COHU INC
Form 10-Q
May 04, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended March 28, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-4298

COHU, INC.

(Exact name of registrant as specified in its charter)

Delaware	**95-1934119**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
12367 Crosthwaite Circle, Poway, California	**92064-6817**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code (858) 848-8100

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 þ No o

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 o No o

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 Non-accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

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

As of March 28, 2009 the Registrant had 23,344,266 shares of its $1.00 par value common stock outstanding.

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Item 1.

COHU, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	March 28, 2009 (Unaudited)	December 27, 2008 *
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,349	$ 30,194
Short-term investments	45,683	58,191
Accounts receivable, less allowance for bad debts of $1,641 in 2009 and $1,610 in 2008	26,488	31,945
Inventories:		
Raw materials and purchased parts	25,742	27,557
Work in process	12,916	14,159
Finished goods	11,526	11,598
	50,184	53,314
Deferred income taxes	16,593	16,270
Other current assets	10,781	9,350
Total current assets	187,078	199,264
Property, plant and equipment, at cost:		
Land and land improvements	11,664	11,824
Buildings and building improvements	28,209	28,341
Machinery and equipment	33,712	33,522
	73,585	73,687
Less accumulated depreciation and amortization	(35,363)	(34,258)
Net property, plant and equipment	38,222	39,429
Deferred income taxes	3,029	2,307
Goodwill	59,704	60,820
Intangible assets, net of accumulated amortization of $8,633 in 2009 and $7,150 in 2008 (Note 2)	38,156	40,993
Other assets	1,234	1,356
	$ 327,423	$ 344,169
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 10,088	$ 11,720
Accrued compensation and benefits	7,645	9,867
Accrued warranty	4,319	4,924
Customer advances	1,924	2,636

Deferred profit		3,420		4,434
Income taxes payable		1,523		1,282
Other accrued liabilities		8,333		8,812
Total current liabilities		37,252		43,675
Other accrued liabilities		3,552		3,499
Deferred income taxes		10,677		11,456
Commitments and contingencies				
Stockholders equity:				
Preferred stock, $1 par value; 1,000 shares authorized, none issued				
Common stock, $1 par value; 60,000 shares authorized, 23,344 shares issued and outstanding in 2009 and 23,344 shares in 2008		23,344		23,344
Paid-in capital		61,781		61,076
Retained earnings		186,322		193,985
Accumulated other comprehensive income		4,495		7,134
Total stockholders equity		275,942		285,539
	$	327,423	$	344,169

* Derived from December 27, 2008 audited financial statements.

The accompanying notes are an integral part of these statements.

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COHU, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended	
	March 28, 2009	**March 29, 2008**
Net sales	$ 36,582	$ 58,409
Cost and expenses:		
Cost of sales	29,187	37,602
Research and development	7,965	10,001
Selling, general and administrative	9,045	8,991
	46,197	56,594
Income (loss) from operations	(9,615)	1,815
Interest and other, net	483	1,448
Income (loss) before income taxes	(9,132)	3,263
Income tax provision (benefit)	(2,870)	1,311
Net income (loss)	$ (6,262)	$ 1,952
Income (loss) per share:		
Basic	$ (0.27)	$ 0.08
Diluted	$ (0.27)	$ 0.08
Weighted average shares used in computing income (loss) per share:		
Basic	23,344	23,053
Diluted	23,344	23,235
Cash dividends declared per share	$ 0.06	$ 0.06

The accompanying notes are an integral part of these statements.

