal commitments as part of our purchase of PCG. Failure to meet either commitment could result in further costly enforcement actions.

**Item 1A. Risk Factors**

*An investment in our common stock involves a high degree of risk. You should carefully consider the factors described below, in addition to those discussed elsewhere in this report, in analyzing an investment in our common stock. If any of the events described below occurs, our business, financial condition, and results of operations would likely suffer, the trading price of our common stock could fall, and you could lose all or part of the money you paid for our common stock.*

*In addition, the following risk factors and uncertainties could cause our actual results to differ materially from those projected in our forward-looking statements, whether made in this report or the other documents we file with the SEC, or our annual or quarterly reports to stockholders, future press releases, or orally, whether in presentations, responses to questions, or otherwise.*

**Risks Related to Our Company**

***We are heavily dependent upon the worldwide electronics industry, which is characterized by significant economic cycles and fluctuations in product demand. A significant downturn in the electronics industry could result in decreased demand for our manufacturing services and could lower our sales and gross margins.***

A majority of our revenues are generated from the electronics industry, which is characterized by intense competition, relatively short product life cycles, and significant fluctuations in product demand. Furthermore, the industry is subject to economic cycles and recessionary periods and has been negatively affected by the current contraction in the U.S. economy and in the worldwide electronics market. Moreover, due to the uncertainty in the end markets served by most of our customers, we have a low level of visibility with respect to future financial results. The current credit crisis and related turmoil in the financial system has negatively impacted the global economy and the electronics industry. A lasting economic recession, excess manufacturing capacity, or a prolonged decline in the electronics industry could negatively affect our business, results of operations, and financial condition. A decline in our sales could harm our profitability and results of operations and could require us to record an additional valuation allowance against our deferred tax assets or recognize an impairment of our long-lived assets, including goodwill and other intangible assets.

***The global financial crisis may impact our business and financial condition in ways that we currently cannot predict.***

The continued credit crisis and related turmoil in the global financial system has had and may continue to have an impact on our business and financial condition. For example, we are currently unable to access cash invested in the Reserve Primary Fund, a money market fund that has suspended redemptions and is being liquidated. The fair value of our remaining investment in the Reserve Primary Fund was \$1.4 million at September 28, 2009. Subsequent to September 28, 2009, we received an additional distribution of funds in the amount of \$0.3 million. We expect to recover the remaining carrying value in the Primary Fund as of September 28, 2009.





**Table of Contents**

In addition to the impact that the global financial crisis has already had on us, we may face significant challenges if conditions in the financial markets do not improve or continue to worsen. For example, continuation of the credit crisis could adversely impact overall demand in the electronics industry, which could have a negative effect on our revenues and profitability. In addition, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so, which could have an impact on our flexibility to react to changing economic and business conditions or our ability to pursue acquisitions.

***During periods of excess global printed circuit board manufacturing capacity, our gross margins may fall and/or we may have to incur restructuring charges if we choose to reduce the capacity of or close any of our facilities.***

When we experience excess capacity, our sales revenues may not fully cover our fixed overhead expenses, and our gross margins will fall. In addition, we generally schedule our quick-turn production facilities at less than full capacity to retain our ability to respond to unexpected additional quick-turn orders. However, if these orders are not received, we may forego some production and could experience continued excess capacity.

If we conclude we have significant, long-term excess capacity, we may decide to permanently close one or more of our facilities, and lay off some of our employees. Closures or lay-offs could result in our recording restructuring charges such as severance, other exit costs, and asset impairments.

***We face a risk that capital needed for our business and to repay our debt obligations will not be available when we need it. Additionally, our leverage and our debt service obligations may adversely affect our cash flow.***

As of September 28, 2009, we had total indebtedness of approximately \$175.0 million, which represented approximately 34% of our total capitalization.

Our indebtedness could have significant negative consequences, including:

- increasing our vulnerability to general adverse economic and industry conditions;

- limiting our ability to obtain additional financing;

- requiring the use of a substantial portion of any cash flow from operations to service our indebtedness, thereby reducing the amount of cash flow available for other purposes, including capital expenditures;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and

- placing us at a possible competitive disadvantage to less leveraged competitors and competitors that have better access to capital resources.

