UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 28, 2008

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 001-06462

TERADYNE, INC.

(Exact name of registrant as specified in its charter)

Massachusetts	**04-2272148**
(State or Other Jurisdiction of	**(I.R.S. Employer**
Incorporation or Organization)	**Identification No.)**
600 Riverpark Drive, North Reading, Massachusetts	**01864**
(Address of Principal Executive Offices)	**(Zip Code)**

978-370-2700

(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 the filing requirements for the past 90 days. Yes x 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 x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

The number of shares outstanding of the registrant s only class of Common Stock as of October 31, 2008 was 169,288,060 shares.

TERADYNE, INC.

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PART I

Item 1: Financial Statements

TERADYNE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 28, 2008	December 31, 2007
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 292,573	$ 562,371
Marketable securities	15,502	75,593
Accounts receivable, net of allowance for doubtful accounts of $4,282 and $4,493 on September 28, 2008 and December 31, 2007, respectively	193,870	189,487
Inventories:		
Parts	43,162	27,627
Assemblies in process	46,780	31,272
Finished Goods	30,705	21,414
Net inventories	120,647	80,313
Deferred tax assets	30,814	3,216
Prepayments and other current assets	44,088	33,953
Total current assets	697,494	944,933
Property, plant, and equipment, at cost	758,879	825,771
Less: accumulated depreciation	463,711	473,064
Net property, plant, and equipment	295,168	352,707
Marketable securities	159,901	104,978
Goodwill	242,521	69,147
Intangible assets, net	91,559	5,992
Other assets	25,102	24,855
Long-term deferred tax assets		6,280
Retirement plans assets	48,854	46,396
Total assets	$ 1,560,599	$ 1,555,288
LIABILITIES		
Current liabilities:		
Accounts payable	$ 64,206	$ 57,426
Accrued employee compensation and withholdings	62,664	71,691
Deferred revenue and customer advances	67,794	41,928
Other accrued liabilities	54,800	47,002
Accrued income taxes	238	5,187
Total current liabilities	249,702	223,234
Retirement plans liabilities	74,958	80,388
Deferred tax liabilities	21,351	
Long-term other accrued liabilities	27,056	22,492

Total liabilities	373,067	326,114
Commitments and contingencies (Note N)		
SHAREHOLDERS EQUITY		
Common stock, $0.125 par value, 1,000,000 shares authorized, 169,065 and 173,088 shares issued and outstanding at September 28, 2008 and December 31, 2007, respectively	21,133	21,636
Additional paid-in capital	1,113,319	1,105,441
Accumulated other comprehensive loss	(44,134)	(46,028)
Retained earnings	97,214	148,125
Total shareholders equity	1,187,532	1,229,174
Total liabilities and shareholders equity	$ 1,560,599	$ 1,555,288

The accompanying notes, together with the Notes to Consolidated Financial Statements included in Teradyne s

Annual Report on Form 10-K for the year ended December 31, 2007 are an integral part of the condensed

consolidated financial statements.

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TERADYNE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(in thousands, except per share amounts)			
Net revenues:				
Products	$ 228,854	$ 239,299	$ 710,624	$ 663,435
Services	68,401	60,162	201,651	178,429
Net revenues	297,255	299,461	912,275	841,864
Cost of revenues:				
Cost of products	130,105	117,268	373,337	329,597
Cost of services	39,220	37,947	118,657	117,404
Total cost of revenues	169,325	155,215	491,994	447,001
Gross profit	127,930	144,246	420,281	394,863
Operating expenses:				
Engineering and development	52,969	52,245	164,272	153,924
Selling and administrative	58,614	62,178	189,298	187,307
Acquired intangible asset amortization	5,034	954	13,671	2,820
In-process research and development			1,100	16,700
Restructuring and other, net	28,589	(3,119)	53,100	(304)
Operating expenses	145,206	112,258	421,441	360,447
(Loss) income from operations	(17,276)	31,988	(1,160)	34,416
Interest income	2,740	7,784	10,284	27,182
Interest expense and other	(5,851)	143	(5,865)	2,688
(Loss) income from continuing operations before income taxes	(20,387)	39,915	3,259	64,286
Provision for income taxes	3,070	4,717	13,270	9,556
(Loss) income from continuing operations	(23,457)	35,198	(10,011)	54,730
Income from discontinued operations before taxes	768	6,084	768	6,795
Provision for income taxes		293		518
Income from discontinued operations	768	5,791	768	6,277
Net (loss) income	$ (22,689)	$ 40,989	$ (9,243)	$ 61,007
(Loss) income from continuing operations per common share:				
Basic	$ (0.14)	$ 0.19	$ (0.06)	$ 0.29
Diluted	$ (0.14)	$ 0.19	$ (0.06)	$ 0.29
Net (loss) income per common share:				
Basic	$ (0.13)	$ 0.22	$ (0.05)	$ 0.33

Diluted	$	(0.13)	$	0.22	$	(0.05)	$	0.32
Weighted average common shares basic		168,769		183,566		171,058		187,527
Weighted average common shares diluted		168,769		185,298		171,058		189,222

The accompanying notes, together with the Notes to Consolidated Financial Statements included in Teradyne s Annual Report on Form 10-K for the year ended December 31, 2007 are an integral part of the condensed consolidated financial statements.