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COHU, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Three Months Ended March 28, 2009	March 29, 2008
Cash flows from operating activities:		
Net income (loss)	$ (6,262)	$ 1,952
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,640	1,813
Share-based compensation expense	708	1,025
Deferred income taxes	(1,769)	425
Loss on short-term investment		350
Increase in other accrued liabilities	16	63
Excess tax benefits from stock options exercised		(34)
Changes in current assets and liabilities, excluding effects from acquisitions and divestitures:		
Accounts receivable	5,217	3,810
Inventories	2,653	(499)
Other current assets	176	621
Accounts payable	(1,526)	(4,696)
Customer advances	(712)	(274)
Deferred profit	(1,014)	166
Income taxes payable, including excess stock option exercise benefit	(1,378)	1,641
Accrued compensation, warranty and other liabilities	(2,939)	(2,897)
Net cash provided from (used in) operating activities	(4,190)	3,466
Cash flows from investing activities, excluding effects from acquisitions and divestitures:		
Purchases of short-term investments	(12,292)	(25,034)
Sales and maturities of short-term investments	25,209	37,857
Purchases of property, plant and equipment	(152)	(416)
Cash advances to discontinued operations		(9)
Other assets	118	(4)
Net cash provided by investing activities	12,883	12,394
Cash flows from financing activities:		
Issuance of stock, net of repurchases	(3)	152
Excess tax benefits from stock options exercised		34
Cash dividends	(1,398)	(1,383)
Net cash used in financing activities	(1,401)	(1,197)
Effect of exchange rate changes on cash	(137)	134
Net increase in cash and cash equivalents	7,155	14,797

Cash and cash equivalents at beginning of period		30,194		77,281
Cash and cash equivalents at end of period	$	37,349	$	92,078
Supplemental disclosure of cash flow information:				
Cash paid (refunded) during the period for:				
Income taxes	$	36	$	(1,024)
Inventory capitalized as capital assets	$	201	$	132
Dividends declared but not yet paid	$	1,401	$	1,383

The accompanying notes are an integral part of these statements.

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Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
March 28, 2009

1. Summary of Significant Accounting Policies

Basis of Presentation

Our fiscal years are based on a 52- or 53-week period ending on the last Saturday in December. The condensed consolidated balance sheet at December 27, 2008 has been derived from our audited financial statements at that date. The interim condensed consolidated financial statements as of March 28, 2009 (also referred to as the first quarter of fiscal 2009) and March 29, 2008 (also referred to as the first quarter of fiscal 2008) are unaudited. However, in management s opinion, these financial statements reflect all adjustments (consisting only of normal, recurring items) necessary to provide a fair presentation of our financial position, results of operations and cash flows for the periods presented. The first quarters of fiscal 2009 and 2008 were each comprised of 13 weeks.

Our interim results are not necessarily indicative of the results that should be expected for the full year. For a better understanding of Cohu, Inc. and our financial statements, we recommend reading these interim condensed consolidated financial statements in conjunction with our audited financial statements for the year ended December 27, 2008, which are included in our 2008 Annual Report on Form 10-K, filed with the U. S. Securities and Exchange Commission (SEC). In the following notes to our interim condensed consolidated financial statements, Cohu, Inc. is referred to as Cohu , we , our and us .

Certain prior year balances related to our discontinued metal detection equipment segment have been reclassified for consistency with the current year presentation. These reclassifications had no effect on reported results of operations.

Risks and Uncertainties

We are subject to a number of risks and uncertainties that may significantly impact our future operating results. These risks and uncertainties are discussed under Item 1A. Risk Factors included in this Form 10-Q. As our interim description of risks and uncertainties only includes any material changes to our annual description, we also recommend reading the description of the risk factors associated with our business previously disclosed in Item 1A. of our 2008 Annual Report on Form 10-K. Understanding these risks and uncertainties is integral to the review of our interim condensed consolidated financial statements.