***Our acquisition strategy involves numerous risks.***

As part of our business strategy, we expect that we will continue to grow by pursuing acquisitions of businesses, technologies, assets, or product lines that complement or expand our business. Risks related to an acquisition may include:

- the potential inability to successfully integrate acquired operations and businesses or to realize anticipated synergies, economies of scale, or other expected value;

- diversion of management's attention from normal daily operations of our existing business to focus on integration of the newly acquired business;

- unforeseen expenses associated with the integration of the newly acquired business;

- difficulties in managing production and coordinating operations at new sites;

- the potential loss of key employees of acquired operations;

- the potential inability to retain existing customers of acquired companies when we desire to do so;



**Table of Contents**

insufficient revenues to offset increased expenses associated with acquisitions;

the potential decrease in overall gross margins associated with acquiring a business with a different product mix;

the inability to identify certain unrecorded liabilities;

the potential need to restructure, modify, or terminate customer relationships of the acquired company;

an increased concentration of business from existing or new customers; and

the potential inability to identify assets best suited to our business plan.

Acquisitions may cause us to:

enter lines of business and/or markets in which we have limited or no prior experience;

issue debt and be required to abide by stringent loan covenants;

assume liabilities;

record goodwill and non-amortizable intangible assets that will be subject to impairment testing and potential periodic impairment charges;

become subject to litigation and environmental issues;

incur unanticipated costs;

incur large and immediate write-offs;

issue common stock that would dilute our current stockholders' percentage ownership; and

incur substantial transaction-related costs, whether or not a proposed acquisition is consummated.

Acquisitions of high technology companies are inherently risky, and no assurance can be given that our recent or future acquisitions will be successful and will not harm our business, operating results, or financial condition. Failure to manage and successfully integrate acquisitions we make could harm our business and operating results in a material way. Even when an acquired company has already developed and marketed products, product enhancements may not be made in a timely fashion. In addition, unforeseen issues might arise with respect to such products after the acquisition.

***We depend upon a relatively small number of OEM customers for a large portion of our sales, and a decline in sales to major customers could harm our results of operations.***

A small number of customers are responsible for a significant portion of our sales. Our five largest OEM customers accounted for approximately 35% and 30% of our net sales for the quarters ended September 28, 2009 and September 29, 2008, respectively. Sales attributed to OEMs include both direct sales as well as sales that the OEMs place through EMS providers. Our customer concentration could fluctuate, depending on future customer requirements, which will depend in large part on market conditions in the electronics industry segments in which our customers participate. The loss of one or more significant customers or a decline in sales to our significant customers could harm our business, results of operations, and financial condition and lead to declines in the trading price of our common stock. In addition, we generate significant accounts receivable in connection with providing manufacturing services to our customers. If one or more of our significant customers were to become insolvent or were otherwise unable to pay for the manufacturing services provided by us, our results of operations would be harmed.



**Table of Contents*****We compete against manufacturers in Asia, where production costs are lower. These competitors may gain market share in our key market segments, which may have an adverse effect on the pricing of our products.***

We may be at a competitive disadvantage with respect to price when compared to manufacturers with lower-cost facilities in Asia and other locations. We believe price competition from printed circuit board manufacturers in Asia and other locations with lower production costs may play an increasing role in the market. Although we do have a backplane assembly facility in China, we do not have offshore facilities for PCB fabrication in lower-cost locations such as Asia. While historically our competitors in these locations have produced less technologically advanced printed circuit boards, they continue to expand their capacity and capabilities with advanced equipment to produce higher technology printed circuit boards. In addition, fluctuations in foreign currency exchange rates may benefit these offshore competitors. As a result, these competitors may gain market share, which may force us to lower our prices, which would reduce our gross margins.

***A trend toward consolidation among our customers could adversely affect our business.***

Recently, some of our large customers have consolidated and further consolidation of customers may occur. Depending on which organization becomes the controller of the supply chain function following the consolidation, we may not be retained as a preferred or approved supplier. In addition, product duplication could result in the termination of a product line that we currently support. While there is potential for increasing our position with the combined customer, there does exist the potential for decreased revenue if we are not retained as a continuing supplier. We also face the risk of increased pricing pressure from the combined customer because of its increased market share.