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TERADYNE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended	
	September 28, 2008	September 30, 2007
	(in thousands)	
Cash flows from operating activities:		
Net (loss) income	$ (9,243)	$ 61,007
Income from discontinued operations	768	381
Gain on sale from discontinued operations		5,896
(Loss) income from continuing operations	(10,011)	54,730
Adjustments to reconcile (loss) income from continuing operations to net cash provided by operating activities:		
Depreciation	56,580	45,351
Amortization	15,394	5,902
Stock-based compensation	15,909	19,645
In-process research and development charge	1,100	16,700
Loss (gain) on sale of land and building	20,883	(3,597)
Gain on sale of product lines		(906)
Gain on life insurance	(1,352)	
Gain on sale of an equity investment	(2,811)	
Impairment of marketable securities	8,504	
Provision for excess and obsolete inventory	24,969	1,479
Non-cash charge for the sale of inventories revalued at the date of acquisition	4,346	
Other non-cash items, net	323	890
Changes in operating assets and liabilities, net of businesses and product lines acquired and sold:		
Accounts receivable	23,050	(75,896)
Inventories	(4,642)	26,724
Other assets	(18,496)	(17,638)
Accounts payable, deferred revenue and accrued expenses	(4,794)	2,900
Retirement plans contributions	(5,290)	(2,128)
Income taxes payable	(4,736)	(30,790)
Net cash provided by continuing operations	118,926	43,366
Net cash provided by (used for) discontinued operations	768	(3,103)
Net cash provided by operating activities	119,694	40,263
Cash flows from investing activities:		
Investments in property, plant and equipment	(75,528)	(63,788)
Acquisition of technology		(17,600)
Proceeds from sale of product lines and business		906
Proceeds from sale of land and building	44,072	7,888
Proceeds from life insurance	3,049	
Proceeds from sale of an equity investment	2,811	
Acquisition of business, net of cash acquired	(285,324)	
Purchases of available-for-sale marketable securities	(135,475)	(333,165)
Proceeds from sale and maturities of available-for-sale marketable securities	131,800	396,436
Net cash used for continuing operations	(314,595)	(9,323)
Net cash provided by discontinued operations		10,765
Net cash (used for) provided by investing activities	(314,595)	1,442
Cash flows from financing activities:		
Repurchase of common stock	(91,191)	(203,562)

Issuance of common stock under employee stock option and stock purchase plans	16,294	22,910
Net cash used for financing activities	(74,897)	(180,652)
Decrease in cash and cash equivalents	(269,798)	(138,947)
Cash and cash equivalents at beginning of period	562,371	568,025
Cash and cash equivalents at end of period	$ 292,573	$ 429,078

The accompanying notes, together with the Notes to Consolidated Financial Statements included in Teradyne s

Annual Report on Form 10-K for the year ended December 31, 2007 are an integral part of the condensed

consolidated financial statements.

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. The Company

Teradyne, Inc. is a leading global supplier of automatic test equipment.

Teradyne s automatic test equipment products and services include:

semiconductor test (Semiconductor Test), and

military/aerospace (Mil/Aero) test instrumentation and systems, circuit-board test and inspection systems (Commercial Board Test) and automotive diagnostic and test systems (Diagnostic Solutions), collectively Systems Test Group

Statements in this Quarterly Report on Form 10-Q which are not historical facts, so called forward looking statements, are made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended. Investors are cautioned that all forward looking statements involve risks and uncertainties, including those detailed in Teradyne s filings with the Securities and Exchange Commission (the SEC). See also Item 2: Management s Discussion and Analysis of Financial Condition and Results of Operations Certain Factors That May Affect Future Results , Item 1A: Risk Factors and Teradyne s Annual Report on Form 10-K for the year ended December 31, 2007.

B. Accounting Policies

Basis of Presentation

The condensed consolidated interim financial statements include the accounts of Teradyne and its subsidiaries. All significant intercompany balances and transactions have been eliminated. These interim financial statements are unaudited and reflect all normal recurring adjustments that are, in the opinion of management, necessary for the fair statement of such interim financial statements. Certain prior year s amounts were reclassified to conform to the current year presentation. The December 31, 2007 condensed consolidated balance sheet data were derived from audited financial statements, but do not include all disclosures required by generally accepted accounting principles.

The accompanying financial information should be read in conjunction with the consolidated financial statements and notes thereto contained in Teradyne s Annual Report on Form 10-K, filed with the SEC on February 28, 2008 for the year ended December 31, 2007.

On August 1, 2007, Teradyne completed the sale of Broadband Test Systems, its voice and broadband access network test division. The results of operations of Broadband Test Systems as well as cash flow amounts pertaining to this business have been classified as discontinued operations in the condensed consolidated financial statements.

Preparation of Financial Statements

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the amounts reported in the financial statements. Actual results may differ significantly from these estimates.

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

C. Recently Issued Accounting Pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), Business Combinations. (SFAS No. 141(R)) This Statement replaces FASB Statement No. 141, Business Combinations. SFAS No. 141(R) establishes new principles and requirements for how an acquiring company 1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree, 2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and 3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for business combinations occurring in the fiscal year beginning on or after December 15, 2008. Teradyne is currently evaluating the impact of adopting this standard.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS No. 161), an amendment of FASB Statement No. 133. Accounting for Derivative Instruments and Hedging Activities . SFAS No. 161 expands the current disclosure requirements of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, such that entities 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 SFAS No. 133 and how derivatives and related hedged items affect the entity s financial position, performance and cash flow. SFAS No. 161 is effective prospectively for periods beginning on or after November 15, 2008. Teradyne will adopt SFAS No. 161 in fiscal year 2009.