Share-Based Compensation

Share-based compensation expense related to stock options is recorded based on the fair value of the award on its grant date which we estimate using the Black-Scholes valuation model. Share-based compensation expense related to restricted stock unit awards is calculated based on the market price of our common stock on the grant date, reduced by the present value of dividends expected to be paid on our common stock prior to vesting of the restricted stock unit. Reported share-based compensation is classified, in the condensed consolidated interim financial statements, as follows *(in thousands)*:

	Three Months Ended	
	March 28, 2009	March 29, 2008
Cost of sales	$ 58	$ 85
Research and development	204	300
Selling, general and administrative	446	640
Total share-based compensation	708	1,025
Income tax benefit	(200)	(266)
Total share-based compensation, net of tax	$ 508	$ 759

Income (Loss) Per Share

Income (loss) per share is computed in accordance with FASB Statement No. 128, *Earnings per Share*. Basic income (loss) per share is computed using the weighted average number of common shares outstanding during each period. In loss periods, potentially dilutive securities are excluded from the per share computations due to their anti-dilutive effect. Diluted income per share includes the dilutive effect of common shares potentially issuable upon the exercise of stock options, vesting of outstanding restricted stock units and issuance of stock under our

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employee stock purchase plan using the treasury stock method. For purposes of computing diluted income per share, stock options with exercise prices that exceed the average fair market value of our common stock for the period are excluded. These options could be included in the calculation in the future if we are profitable and the average market value of our common shares increases and is greater than the exercise price of these options. For the three months ended March 28, 2009, had we reported net income instead of a net loss, approximately 9,000 shares of our common stock would have been included in the calculation of diluted earnings per share and approximately 2,422,000 shares of our common stock would have been excluded from the computation. For the three months ended March 29, 2008, options to purchase approximately 1,610,000 shares of common stock were excluded from the computation. The following table reconciles the denominators used in computing basic and diluted income per share *(in thousands)*:

	Three Months Ended	
	March 28, 2009	March 29, 2008
Weighted average common shares	23,344	23,053
Effect of dilutive stock options		182
	23,344	23,235

Goodwill, Other Intangible Assets and Long-lived assets

Under Statement No. 142, goodwill and other intangible assets with indefinite useful lives are not amortized, but are reviewed annually for impairment. Our annual testing date is October 1 and we did not recognize any goodwill impairment as a result of performing this annual test in 2008. Other events and changes in circumstances may also require goodwill to be tested for impairment between annual measurement dates. While a decline in stock price and market capitalization is not specifically cited in Statement No. 142 as a goodwill impairment indicator, a company s stock price and market capitalization should be considered in determining whether it is more likely than not that the fair value of a reporting unit is less than its book value. The financial and credit market volatility directly impacts our fair value measurement through our stock price that we use to determine our market capitalization. During times of volatility, significant judgment must be applied to determine whether stock price changes are a short-term swing or a longer-term trend. As of March 28, 2009, we do not believe there have been any events or circumstances that would require us to perform an interim goodwill impairment review, however, a sustained decline in Cohu s market capitalization below book value could lead us to determine, in a future period, that an interim goodwill impairment review is required and may result in an impairment charge which would have a negative impact on our results from operations.

Separable long-lived assets that have finite lives are amortized over their useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable.

Revenue Recognition

Our revenue recognition policy is disclosed in Note 1 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 27, 2008. As more fully described in that policy, revenue from products that have not previously satisfied customer acceptance requirements is recognized upon customer acceptance. The gross profit on sales that are not recognized is generally recorded as deferred profit and reflected as a current liability in our consolidated balance sheet.

At March 28, 2009, we had deferred revenue totaling approximately $5.5 million and deferred profit of $3.4 million. At December 27, 2008, we had deferred revenue totaling approximately $6.7 million and deferred profit of $4.4 million.

Retiree Medical Benefits

We provide post-retirement health benefits to certain executives and directors under a noncontributory plan. The net periodic benefit cost incurred during the first quarter of fiscal 2009 and 2008 was not significant.

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Recent Accounting Pronouncements

In December 2007, the FASB issued Statement No. 141(Revised 2007), *Business Combinations* (Statement No. 141R), which establishes principles and requirements for the reporting entity in a business combination, including recognition and measurement in the financial statements of the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. This statement also establishes disclosure requirements to enable financial statement users to evaluate the nature and financial effects of the business combination. Statement No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, and interim periods within those fiscal years. Statement No. 141R became effective for our fiscal year beginning in 2009. We expect Statement No. 141R will have an impact on our consolidated financial statements, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions we consummate subsequent to our adoption of the revised standard.