***Our failure to comply with the requirements of environmental laws could result in litigation, fines and revocation of permits necessary to our manufacturing processes. Failure to operate in conformance with environmental laws could lead to debarment from our participation in federal government contracts.***

Our operations are regulated under a number of federal, state, local, and foreign environmental and safety laws and regulations that govern, among other things, the discharge of hazardous materials into the air and water, as well as the handling, storage, and disposal of such materials. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Superfund Amendment and Reauthorization Act, the Comprehensive Environmental Response, Compensation and Liability Act, and the Federal Motor Carrier Safety Improvement Act as well as analogous state, local, and foreign laws. Compliance with these environmental laws is a major consideration for us because our manufacturing processes use and generate materials classified as hazardous. Because we use hazardous materials and generate hazardous wastes in our manufacturing processes, we may be subject to potential financial liability for costs associated with the investigation and remediation of our own sites, or sites at which we have arranged for the disposal of hazardous wastes, if such sites become contaminated. Even if we fully comply with applicable environmental laws and are not directly at fault for the contamination, we may still be liable. The wastes we generate include spent ammoniacal and cupric etching solutions, metal stripping solutions, waste acid solutions, waste alkaline cleaners, waste oil, and waste waters that contain heavy metals such as copper, tin, lead, nickel, gold, silver, cyanide, and fluoride; and both filter cake and spent ion exchange resins from equipment used for on-site waste treatment.

Any material violations of environmental laws or failure to maintain required environmental permits could subject us to fines, penalties, and other sanctions, including the revocation of our effluent discharge permits, which could require us to cease or limit production at one or more of our facilities, and harm our business, results of operations, and financial condition. Even if we ultimately prevail, environmental lawsuits against us would be time consuming and costly to defend.

Prior to our acquisition of our PCG business, PCG made legal commitments to the U.S. EPA and to the State of Connecticut regarding settlement of enforcement actions related to the PCG operations in Connecticut. The obligations include fulfillment of a Compliance Management Plan until July 1, 2009 and installation of two rinse water recycling systems at the Stafford, Connecticut facilities. Failure to meet either commitment could result in further costly enforcement actions, including exclusion from participation in defense and other federal contracts, which would materially harm our business, results of operations, and financial condition.

Environmental laws also could become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with violation. We operate in environmentally sensitive locations, and we are subject to potentially conflicting and changing regulatory agendas of political, business, and environmental groups. Changes or restrictions on discharge limits, emissions levels, material storage, handling, or disposal might require a high level of unplanned capital investment or global relocation. It is possible that environmental compliance costs and penalties from new or existing regulations may harm our business, results of operations, and financial condition.

**Table of Contents**

We are increasingly required to certify compliance to various material content restrictions in our products based on laws of various jurisdictions or territories such as the Restriction of Hazardous Substances (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) directives in the European Union and China's RoHS legislation. New York City has adopted identical restrictions and many U.S. states are considering similar rules and legislation. In addition, we must also certify as to the non-applicability to the EU's Waste Electrical and Electronic Equipment directive for certain products that we manufacture. As with other types of product certifications that we routinely provide, we may incur liability and pay damages if our products do not conform to our certifications.

***We are exposed to the credit risk of some of our customers and to credit exposures in weakened markets.***

Most of our sales are on an open credit basis, with standard industry payment terms. We monitor individual customer payment capability in granting such open credit arrangements, seek to limit such open credit to amounts we believe the customers can pay, and maintain reserves we believe are adequate to cover exposure for doubtful accounts. During periods of economic downturn in the electronics industry and the global economy, our exposure to credit risks from our customers increases. Although we have programs in place to monitor and mitigate the associated risks, such programs may not be effective in reducing our credit risks.

Our 10 largest customers accounted for approximately 54% and 51% of our net sales for the quarters ended September 28, 2009 and September 29, 2008, respectively. Additionally, our OEM customers often direct a significant portion of their purchases through a relatively limited number of EMS companies. Our contractual relationship is often with the EMS companies, who are obligated to pay us for our products. Because we expect our OEM customers to continue to direct our sales to EMS companies, we expect to continue to be subject to this credit risk with a limited number of EMS customers. If one or more of our significant customers were to become insolvent or were otherwise unable to pay us, our results of operations would be harmed.