In April 2008, the FASB issued Staff Position No.142-3 (FSP No. 142-3), Determination of the Useful Life of Intangible Assets . This FSP amends the guidance in FASB Statement No. 142, Goodwill and Other Intangible Assets , about estimating useful lives of recognized intangible assets and requires additional disclosures related to renewing or extending the terms of a recognized intangible asset. In estimating the useful life of a recognized intangible asset, the FSP requires companies to consider their historical experience in renewing or extending similar arrangements together with the asset s intended use, regardless of whether the arrangements have explicit renewal or extension provisions. The FSP is effective for fiscal years beginning after December 15, 2008 and is to be applied prospectively to intangible assets acquired after the effective date. The disclosure requirements are to be applied prospectively to all intangible assets.

On October 10, 2008, the FASB issued FSP FAS No. 157-3, Fair Value Measurements (FSP FAS 157-3), which clarifies the application of SFAS No. 157 in an inactive market and provides an example to demonstrate how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. Teradyne currently does not have any financial assets with an inactive market.

D. Financial Instruments

Effective January 1, 2008, Teradyne has adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157) for financial assets and liabilities. As defined in SFAS No.157, fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. Teradyne uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during the quarter or nine months ended September 28, 2008. SFAS No.157 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted prices in active markets for identical assets as of the reporting date.

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Level 2: Inputs other than Level 1, that are observable either directly or indirectly as of the reporting date. For example, a common approach for valuing fixed income securities is the use of matrix pricing. Matrix pricing is a mathematical technique used to value securities by relying on the securities relationship to other benchmark quoted prices, and therefore is considered a Level 2 input.

Level 3: Unobservable inputs that are not supported by market data. Unobservable inputs are developed based on the best information available, which might include Teradyne s own data.

Teradyne s marketable securities consist primarily of high quality, corporate debt securities that are valued using matrix pricing. Teradyne has reviewed and agrees with the valuation methodologies and procedures utilized by these parties. The following table sets forth by fair value hierarchy Teradyne s financial assets and liabilities that were measured at fair value on a recurring basis as of September 28, 2008.

	September 28, 2008			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets:				
Short-term marketable securities	$	$ 15,502	$	$ 15,502
Long-term marketable securities	7,881	152,020		159,901
Total	$ 7,881	$ 167,522	$	$ 175,403

On a quarterly basis Teradyne reviews its investments to identify and evaluate investments that have an indication of a potential other-than-temporary impairment. Factors considered in determining whether a loss is other-than-temporary include:

- The length of time and the extent to which the market value has been less than cost;
- The financial condition and near-term prospects of the issuer; and
- The intent and ability to retain the investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

Teradyne has determined that it does not intend to hold the marketable securities for a period of time sufficient to allow for recovery in market value and recognized an other-than-temporary impairment loss in the amount of $8.5 million, in the three and nine months ended September 28, 2008, primarily related to mortgage backed debt securities and financial institutions debt securities.

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

E. Product Warranty

Teradyne generally provides a one-year warranty on its products commencing upon installation or shipment. A provision is recorded upon revenue recognition to cost of revenues for estimated warranty expense based on historical experience. Related costs are charged to the warranty accrual as incurred. The following represents the activity in the warranty accrual and is included in other accrued liabilities.

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(in thousands)			
Balance at beginning of period	$ 9,782	$ 10,249	$ 9,340	$ 12,897
Acquisition			492	
Accruals for warranties issued during the period	3,284	3,540	10,493	10,369
Accruals related to pre-existing warranties (includes changes in estimates)	(99)	174	1,083	(1,696)
Settlements made during the period	(3,808)	(3,923)	(12,249)	(11,530)
Balance at end of period	$ 9,159	$ 10,040	$ 9,159	$ 10,040

When Teradyne receives revenue for extended warranties beyond one year, it is deferred and recognized on a straight-line basis over the contract period. Related costs are expensed as incurred. The following represents the activity in the extended warranty and is included in short-term deferred revenue and long-term other accrued liabilities.

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(in thousands)			
Balance at beginning of period	$ 7,103	$ 7,602	$ 6,610	$ 8,350
Deferral of new extended warranty revenue	1,144	617	4,024	2,550
Recognition of extended warranty deferred revenue	(1,118)	(1,523)	(3,505)	(4,204)
Balance at end of period	$ 7,129	$ 6,696	$ 7,129	$ 6,696

F. Stock-Based Compensation

During the nine months ended September 28, 2008, Teradyne granted restricted stock units to employees, executives and directors. The total number of shares granted was 3.1 million at the weighted average grant date fair value of $10.66. Service based awards granted to employees and executives vest in equal installments over four years. A significant number of awards granted to executive officers were performance-based restricted stock units. The performance-based restricted stock units granted to the executives in January 2008 cliff vest on the third anniversary of the grant. The amount of actual performance-based awards that will vest will be determined on or near the first anniversary of the grant. Awards granted to non-employee directors vest on the first anniversary of the grant date.

During the nine months ended September 30, 2007, Teradyne granted restricted stock units to employees, executives and directors. The total number of shares granted was 2.0 million at the weighted average grant date fair value of $15.19. Service based awards granted to employees and executives vest in equal installments over

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

four years. A significant number of awards granted to executive officers were performance-based restricted stock units. The performance-based restricted stock units granted to the executives in January 2007 vest in equal installments over four years. The amount of actual performance-based awards that will vest was determined on or near the first anniversary of the grant. Awards granted to non-employee directors vested on the first anniversary of the grant date.