We adopted FASB Statement No. 157, *Fair Value Measurements* (Statement No. 157) on December 30, 2007, the first day of fiscal year 2008. Statement No. 157 defines fair value, establishes a methodology for measuring fair value, and expands the required disclosure for fair value measurements. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which amends Statement No. 157 by delaying its effective date by one year for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Therefore, beginning on December 30, 2007, this standard applies prospectively to new fair value measurements of financial instruments and recurring fair value measurements of non-financial assets and non-financial liabilities. On December 28, 2008, the beginning of our 2009 fiscal year, the standard also applied to all other fair value measurements. See Note 9, Fair Value Measurements, for additional information.

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133* (Statement No. 161). Statement No. 161 expands the current disclosure requirements of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and requires that companies must now provide enhanced disclosures on a quarterly basis regarding how and why the entity uses derivatives, how derivatives and related hedged items are accounted for under FASB Statement No. 133 and how derivatives and related hedged items affect the company s financial position, performance and cash flows. Statement No. 161 is effective prospectively for periods beginning after November 15, 2008. As we do not currently enter into derivative or hedging agreements Statement No. 161 did not have an impact on our consolidated financial position or results of operations.

In April 2008, the FASB issued Staff Position No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets* (Statement No. 142). The intent of FSP FAS 142-3 is to improve the consistency between the useful life of a recognized intangible asset under Statement No. 142 and the period of expected cash flows used to measure the fair value of the asset under Statement No. 141R, and other U.S. generally accepted accounting principles. FSP FAS 142-3 became effective for our fiscal year beginning in 2009. FSP FAS 142-3 could have an impact on our consolidated financial statements, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions we consummate subsequent to our adoption of this standard.

2. Strategic Technology Transactions, Goodwill and Other Intangible Assets

Rasco

On December 9, 2008, our wholly owned semiconductor equipment subsidiary, Delta Design, Inc., and certain subsidiaries of Delta acquired all of the outstanding share capital of Rasco GmbH, Rosenheim Automation Systems Corporation, and certain assets of Rasco Automation Asia (collectively Rasco). The results of Rasco s operations have been included in our consolidated financial statements since that date. Rasco, headquartered near Munich, Germany, designs, manufactures and sells gravity-feed and strip semiconductor test handlers used in final test operations by semiconductor manufacturers and test subcontractors.

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The purchase price of this acquisition was approximately $81.6 million, and was funded primarily by cash reserves ($80.0 million), other acquisition costs ($1.6 million) and certain liabilities assumed ($18.6 million, which includes approximately $8.2 million of deferred tax liabilities and $3.7 million of contractual obligations to purchase inventory). The acquisition was considered a business in accordance with EITF 98-3, *Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business* and the total cost of the acquisition was allocated to the assets acquired and liabilities assumed based on their estimated respective fair values, in accordance with Financial Accounting Standards Board (FASB) Statement No. 141, *Business Combinations*, (Statement No. 141). The Rasco acquisition resulted in the recognition of goodwill of approximately $41.3 million. The acquisition was nontaxable and certain of the assets acquired, including goodwill and intangibles, will generally not be deductible for tax purposes. The goodwill has been assigned to our semiconductor equipment segment. During the first quarter of fiscal 2009 we finalized the purchase price allocation with no adjustments to previously disclosed amounts. The allocation of purchase price to the acquired assets and assumed liabilities was as follows *(in thousands)*:

Current assets	$ 14,173
Fixed assets	8,375
Other assets	636
Intangible assets	33,360
In-process research and development (IPR&D)	2,400
Goodwill	41,336
Total assets acquired	100,280
Liabilities assumed	(18,643)
Net assets acquired	$ 81,637

Amounts allocated to intangible assets are being amortized on a straight-line basis over their useful lives of eight years. Fluctuations in the exchange rate of the Euro, the functional currency of Rasco, impact the U.S. dollar value of the goodwill and intangible assets in our consolidated financial statements and, as a result, the future gross carrying value and amortization of the acquired intangible assets may differ from the amounts presented.