Some of our customers are EMS companies located abroad. Our exposure has increased as these foreign customers continue to expand. With the primary exception of sales from our facility in China and a portion of sales from our Ireland sales office, our foreign sales are denominated in U.S. dollars and are typically on the same open credit basis and terms described above. Our foreign receivables were approximately 24% of our net accounts receivable as of September 28, 2009 and are expected to continue to grow as a percentage of our total receivables. We do not utilize credit insurance as a risk management tool.

***We rely on suppliers for the timely delivery of raw materials and components used in manufacturing our printed circuit boards and backplane assemblies, and an increase in industry demand or the presence of a shortage for these raw materials or components may increase the price of these raw materials or components and reduce our gross margins. If a raw material supplier fails to satisfy our product quality standards, it could harm our customer relationships.***

To manufacture printed circuit boards, we use raw materials such as laminated layers of fiberglass, copper foil, chemical solutions, gold, and other commodity products, which we order from our suppliers. Although we have preferred suppliers for most of these raw materials, the materials we use are generally readily available in the open market, and numerous other potential suppliers exist. In the case of backplane assemblies, components include connectors, sheet metal, capacitors, resistors and diodes, many of which are custom made and controlled by our customers' approved vendors. These components for backplane assemblies in some cases have limited or sole sources of supply. From time to time, we may experience increases in raw material or component prices, based on demand trends, which can negatively affect our gross margins. In addition, consolidations and restructuring in our supplier base may result in adverse materials pricing due to reduction in competition among our suppliers. Furthermore, if a raw material or component supplier fails to satisfy our product quality standards, it could harm our customer relationships. Suppliers may from time to time extend lead times, limit supplies, or increase prices, due to capacity constraints or other factors, which could harm our ability to deliver our products on a timely basis. We have recently experienced an increase in the price we pay for gold. In general, we are able to pass this price increase on to our customers, but we cannot be certain we will continue to be able to do so in the future.

***If we are unable to respond to rapid technological change and process development, we may not be able to compete effectively.***



The market for our manufacturing services is characterized by rapidly changing technology and continual implementation of new production processes. The future success of our business will depend in large part upon our ability to maintain and enhance our technological capabilities, to manufacture products that meet changing customer needs, and to successfully anticipate or respond to technological changes on a cost-effective and timely basis. We expect that the investment necessary to maintain our technological position will increase as customers make demands for products and services requiring more advanced technology on a quicker turnaround basis. We may not be able to raise additional funds in order to respond to technological changes as quickly as our competitors.

**Table of Contents**

In addition, the printed circuit board industry could encounter competition from new or revised manufacturing and production technologies that render existing manufacturing and production technology less competitive or obsolete. We may not respond effectively to the technological requirements of the changing market. If we need new technologies and equipment to remain competitive, the development, acquisition, and implementation of those technologies and equipment may require us to make significant capital investments.

***Competition in the printed circuit board market is intense, and we could lose market share if we are unable to maintain our current competitive position in end markets using our quick-turn, high technology and high-mix manufacturing services.***

The printed circuit board industry is intensely competitive, highly fragmented, and rapidly changing. We expect competition to continue, which could result in price reductions, reduced gross margins, and loss of market share. Our principal North American PCB competitors include Coretec, DDi, Endicott Interconnect Technologies, Firan Technology Group, ISU/Petasys, Merix, Pioneer Circuits, and Sanmina-SCI. Our principal international PCB competitors include Elec & Eltek, Hitachi, Ividen, ISU/Petasys and Multek. Our principal assembly competitors include Amphenol, Sanmina-SCI, Simclar, TT Electronics, and Viasystems. In addition, we increasingly compete on an international basis, and new and emerging technologies may result in new competitors entering our markets.