G. Comprehensive Income

Comprehensive income is calculated as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(in thousands)			
Net (loss) income	$ (22,689)	$ 40,989	$ (9,243)	$ 61,007
Foreign currency translation adjustments	(638)	(272)	(1,693)	(38)
Change in unrealized loss on foreign exchange contracts		(55)		
Change in unrealized (loss) income on marketable securities, net of taxes of $0, $0, $0 and $0	(689)	2,047	(1,566)	4,212
Reclassification adjustment for realized losses on marketable securities included in net loss	3,484		1,235	
Retirement plans net gain, net of taxes of $50, $(13), $484 and $47	492	861	3,480	4,605
Retirement plans prior service benefit, net of taxes of $0, $0, $0 and $0	153	153	460	460
Retirement plans net transition asset, net of taxes of $(9), $(28), $(1) and $(47)	(6)	29	(22)	5
Comprehensive (loss) income	$ (19,893)	$ 43,752	$ (7,349)	$ 70,251

H. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill by segment are as follows:

	Semiconductor Test	Systems Test Group	Total
		(in thousands)	
Balance at December 31, 2007	$	$ 69,147	$ 69,147
Goodwill acquired during period	173,374		173,374
Balance at September 28, 2008	$ 173,374	$ 69,147	$ 242,521

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amortizable intangible assets consist of the following and are included in intangible and other assets:

	September 28, 2008			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life
	(in thousands)			
Completed technology	$ 72,793	$ 23,866	$ 48,927	6.2 years
Customer relationships and service and software maintenance contracts	50,679	8,662	42,017	6.9 years
Trade names and trademarks	4,100	3,485	615	7.5 years
Total intangible assets	$ 127,572	$ 36,013	$ 91,559	6.5 years

	December 31, 2007			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life
	(in thousands)			
Completed technology	$ 19,193	$ 15,734	$ 3,459	7.5 years
Customer relationships and service and software maintenance contracts	4,779	3,678	1,101	8.0 years
Trade names and trademarks	3,800	2,929	871	8.0 years
Acquired workforce	700	139	561	4.0 years
Total intangible assets	$ 28,472	$ 22,480	$ 5,992	7.6 years

Aggregate intangible asset amortization expense was $5.0 million for the three months ended September 28, 2008 and $1.0 million for the three months ended September 30, 2007. Aggregate intangible asset amortization expense was $13.7 million for the nine months ended September 28, 2008 and $2.8 million for the nine months ended September 30, 2007. Estimated intangible asset amortization expense for each of the five succeeding fiscal years is as follows:

Year	Amount (in thousands)
2008 (remainder)	$ 5,034
2009	19,368
2010	16,697
2011	15,239
2012	13,112

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Net (Loss) Income per Common Share

The following table sets forth the computation of basic and diluted net (loss) income per common share:

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(in thousands, except per share amounts)			
(Loss) income from continuing operations	$ (23,457)	$ 35,198	$ (10,011)	$ 54,730
Income from discontinued operations	768	5,791	768	6,277
Net (loss) income	$ (22,689)	$ 40,989	$ (9,243)	$ 61,007
Shares used in (loss) income per common share basic	168,769	183,566	171,058	187,527
Effect of dilutive potential common shares:				
Employee and director stock options		858		991
Restricted stock units		837		647
Employee stock purchase rights		37		57
Dilutive potential common shares		1,732		1,695
Shares used in net (loss) income per common share diluted	168,769	185,298	171,058	189,222
Net (loss) income per common share basic				
Continuing operations	$ (0.14)	$ 0.19	$ (0.06)	$ 0.29
Discontinued operations	0.01	0.03	0.01	0.04
	$ (0.13)	$ 0.22	$ (0.05)	$ 0.33
Net (loss) income per common share diluted				
Continuing operations	$ (0.14)	$ 0.19	$ (0.06)	$ 0.29
Discontinued operations	0.01	0.03	0.01	0.03
	$ (0.13)	$ 0.22	$ (0.05)	$ 0.32

The computation of diluted net (loss) income per common share for the three and nine months ended September 28, 2008 excludes the effect of the potential exercise of options to purchase approximately 16.2 million and 16.4 million shares and restricted stock units of 1.4 million and 1.4 million shares, respectively, because the effect would have been anti-dilutive.

The computation of diluted net (loss) income per common share for the three and nine months ended September 30, 2007 excludes the effect of the potential exercise of options to purchase approximately 14.1 million and 14.1 million shares, respectively, because the effect would have been anti-dilutive.

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

J. Restructuring and Other, Net

The tables below represent activity related to restructuring and other, net, in the nine months ended September 28, 2008. The accrual for severance payments and employee benefits is reflected in accrued employee compensation and withholdings and is expected to be paid by the end of the first quarter of 2009. The accrual for lease payments on vacated facilities is reflected in other accrued liabilities and other long-term accrued liabilities and is expected to be paid over the lease terms, the latest of which expires in 2012. Teradyne expects to pay approximately $3.1 million against the lease accruals over the next twelve months. Teradyne s future lease commitments are net of expected sublease income of $8.3 million as of September 28, 2008.

2008 Activities

(in thousands)	Loss on Sale of Real Estate	Facility Related	Severance and Benefits	Long-Lived Asset Impairment	Total
Balance at December 31, 2007	$	$	$	$	$
Charge	20,883	13,748	15,569	550	50,750
Cash payments		(896)	(12,716)		(13,612)
Accelerated depreciation and other	(20,883)	(11,966)		(550)	(33,399)
Balance at September 28, 2008	$	$ 886	$ 2,853	$	$ 3,739

During the nine months ended September 28, 2008, Teradyne recorded the following restructuring activities:

$22.6 million loss on the sale of real estate across both segments for a manufacturing facility in North Reading, MA as a result of the transfer of manufacturing to an outsourced partner;

$15.6 million of severance charges across all functions and segments related to headcount reductions of approximately 300 people;

$12.0 million of facility charges across both segments related to the accelerated depreciation of a manufacturing facility in North Reading, MA as a result of the transfer of manufacturing to an outsourced partner;

$1.7 million gain on the sale of real estate in the Semiconductor Test segment for a facility in Agoura Hills, CA;

$0.7 million of facility charges across both segments related to the early exit of a facility in Bracknell, UK;

$0.7 million of facility charges in the Semiconductor Test segment related to the early exit of a facility in Ontario, Canada; and

$0.6 million charge in the Semiconductor Test segment for a long-lived asset impairment related to acquired intangible assets.