Intangible Assets, subject to amortization

	March 28, 2009		December 27, 2008	
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Unigen technology	$ 7,020	$ 4,293	$ 7,020	$ 3,935
AVS technology	2,210	1,091	2,309	996
Rasco Technology	33,261	1,299	34,433	269
	$ 42,491	$ 6,683	$ 43,762	$ 5,200

Amortization expense related to intangible assets was approximately $1.5 million and $0.7 million in the first quarter of fiscal 2009 and 2008, respectively. The amounts included in the table above for the periods ended March 28, 2009 and December 27, 2008 exclude approximately $2.3 million and $2.4 million, respectively, related to the Rasco trade name which has an indefinite life and is not being amortized. Changes in the carrying values of AVS and Rasco intangible assets are a result of the impact of fluctuations in exchange rates.

3. Employee Stock Benefit Plans

Employee Stock Purchase Plan The Cohu, Inc. 1997 Employee Stock Purchase Plan (the Plan) provides for the issuance of a maximum of 1,400,000 shares of our common stock. Under the Plan, eligible employees may purchase shares of common stock through payroll deductions. The price paid for the common stock is equal to 85% of the fair market value of our common stock on specified dates. At March 28, 2009, there were 506,567 shares available for issuance under the Plan.

Stock Options Under our equity incentive plans, stock options may be granted to employees, consultants and directors to purchase a fixed number of shares of our common stock at prices not less than 100% of the fair market value at the date of grant. Options generally vest and become exercisable after one year or in four annual increments beginning one year after the grant date and expire five to ten years from the grant date. At March 28, 2009, 63,215 shares were available for future equity grants under the Cohu, Inc. 2005 Equity Incentive Plan. We have historically issued new shares of our common stock upon share option exercise.

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At March 28, 2009 we had 3,196,767 stock options outstanding. These options had a weighted-average exercise price of $12.97 per share, an aggregate intrinsic value of approximately $0.6 million and the weighted average remaining contractual term was approximately 7.0 years.

At March 28, 2009 we had 1,655,668 stock options outstanding that were exercisable. These options had a weighted-average exercise price of $16.38 per share, an aggregate intrinsic value of $0 and the weighted average remaining contractual term was approximately 4.6 years.

Restricted Stock Units We issue restricted stock units to certain employees and directors. Restricted stock units vest over either a one-year or a four-year period from the date of grant. Prior to vesting, restricted stock units do not have dividend equivalent rights, do not have voting rights and the shares underlying the restricted stock units are not considered issued and outstanding. Shares of our common stock will be issued on the date the restricted stock units vest.

At March 28, 2009 we had 248,078 restricted stock units outstanding with an aggregate intrinsic value of approximately $1.9 million and the weighted average remaining vesting period was approximately 2.1 years.

4. Comprehensive Income (Loss)

Comprehensive income (loss) represents all non-owner changes in stockholders equity and consists of, on an after-tax basis where applicable, the following *(in thousands)*:

	Three Months Ended	
	March 28, 2009	March 29, 2008
Net income (loss)	$ (6,262)	$ 1,952
Foreign currency translation adjustment	(2,857)	664
Change in unrealized gain/loss on investments	254	202
Comprehensive income (loss)	$ (8,865)	$ 2,818

Our accumulated other comprehensive income balance totaled approximately $4.5 million and $7.1 million at March 28, 2009 and December 27, 2008, respectively, and was attributed to, net of income taxes where applicable, unrealized losses and gains on investments, adjustments resulting from the adoption of FASB Statement No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans*, (an amendment of FASB Statements No. 87, 88, 106, and 132R) and foreign currency adjustments resulting from the translation of certain accounts into U.S. dollars where the functional currency is the Euro.