Some of our competitors and potential competitors have advantages over us, including:

- greater financial and manufacturing resources that can be devoted to the development, production, and sale of their products;

- more established and broader sales and marketing channels;

- more manufacturing facilities worldwide, some of which are closer in proximity to OEMs;

- manufacturing facilities that are located in countries with lower production costs;

- lower capacity utilization, which in peak market conditions can result in shorter lead times to customers;

- ability to add additional capacity faster or more efficiently;

- preferred vendor status with existing and potential customers;

- greater name recognition; and

- larger customer bases.

In addition, these competitors may respond more quickly to new or emerging technologies, or adapt more quickly to changes in customer requirements, and devote greater resources to the development, promotion, and sale of their products than we do. We must continually develop improved manufacturing processes to meet our customers' needs for complex products, and our manufacturing process technology is generally not subject to significant proprietary protection. During recessionary periods in the electronics industry, our strategy of providing quick-turn services, an integrated manufacturing solution, and responsive customer service may take on reduced importance to our customers. As a result, we may need to compete more on the basis of price, which could cause our gross margins to decline. Periodically, printed circuit board manufacturers and backplane assembly providers experience overcapacity. Overcapacity, combined with weakness in demand for electronic products, results in increased competition and price erosion for our products.

**Table of Contents**

***Our results of operations are often subject to demand fluctuations and seasonality. With a high level of fixed operating costs, even small revenue shortfalls would decrease our gross margins and potentially cause the trading price of our common stock to decline.***

Our results of operations fluctuate for a variety of reasons, including:

timing of orders from and shipments to major customers;

the levels at which we utilize our manufacturing capacity;

price competition;

changes in our mix of revenues generated from quick-turn versus standard delivery time services;

expenditures, charges or write-offs, including those related to acquisitions, facility restructurings, or asset impairments; and

expenses relating to expanding existing manufacturing facilities.

A significant portion of our operating expenses is relatively fixed in nature, and planned expenditures are based in part on anticipated orders. Accordingly, unexpected revenue shortfalls may decrease our gross margins. In addition, we have experienced sales fluctuations due to seasonal patterns in the capital budgeting and purchasing cycles, as well as inventory management practices of our customers and the end markets we serve. In particular, the seasonality of the computer industry and quick-turn ordering patterns affects the overall printed circuit board industry. These seasonal trends have caused fluctuations in our operating results in the past and may continue to do so in the future. Results of operations in any period should not be considered indicative of the results to be expected for any future period. In addition, our future quarterly operating results may fluctuate and may not meet the expectations of securities analysts or investors. If this occurs, the trading price of our common stock likely would decline.

***Because we sell on a purchase order basis, we are subject to uncertainties and variability in demand by our customers that could decrease revenues and harm our operating results.***

We generally sell to customers on a purchase order basis rather than pursuant to long-term contracts. Our quick-turn orders are subject to particularly short lead times. Consequently, our sales are subject to short-term variability in demand by our customers. Customers submitting purchase orders may cancel, reduce, or delay their orders for a variety of reasons. The level and timing of orders placed by our customers may vary, due to:

customer attempts to manage inventory;

changes in customers' manufacturing strategies, such as a decision by a customer to either diversify or consolidate the number of printed circuit board manufacturers or backplane assembly service providers used or to manufacture or assemble its own products internally;

variation in demand for our customers' products; and

changes in new product introductions.

We have periodically experienced terminations, reductions, and delays in our customers' orders. Further terminations, reductions, or delays in our customers' orders could harm our business, results of operations, and financial condition.

***The increasing prominence of EMS providers in the printed circuit board industry could reduce our gross margins, potential sales, and customers.***

Sales to EMS providers represented approximately 51% and 50% of our net sales for the quarters ended September 28, 2009 and September 29, 2008, respectively. Sales to EMS providers include sales directed by OEMs as well as orders placed with us at the EMS providers' discretion. EMS providers source on a global basis to a greater extent than OEMs. The growth of EMS providers increases the purchasing power of such providers and could result in increased price competition or the loss of existing OEM customers. In addition, some EMS providers, including some

of our customers, have the ability to directly manufacture printed circuit boards and create backplane assemblies. If a significant number of our other EMS customers were to acquire these abilities, our customer base might shrink, and our sales might decline substantially. Moreover, if any of our OEM customers outsource the production of PCBs and creation of backplane assemblies to these EMS providers, our business, results of operations, and financial condition may be harmed.