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2007 Activities

(in thousands)	Severance and Benefits
Balance at December 31, 2007	$ 1,108
Credits	(194)
Cash payments	(826)
Balance at September 28, 2008	$ 88

Pre-2007 Activities

(in thousands)	Facility Related	Severance and Benefits	Total
Balance at December 31, 2007	$ 7,802	$ 250	$ 8,052
Charges/ (Credits)	2,676	(132)	2,544
Cash payments	(1,446)	(62)	(1,508)
Balance at September 28, 2008	$ 9,032	$ 56	$ 9,088

During the nine months ended September 28, 2008, Teradyne recorded the following adjustment to its pre-2007 restructuring activities:

$2.7 million facility related charge in the Systems Test Group segment for changes in the estimated amount and timing of sublease income on a facility in Westford, MA.

K. Stock Repurchase Program

In November 2007, Teradyne s Board of Directors authorized a $400 million stock repurchase program. During the three months ended September 28, 2008, Teradyne did not repurchase any shares of common stock. For the nine months ended September 28, 2008, Teradyne repurchased 7.5 million shares of common stock for $91.2 million at an average price of $12.20 per share. The cumulative repurchases as of September 28, 2008 total 8.5 million shares of common stock for $102.6 million at an average price of $12.14.

L. Acquisitions

Business

Nextest Systems Corporation

On January 24, 2008, Teradyne completed its acquisition of Nextest Systems Corporation (Nextest) of San Jose, California, for a total purchase price of $402.4 million, which consisted of $367.8 million of cash paid to acquire the outstanding common stock of Nextest, at a price of $20.00

per share, $28.5 million in fair value of assumed vested stock options and restricted stock units, which were converted into stock options and restricted stock units to purchase Teradyne s common stock, and $6.1 million of acquisition related transaction costs, which primarily consisted of fees incurred for financial advisory and legal services. The fair value of stock options was estimated using the following weighted average assumptions:

Expected life	3.6 years
Expected volatility	40.6%
Risk-free interest rate	2.8%
Dividend yield	0.0%

TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Nextest designs, develops, manufactures, sells and services low-cost, high throughput automated test equipment systems for the semiconductor industry. Nextest competes in the flash memory, flash card, and flash memory based system-on-chip (SOC) markets. Nextest s products are used to test flash memory, microcontrollers, image sensors, smart cards and field programmable logic devices. The acquisition allows Teradyne to enter the flash memory test segment. Nextest is included within Teradyne s Semiconductor Test segment.

The Nextest acquisition was accounted for as a purchase business combination and, accordingly, the results have been included in Teradyne s consolidated results of operation from the date of acquisition. The allocation of the total purchase price of Nextest s net tangible and identifiable intangible assets was based on their estimated fair values as of the acquisition date. The purchase price allocation is preliminary pending the final determination of the fair value of certain acquired tax assets and assumed tax liabilities. The excess of the purchase price over the identifiable intangible and net tangible assets in the amount of $173.4 million was allocated to goodwill, which is not deductible for tax purposes. The following represents the preliminary allocation of the purchase price:

	Amount (in thousands)
Goodwill	$ 173,374
Other intangible assets	99,800
Tangible assets acquired and liabilities assumed:	
Cash and cash equivalents	88,513
Other current assets	55,332
Non-current assets	16,306
Accounts payable and current liabilities	(26,487)
Other long-term liabilities	(5,542)
In-process research and development	1,100
Total purchase price	$ 402,396

Teradyne estimated the fair value of other intangible assets using the income approach. Acquired other intangible assets will be amortized on a straight-line basis over their estimated useful lives. The following table represents components of these other intangible assets and their estimated useful lives at the acquisition date:

	Fair Value (in thousands)	Estimated Useful Life (in years)
Developed technology	$ 53,600	5.8
Customer relationships	45,900	6.8
Tradenames	300	1.0
Total intangible assets	$ 99,800	6.2

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following pro forma information gives effects of the acquisition as if the acquisition occurred on January 1, 2008 and 2007. The pro forma results are not necessarily indicative of what actually would have occurred had the acquisitions been in effect for the periods presented:

	For the Three Months Ended	For the Nine Months Ended	
	September 30, 2007	September 28, 2008	September 30, 2007
Revenue	$ 322,443	$ 922,006	$ 899,778
Net income (loss)	33,879	(9,892)	31,330
Net income (loss) per common share:			
Basic	$ 0.18	$ (0.06)	$ 0.17
Diluted	$ 0.18	$ (0.06)	$ 0.16

The nine months pro forma results above include the following non recurring expense items: in-process research and development charge of $1.1 million and acquired inventory fair value adjustment of $4.3 million, in both nine months periods presented.

Eagle Test Systems, Inc

On September 1, 2008, Teradyne entered into an agreement to acquire Eagle Test Systems, Inc., a Delaware corporation (Eagle). At the effective time of the acquisition, each outstanding share of Eagle s common stock will convert into the right to receive $15.65 per share in cash for a total purchase price of approximately $250 million, net of cash acquired and including the fair value of fully vested employee equity instruments. The acquisition is expected to close in the fourth quarter of 2008.