5. Income Taxes

The income tax provision (benefit) included in the condensed consolidated statements of operations for the three months ended March 28, 2009 and March 29, 2008 is based on the estimated annual effective tax rate for the entire year. These estimated effective tax rates are subject to adjustment in subsequent quarterly periods as our estimates of pretax income or loss for the year are increased or decreased. The effective tax rates of (31.4)% and 40.2%, for the three months ended March 28, 2009 and March 29, 2008, respectively, differ from the U.S. federal statutory rate primarily due to state taxes, research and development tax credits, foreign income taxed at lower rates, changes in the valuation allowance on deferred tax assets and the liability for unrecognized tax benefits, the effects of Statement No. 123R that does not allow deferred tax benefits to be initially recognized on compensation expense related to incentive stock options and employee stock purchase plans and interest expense recorded on unrecognized tax benefits.

Realization of our deferred tax assets is based upon the weight of all available evidence, including such factors as our recent earnings history and expected future taxable income. We believe that it is more likely than not that the majority of these assets will be realized; however, ultimate realization could be negatively impacted by market conditions or other factors not currently known or anticipated. If the current worldwide economic and financial crisis continues for an extended period of time and we continue to incur losses, realization of our deferred tax assets will be jeopardized and this may require us to increase our valuation allowance with a significant charge to income tax expense in future periods. In accordance with FASB Statement No. 109, *Accounting for Income Taxes*, (Statement No. 109), deferred tax assets are reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax assets will not be realized. At December 27, 2008 we had gross deferred tax assets of $27.6 million. A valuation allowance, net of federal benefit, of approximately $4.3 million was provided on our deferred tax assets at December 27, 2008, for state tax credit and net operating loss carryforwards that, in the opinion of management, are more likely than not to expire before we can use them.

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There was no material change to our unrecognized tax benefits and interest accrued related to unrecognized tax benefits during the period ended March 28, 2009. We do not expect that the total amount of unrecognized tax benefits will significantly change over the next 12 months.

In October, 2007 the Internal Revenue Service commenced a routine examination of our U.S. income tax return for 2005. This examination was substantially completed in 2008 and is expected to be finalized in 2009 without any material adjustments.

6. Industry Segments

We have three reportable segments as defined by FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information.* As discussed in Note 2, in December 2008, we purchased Rasco, which has been included in our semiconductor equipment segment. Our reportable segments are business units that offer different products and are managed separately because each business requires different technology and marketing strategies.

We allocate resources and evaluate the performance of segments based on profit or loss from operations, excluding interest, corporate expenses and unusual gains or losses. Intersegment sales were not significant for any period.

Financial information by industry segment is as follows *(in thousands)*:

	Three Months Ended	
	March 28, 2009	March 29, 2008
Net sales by segment:		
Semiconductor equipment	$ 24,581	$ 44,692
Television cameras	3,919	4,434
Microwave communications	8,082	9,283
Total consolidated net sales and net sales for reportable segments	$ 36,582	$ 58,409
Segment profit (loss):		
Semiconductor equipment	$ (9,372)	$ 2,272
Television cameras	(174)	(465)
Microwave communications	952	1,126
Profit (loss) for reportable segments	(8,594)	2,933
Other unallocated amounts:		
Corporate expenses	(1,021)	(1,118)
Interest and other, net	483	1,448
Income (loss) before income taxes	$ (9,132)	$ 3,263

	March 28, 2009	December 27, 2008
Total assets by segment (in thousands):		
Semiconductor equipment	$ 195,218	$ 206,199
Television cameras	10,247	10,458

Microwave communications	22,337	22,793
Total assets for reportable segments	227,802	239,450
Corporate, principally cash and investments and deferred taxes	99,621	104,719
Total consolidated assets	$ 327,423	$ 344,169