**Table of Contents**

***If events or circumstances occur in our business that indicate that our goodwill and definite-lived intangibles may not be recoverable, we could have impairment charges that would negatively affect our earnings.***

As of September 28, 2009, our consolidated condensed balance sheet reflected \$30.1 million of goodwill and definite-lived intangible assets. We evaluate whether events and circumstances have occurred, such that the potential for reduced expectations for future cash flows coupled with further decline in the market price of our stock and market capitalization may indicate that the remaining balance of goodwill and definite-lived intangible assets may not be recoverable. If factors indicate that assets are impaired, we would be required to reduce the carrying value of our goodwill and definite-lived intangible assets, which could harm our results during the periods in which such a reduction is recognized. Our goodwill and definite-lived intangible assets may increase in future periods if we consummate other acquisitions. Amortization or impairment of these additional intangibles would, in turn, harm our earnings.

***Damage to our manufacturing facilities due to fire, natural disaster, or other events could harm our financial results.***

We have U.S. manufacturing and assembly facilities in California, Connecticut, Utah, and Wisconsin. We also have an assembly facility in China. The destruction or closure of any of our facilities for a significant period of time as a result of fire, explosion, blizzard, act of war or terrorism, flood, tornado, earthquake, lightning, or other natural disaster could harm us financially, increasing our costs of doing business and limiting our ability to deliver our manufacturing services on a timely basis.

***Our manufacturing processes depend on the collective industry experience of our employees. If a significant number of these employees were to leave us, it could limit our ability to compete effectively and could harm our financial results.***

We have limited patent or trade secret protection for our manufacturing processes. We rely on the collective experience of our employees involved in our manufacturing processes to ensure we continuously evaluate and adopt new technologies in our industry. Although we are not dependent on any one employee or a small number of employees, if a significant number of our employees involved in our manufacturing processes were to leave our employment, and we were not able to replace these people with new employees with comparable experience, our manufacturing processes might suffer as we might be unable to keep up with innovations in the industry. As a result, we may lose our ability to continue to compete effectively.

***We may be exposed to intellectual property infringement claims by third parties that could be costly to defend, could divert management's attention and resources, and if successful, could result in liability.***

We could be subject to legal proceedings and claims for alleged infringement by us of third-party proprietary rights, such as patents, from time to time in the ordinary course of business. It is possible that the circuit board designs and other specifications supplied to us by our customers might infringe on the patents or other intellectual property rights of third parties, in which case our manufacture of printed circuit boards according to such designs and specifications could expose us to legal proceedings for allegedly aiding and abetting the violation, as well as to potential liability for the infringement. If we do not prevail in any litigation resulting from any such allegations, our business could be harmed.

***We depend heavily on a single end customer, the U.S. government, for a substantial portion of our business, including programs subject to security classification restrictions on information. Changes affecting the government's capacity to do business with us or our direct customers or the effects of competition in the defense industry could have a material adverse effect on our business.***

A significant portion of our revenues is derived from products and services ultimately sold to the U.S. government and is therefore affected by, among other things, the federal budget process. We are a supplier, primarily as a subcontractor, to the U.S. government and its agencies as well as foreign governments and agencies. These contracts are subject to the respective customers' political and budgetary constraints and processes, changes in customers' short-range and long-range strategic plans, the timing of contract awards, and in the case of contracts with the U.S. government, the congressional budget authorization and appropriation processes, the government's ability to terminate contracts for convenience or for default, as well as other risks such as contractor suspension or debarment in the event of certain violations of legal and regulatory requirements. The termination or failure to fund one or more significant

contracts by the U.S. government could have a material adverse effect on our business, results of operations or prospects.

**Table of Contents**

***Our business may suffer if any of our key senior executives discontinues employment with us or if we are unable to recruit and retain highly skilled engineering and sales staff.***

Our future success depends to a large extent on the services of our key managerial employees. We may not be able to retain our executive officers and key personnel or attract additional qualified management in the future. Our business also depends on our continuing ability to recruit, train, and retain highly qualified employees, particularly engineering and sales and marketing personnel. The competition for these employees is intense, and the loss of these employees could harm our business. Further, our ability to successfully integrate acquired companies depends in part on our ability to retain key management and existing employees at the time of the acquisition.