Technology

On March 7, 2007, Teradyne purchased in-process enabling test technology and hired certain engineers from MOSAID Technologies Inc. (MOSAID) for $17.6 million, which included $0.6 million in fees directly related to the acquisition. Of the purchase price, $16.7 million was allocated to in-process research and development and therefore was immediately charged to the statement of operations. The balance of the purchase price was allocated to acquired workforce and fixed assets. In the nine months ended September 28, 2008, Teradyne recorded an impairment charge of $0.6 million to write-off the acquired workforce asset.

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

M. Retirement Plans

Defined Benefit Pension Plans

Teradyne has defined benefit pension plans covering a portion of domestic employees and employees of certain non-U.S. subsidiaries. Benefits under these plans are based on employees years of service and compensation. Teradyne s funding policy is to make contributions to the plans in accordance with local laws and to the extent that such contributions are tax deductible. The assets of the plans consist primarily of equity and fixed income securities. In addition, Teradyne has an unfunded supplemental executive defined benefit plan in the United States to provide retirement benefits in excess of levels allowed by the Employment Retirement Income Security Act and the Internal Revenue Code, as well as unfunded foreign plans.

Components of net periodic pension cost for all plans for the three and nine months ended September 28, 2008 and September 30, 2007 are as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(in thousands)			
Net Periodic Benefit Cost:				
Service cost	$ 1,167	$ 1,387	$ 3,657	$ 4,197
Interest cost	4,386	4,133	13,242	12,407
Expected return on plan assets	(5,148)	(4,866)	(15,493)	(14,629)
Amortization of unrecognized:				
Net transition obligation	(7)	(17)	(22)	(49)
Prior service cost	212	212	636	635
Net loss	332	905	1,045	2,727
Curtailment gain			(357)	
Total expense	$ 942	$ 1,754	$ 2,708	$ 5,288

Teradyne contributed $0.9 million to its United Kingdom Pension Plan, $1.0 million to its Japan Pension Plan, $0.9 million to its U.S. Pension Plan and $0.4 million to its other foreign Pension Plans in the nine months ended September 28, 2008.

Post-Retirement Benefit Plans

In addition to receiving pension benefits, Teradyne s U.S. employees who meet specific retirement eligibility requirements as of their termination dates may participate in Teradyne s Welfare Plan, which includes death benefits, and medical and dental benefits up to age 65. Death benefits provide a fixed amount to retirees survivors and are available to all retirees.

Substantially all of Teradyne s current U.S. employees could become eligible for these benefits, and the existing benefit obligation relates primarily to those employees.

TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Components of net periodic postretirement benefits cost are as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(in thousands)			
Net Periodic Benefit Cost:				
Service cost	$ 42	$ 63	$ 126	$ 190
Interest cost	307	329	920	986
Amortization of unrecognized:				
Prior service cost	(59)	(58)	(176)	(176)
Net loss	35	71	105	214
Total expense	$ 325	$ 405	$ 975	$ 1,214

Teradyne contributed $2.1 million to its U.S. Post-Retirement Benefits Plan in the nine months ended September 28, 2008.

N. Commitments and Contingencies

Legal Claims

On July 11, 2008, Xryatex Technology, Ltd (Xyratex) filed a complaint against Teradyne in the United States Federal District Court in Los Angeles, California alleging that certain Teradyne disk drive test products infringe one of Xyratex s patents. The complaint was served on Teradyne on October 29, 2008. The suit seeks temporary, preliminary and permanent injunctive relief as well as unspecified monetary damages, including treble damages, for patent infringement.

On September 5, 2001, after Teradyne s August 2000 acquisition of Herco Technology Corp. and Perception Laminates, Inc., the former owners of those companies filed a complaint against Teradyne and two of our then executive officers in the Federal District Court in San Diego, California, asserting securities fraud and breach of contract related to the acquisition. The District Court dismissed certain of the plaintiffs claims, granted partial summary judgment against them with respect to their breach of contract claim and denied their motion for reconsideration. In July 2007, after an appeal by the plaintiffs, the U.S. Court of Appeals for the Ninth Circuit affirmed in part and reversed in part the District Court rulings. Teradyne petitioned the Ninth Circuit for a rehearing of the ruling that it reversed. In October 2007, the Ninth Circuit denied Teradyne s petition for rehearing and remanded the case back to the District Court. On August 29, 2008, the District Court granted Teradyne s motion for judgment on the pleadings. On September 11, 2008, the plaintiffs filed their notice of appeal.

In 2001, Teradyne was designated as a Potentially Responsible Party (PRP) at a clean-up site in Los Angeles, California. This claim arose out of Teradyne s acquisition of Perception Laminates in August 2000. Prior to that date, Perception Laminates had itself acquired certain assets of Alco Industries Inc. under an asset purchase agreement in 1992. Neither Teradyne nor Perception Laminates have ever conducted any operations at the Los Angeles site. Teradyne asked the State of California to drop the PRP designation, but California has not yet agreed to do so.

Teradyne believes that it has meritorious defenses against the above unsettled claims and intends to vigorously contest them. While it is not possible to predict or determine the outcomes of the unsettled claims or

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

to provide possible ranges of losses that may arise, Teradyne believes the potential losses associated with all of these actions are unlikely to have a material adverse effect on its consolidated financial position, but could possibly be material to its consolidated results of operations of any one period.

In addition, Teradyne is subject to legal proceedings, claims and investigations that arise in the ordinary course of business such as, but not limited to, patent, employment, commercial and environmental matters. Although there can be no assurance, there are no such matters pending that Teradyne expects to be material with respect to its business, financial position or results of operations.

O. Segment Information

Teradyne s two reportable segments are Semiconductor Test and Systems Test Group. The Semiconductor Test segment includes operations related to the design, manufacturing and marketing of semiconductor test products and services. The Systems Test Group segment includes operations related to the design, manufacturing and marketing of military/aerospace instrumentation test products and services, circuit-board test and inspection products and services, and automotive diagnostic and test products and services.

Teradyne evaluates performance based on several factors, of which the primary financial measure is business segment income from continuing operations before taxes. The accounting policies of the business segments are the same as those described in Note B: Accounting Policies in Teradyne s Annual Report on Form 10-K for the year ended December 31, 2007. Due to the sale of Broadband Test Systems on August 1, 2007, its results have been excluded from segment reporting and included in discontinued operations for the three and nine months ended September 30, 2007. Segment information for the three and nine months ended September 28, 2008 and September 30, 2007 is as follows:

	Semiconductor Test	Systems Test Group	Corporate and Eliminations	Consolidated
		(in thousands)		
Three months ended September 28, 2008:				
Net sales	$ 242,500	$ 54,755	$	$ 297,255
Loss from continuing operations before taxes(1)(2)	(11,671)	(2,452)	(6,264)	(20,387)
Three months ended September 30, 2007:				
Net sales	$ 243,470	$ 55,991	$	$ 299,461
Income from continuing operations before taxes(1)(2)	24,507	3,623	11,785	39,915
Nine months ended September 28, 2008:				
Net sales	$ 753,751	$ 158,524	$	$ 912,275
Income (loss) from continuing operations before taxes(1)(2)	11,871	(9,059)	447	3,259
Nine months ended September 30, 2007:				
Net sales	$ 668,118	$ 173,746	$	$ 841,864
Income from continuing operations before taxes(1)(2)	18,119	13,075	33,092	64,286

(1) Net interest income, interest expense and other are included in Corporate and Eliminations.

(2) Included in the income from continuing operations before taxes for each of the segments for the three and nine months ended September 28, 2008 and September 30, 2007 are charges that include restructuring and other, net, in-process research and development and inventory charges, as follows:

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TERADYNE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Included in the Semiconductor Test segment are charges for the following:

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(in thousands)			
Cost of revenues inventory charges(1)	$ 20,190	$ 138	$ 22,229	$ 492
Restructuring and other, net	23,772	(830)	42,805	1,742
In-process research and development			1,100	16,700
Total	$ 43,962	$ (692)	$ 66,134	$ 18,934

(1) Included in the cost of revenues for the three and nine months ended September 28, 2008 are charges for excess inventory provision recorded as a result of the significant decrease in forecasted semiconductor demand coupled with a product transition.

Included in the Systems Test Group segment are charges for the following:

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(in thousands)			
Cost of revenues inventory charges	$ 1,525	$ 279	$ 2,740	$ 987
Restructuring and other, net	4,266	1,351	9,011	1,055
Total	$ 5,791	$ 1,630	$ 11,751	$ 2,042

Included in the Corporate and Eliminations segment are charges for the following:

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(in thousands)			
Restructuring and other, net	$ 551	$ (3,640)	$ 1,284	$ (3,101)
Total	$ 551	$ (3,640)	$ 1,284	$ (3,101)

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

Critical Accounting Policies and Estimates

We have identified the policies which are critical to understanding our business and our results of operations. Management believes that there have been no significant changes during the nine months ended September 28, 2008 to the items disclosed as our critical accounting policies and estimates in Management s Discussion and Analysis of Financial Condition and Results of Operations in its Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

SELECTED RELATIONSHIPS WITHIN THE CONDENSED CONSOLIDATED

STATEMENTS OF OPERATIONS

	For the Three Months Ended		For the Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Percentage of total net revenues:				
Products	77%	80%	78%	79%
Services	23	20	22	21
Total net revenues	100	100	100	100
Cost of revenues:				
Cost of products	44	39	41	39
Cost of services	13	13	13	14
Total cost of revenues	57	52	54	53
Gross profit	43	48	46	47
Operating expenses:				
Engineering and development	18	17	18	18
Selling and administrative	20	21	21	22
Acquired intangible asset amortization	2		1	1
In-process research and development				2
Restructuring and other, net	9	(1)	6	
Operating expenses	49	37	46	43
(Loss) income from operations	(6)	11		4
Interest & Other	(1)	2		3
(Loss) income from continuing operations before income taxes	(7)	13		7
Provision for income taxes	1	1	1	1
(Loss) income from continuing operations	(8)	12	(1)	6
Income from discontinued operations before income taxes		2		1
Provision for income taxes				
Income from discontinued operations		2		1

Net (loss) income	(8)%	14%	(1)%	7%
Provision for income taxes as a percentage of (loss) income from continuing operations before income taxes	15%	12%	407%	15%

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Third Quarter 2008 Compared to Third Quarter 2007

Bookings

Net bookings for our two reportable segments were as follows:

	For the Three Months Ended		
	September 28, 2008	September 30, 2007 (in millions)	Dollar Change
Semiconductor Test	$ 151.8	$ 217.2	$ (65.4)
Systems Test Group	46.3	56.1	(9.8)
	$ 198.1	$ 273.3	$ (75.2)

Semiconductor Test orders decreased 30% or $65.4 million from the third quarter of 2007 to 2008 due primarily to lower demand from our Outsourced Semiconductor Assembly and Test (OSAT) customers in the third quarter of 2008. Nextest contributed $13.7 million of bookings in the third quarter of 2008.