***Increasingly, our larger customers are requesting that we enter into supply agreements with them that have increasingly restrictive terms and conditions. These agreements typically include provisions that increase our financial exposure, which could result in significant costs to us.***

Increasingly, our larger customers are requesting that we enter into supply agreements with them. These agreements typically include provisions that generally serve to increase our exposure for product liability and warranty claims as compared to our standard terms and conditions which could result in higher costs to us as a result of such claims. In addition, these agreements typically contain provisions that seek to limit our operational and pricing flexibility and extend payment terms, which can adversely impact our cash flow and results of operations.

***Our backplane assembly operation serves customers and has a manufacturing facility outside the United States and is subject to the risks characteristic of international operations. These risks include significant potential financial damage and potential loss of the business and its assets.***

Because we have manufacturing operations and sales offices located in Asia and Europe, we are subject to the risks of changes in economic and political conditions in those countries, including but not limited to:

managing international operations;

export license requirements;

fluctuations in the value of local currencies;

labor unrest and difficulties in staffing;

government or political unrest;

longer payment cycles;

language and communication barriers as well as time zone differences;

cultural differences;

increases in duties and taxation levied on our products;

imposition of restrictions on currency conversion or the transfer of funds;

limitations on imports or exports of our product offering;

travel restrictions;

expropriation of private enterprises; and

the potential reversal of current favorable policies encouraging foreign investment and trade.





**Table of Contents*****Our operations in the People's Republic of China (PRC) subject us to risks and uncertainties relating to the laws and regulations of the People's Republic of China.***

Under its current leadership, the Chinese government has been pursuing economic reform policies, including the encouragement of foreign trade and investment and greater economic decentralization. No assurance can be given, however, that the government of the PRC will continue to pursue such policies, that such policies will be successful if pursued, or that such policies will not be significantly altered from time to time. Despite progress in developing its legal system, the PRC does not have a comprehensive and highly developed system of laws, particularly with respect to foreign investment activities and foreign trade. Enforcement of existing and future laws and contracts is uncertain, and implementation and interpretation thereof may be inconsistent. As the Chinese legal system develops, the promulgation of new laws, changes to existing laws and the preemption of local regulations by national laws may adversely affect foreign investors. Further, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. In addition, some government policies and rules are not timely published or communicated in the local districts, if they are published at all. As a result, we may operate our business in violation of new rules and policies without having any knowledge of their existence. These uncertainties could limit the legal protections available to us.

***Products we manufacture may contain design or manufacturing defects, which could result in reduced demand for our services and liability claims against us.***

We manufacture products to our customers' specifications, which are highly complex and may contain design or manufacturing errors or failures, despite our quality control and quality assurance efforts. Defects in the products we manufacture, whether caused by a design, manufacturing, or materials failure or error, may result in delayed shipments, customer dissatisfaction, a reduction or cancellation of purchase orders, or liability claims against us. If these defects occur either in large quantities or too frequently, our business reputation may be impaired. Our sales mix has shifted towards standard delivery time products, which have larger production runs, thereby increasing our exposure to these types of defects. Since our products are used in products that are integral to our customers' businesses, errors, defects, or other performance problems could result in financial or other damages to our customers beyond the cost of the printed circuit board, for which we may be liable. Although our invoices and sales arrangements generally contain provisions designed to limit our exposure to product liability and related claims, existing or future laws or unfavorable judicial decisions could negate these limitations of liability provisions. Product liability litigation against us, even if it were unsuccessful, would be time consuming and costly to defend. Although we maintain technology errors and omissions insurance, we cannot assure you that we will continue to be able to purchase such insurance coverage in the future on terms that are satisfactory to us, if at all.

***We are subject to risks of currency fluctuations.***

A portion of our cash and other current assets is held in currencies other than the U.S. dollar. As of September 28, 2009, we had approximately \$41.1 million of current assets denominated in Chinese RMB. Changes in exchange rates among other currencies and the U.S. dollar will affect the value of these assets as translated to U.S. dollars in our balance sheet. To the extent that we ultimately decide to repatriate some portion of these funds to the United States, the actual value transferred could be impacted by movements in exchange rates. Any such type of movement could negatively impact the amount of cash available to fund operations or to repay debt.

***We export defense and commercial products from the United States to other countries. If we fail to comply with export laws, we could be subject to fines and other punitive actions.***

Exports from the United States are regulated by the U.S. Department of State and U.S. Department of Commerce. Failure to comply with these regulations can result in significant fines and penalties. Additionally, violations of these laws can result in punitive penalties, which would restrict or prohibit us from exporting certain products, resulting in significant harm to our business.

***Our business has benefited from OEMs deciding to outsource their PCB manufacturing and backplane assembly needs to us. If OEMs choose to provide these services in-house or select other providers, our business could suffer.***

Our future revenue growth partially depends on new outsourcing opportunities from OEMs. Current and prospective customers continuously evaluate our performance against other providers. They also evaluate the potential benefits of manufacturing their products themselves. To the extent that outsourcing opportunities are not available either due to OEM decisions to produce these products themselves or to use other providers, our financial results and future growth

could be adversely affected.

**Table of Contents**

***We may not be able to fully recover our costs for providing design services to our customers, which could harm our financial results.***

Although we enter into design service activities with purchase order commitments, the cost of labor and equipment to provide these services may in fact exceed what we are able to fully recover through purchase order coverage. We also may be subject to agreements with customers in which the cost of these services is recovered over a period of time or through a certain number of units shipped as part of the ongoing product price. While we may make contractual provisions to recover these costs in the event that the product does not go into production, the actual recovery can be difficult and may not happen in full. In other instances, the business relationship may involve investing in these services for a customer as an ongoing service not directly recoverable through purchase orders. In any of these cases, the possibility exists that some or all of these activities are considered costs of doing business, are not directly recoverable, and may adversely impact our operating results.

***Unanticipated changes in our tax rates or in our assessment of the realizability of our deferred tax assets or exposure to additional income tax liabilities could affect our operating results and financial condition.***

We are subject to income taxes in the United States and various foreign jurisdictions. Significant judgment is required in determining our provision for income taxes and, in the ordinary course of business, there are many transactions and calculations in which the ultimate tax determination is uncertain. Our effective tax rates could be adversely affected by changes in the mix of earnings in countries and states with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, as well as other factors. Our tax determinations are regularly subject to audit by tax authorities, and developments in those audits could adversely affect our income tax provision. Although we believe that our tax estimates are reasonable, the final determination of tax audits or tax disputes may be different from what is reflected in our historical income tax provisions, which could affect our operating results.

***If our net earnings do not remain at or above recent levels, or we are not able to predict with a reasonable degree of probability that they will continue, we may have to record a valuation allowance against our net deferred tax assets.***

As of September 28, 2009, we had net deferred tax assets of approximately \$40.9 million. Based on our forecast for future taxable earnings, we believe we will utilize the deferred tax asset in future periods. However, if our estimates of future earnings are lower than expected, we may record a higher income tax provision due to a write down of our net deferred tax assets, which would reduce our earnings per share.

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

Not Applicable.

**Item 3. *Defaults Upon Senior Securities***

Not Applicable.

**Item 4. *Submission of Matters to a Vote of Security Holders***

Not Applicable.

**Item 5. *Other Information***

Not Applicable.

**Table of Contents**

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Exhibits</b>
31.1	CEO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1	CEO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
32.2	CFO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

**Table of Contents**

**SIGNATURES**

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

TTM Technologies, Inc.

/s/ Kenton K. Alder  
Kenton K. Alder  
President and Chief Executive Officer

Dated: November 6, 2009

/s/ Steven W. Richards  
Steven W. Richards  
Chief Financial Officer and Secretary

Dated: November 6, 2009

**Table of Contents**

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Exhibits</b>	
31.1	CEO Certification Pursuant to Section 302 of the Sarbanes	Oxley Act of 2002.
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes	Oxley Act of 2002.
32.1	CEO Certification Pursuant to Section 906 of the Sarbanes	Oxley Act of 2002.
32.2	CFO Certification Pursuant to Section 906 of the Sarbanes	Oxley Act of 2002.