Systems Test Group orders decreased 17% or $9.8 million from the third quarter of 2007 to 2008 due primarily to lower Mil/Aero board test program-related bookings.

Customers may delay delivery of products or cancel orders suddenly and without significant notice, subject to possible cancellation penalties. In the third quarter of 2008 and 2007, there were no significant cancellations penalties received. Due to possible changes in delivery schedules and cancellations of orders, our backlog at any particular date is not necessarily indicative of the actual sales for any succeeding period. Delays in delivery schedules and/or cancellations of backlog during any particular period could have a material adverse effect on our business, financial condition and results of operations.

Net bookings by region as a percentage of total net bookings were as follows:

	For the Three Months Ended	
	September 28, 2008	September 30, 2007
United States	32%	22%
South East Asia	21	19
Japan	14	9
Europe	13	11
Singapore	9	14
Taiwan	7	15
Korea	3	9
Rest of World	1	1
	100%	100%

Backlog of unfilled orders for our two reportable segments was as follows:

	For the Three Months Ended	
	September 28, 2008	September 30, 2007
	(in millions)	
Semiconductor Test	$ 179.8	$ 224.5
Systems Test Group	84.9	93.0
	$ 264.7	$ 317.5

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Revenue

Net revenues for our two reportable segments were as follows:

	For the Three Months Ended		
	September 28, 2008	September 30, 2007 (in millions)	Dollar Change
Semiconductor Test	$ 242.5	$ 243.5	$ (1.0)
Systems Test Group	54.8	56.0	(1.2)
	$ 297.3	$ 299.5	$ (2.2)

Semiconductor Test revenue decreased $1.0 million from the third quarter of 2007 to the third quarter of 2008. The Nextest acquisition added $19.4 million of sales in third quarter of 2008; Semiconductor Test sales were lower due to decreased demand.

The decrease in Systems Test Group revenue of $1.2 million or 2% was primarily due to lower Mil/Aero board test program-related sales.

Our sales by region as a percentage of total net sales were as follows:

	For the Three Months Ended	
	September 28, 2008	September 30, 2007
United States	23%	19%
Taiwan	19	11
South East Asia	19	17
Singapore	14	15
Japan	9	11
Europe	8	13
Korea	6	12
Rest of the World	2	2
	100%	100%

Gross Profit

Our gross profit was as follows:

	For the Three Months Ended		Dollar/
	September 28, 2008	September 30, 2007 (in millions)	Point Change
Gross Profit	$ 127.9	$ 144.2	$ (16.3)
Percent of Total Revenue	43.0%	48.2%	(5.2)

Gross profit as a percentage of revenue decreased from the third quarter of 2007 to the third quarter of 2008 by 5.2 percentage points. A decrease of 7.2 points was due to a $21.3 million increase in provision for excess inventory recorded as a result of the significant decrease in forecasted semiconductor demand coupled with a product transition; this decrease was partially offset by improved service margins in our Semiconductor Test group.

We assess the carrying value of our inventory on a quarterly basis by estimating future demand and comparing that demand against on-hand and on-order inventory provisions. Forecasted revenue information is

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obtained from the sales and marketing groups and incorporates factors such as backlog and future revenue demand. This quarterly process identifies obsolete and excess inventory. Obsolete inventory, which represents items for which there is no demand, is fully reserved. Excess inventory, which represents inventory items that are not expected to be consumed during the next four quarters, is written down to estimated net realizable value.

The provision for excess and obsolete inventory included in cost of revenues was $21.7 million and $0.4 million for the three months ended September 28, 2008 and September 30, 2007, respectively. During the three months ended September 28, 2008 and September 30, 2007, we scrapped $2.6 million and $3.0 million of inventory, respectively, and sold $0.2 million and $0.0 million of previously written-down or written-off inventory, respectively. As of September 28, 2008, we have inventory related reserves for amounts which had been written-down or written-off totaling $119.7 million. We have no pre-determined timeline to scrap the remaining inventory.

Engineering and Development

Engineering and development expenses were as follows:

	For the Three Months Ended		
	September 28, 2008	**September 30, 2007**	**Dollar Change**
		(in millions)	
Engineering and Development	$ 53.0	$ 52.2	$ 0.8
Percent of Total Revenue	17.8%	17.4%	

The increase of $0.8 million in engineering and development expenses is primarily due to an increase in spending related to investments in adjacent markets and the acquisition of Nextest, partially offset by lower variable compensation and a decrease in Semiconductor Test spending.

Selling and Administrative

Selling and administrative expenses were as follows:

	For the Three Months Ended		
	September 28, 2008	**September 30, 2007**	**Dollar Change**
		(in millions)	
Selling and Administrative	$ 58.6	$ 62.2	$ (3.6)
Percent of Total Revenue	19.7%	20.8%	

The decrease of $3.6 million from the third quarter of 2007 to 2008 is primarily due to lower variable compensation of $7.1 million and lower general and administrative expenses and facilities costs of $1.8 million, partially offset by an increase due to the acquisition of Nextest.

Restructuring and Other, Net

The tables below represent activity related to restructuring and other, net, in the three months ended September 28, 2008. The accrual for severance payments and employee benefits is reflected in accrued employee compensation and withholdings, and is expected to be paid by the end of the first quarter of 2009. The accrual for lease payments on vacated facilities is reflected in other accrued liabilities and other long-term accrued liabilities and is expected to be paid over the lease terms, the latest of which expires in 2012. We expect to pay approximately $3.1 million against the lease accruals over the next twelve months. Our future lease commitments are net of expected sublease income of $8.3 million as of September 28, 2008.

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2008 Activities

(in thousands)	Loss on Sale of Real Estate