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 April 4, 2009

or

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

For the transition period from to

Commission File Number: 001-33962

COHERENT, INC.

Delaware (State or other jurisdiction of incorporation or organization)	**94-1622541** (I.R.S. Employer Identification No.)

5100 Patrick Henry Drive, Santa Clara, California 95054
(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: **(408) 764-4000**

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 x 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares outstanding of registrant s common stock, par value $.01 per share, on April 30, 2009 was 24,387,833 shares

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COHERENT, INC.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements included in or incorporated by reference in this quarterly report, other than statements of historical fact, are forward-looking statements. These statements are generally accompanied by words such as trend, may, will, could, would, should, expect, plan, anticipate, rely, believe, estimate, predict, intend, potential, continue, forecast or other comparable terminology, including without limitation statements made under Future Trends , Our Strategy , discussions regarding our bookings and in Management s Discussion and Analysis of Financial Condition and Results of Operations . Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements. Actual results of Coherent, Inc. (referred to herein as the Company, we, our or Coherent) may differ significantly from those anticipated in these forward-looking statements as a result of various factors, including those discussed in the sections captioned Future Trends, Risk Factors, Key Performance Indicators, as well as any other cautionary language in this quarterly report. All forward-looking statements included in the document are based on information available to us on the date hereof. We undertake no obligation to update these forward-looking statements as a result of events or circumstances or to reflect the occurrence of unanticipated events or non-occurrence of anticipated events.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

COHERENT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	April 4, 2009	**March 29, 2008**	**April 4, 2009**	**March 29, 2008**
Net sales	**$ 105,422**	$ 155,942	**$ 229,810**	$ 300,238
Cost of sales	**65,815**	88,818	**139,814**	172,620
Gross profit	**39,607**	67,124	**89,996**	127,618
Operating expenses:				
Research and development	**15,610**	19,428	**30,388**	37,747
Selling, general and administrative	**27,962**	37,384	**51,590**	76,202
Impairment of goodwill			**19,286**	
Amortization of intangible assets	**1,894**	2,229	**3,837**	4,435
Total operating expenses	**45,466**	59,041	**105,101**	118,384
Income (loss) from operations	**(5,859)**	8,083	**(15,105)**	9,234
Other income (expense):				
Interest and dividend income	**689**	3,368	**2,133**	7,437
Interest expense	**(32)**	(184)	**(109)**	(345)
Other net	**(2,257)**	1,079	**(7,854)**	3,052
Total other income (expense), net	**(1,600)**	4,263	**(5,830)**	10,144
Income (loss) before income taxes	**(7,459)**	12,346	**(20,935)**	19,378
Provision for income taxes	**1,671**	6,221	**2,874**	8,524
Net income (loss)	**$ (9,130)**	$ 6,125	**$ (23,809)**	$ 10,854
Net income (loss) per share:				
Basic	**$ (0.38)**	$ 0.20	**$ (0.98)**	$ 0.35
Diluted	**$ (0.38)**	$ 0.19	**$ (0.98)**	$ 0.34
Shares used in computation:				
Basic	**24,258**	31,394	**24,202**	31,406
Diluted	**24,258**	31,874	**24,202**	31,916

See Accompanying Notes to Condensed Consolidated Financial Statements

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COHERENT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited; in thousands, except par value)

	April 4, 2009	September 27, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 182,951**	$ 213,826
Restricted cash		2,645
Short-term investments	**23,849**	4,268
Accounts receivable net of allowances of $2,235 and $2,494, respectively	**81,302**	96,611
Inventories	**114,239**	120,519
Prepaid expenses and other assets	**48,314**	41,793
Deferred tax assets	**24,399**	30,121
Total current assets	**475,054**	509,783
Property and equipment, net	**100,094**	100,996
Goodwill	**63,513**	86,818
Intangible assets, net	**22,652**	27,556
Other assets	**79,885**	81,230
Total assets	**$ 741,198**	$ 806,383
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	**$**	$
Current portion of long-term obligations	**8**	9
Accounts payable	**20,316**	26,333
Income taxes payable	**1,956**	7,847
Other current liabilities	**74,249**	79,138
Total current liabilities	**96,529**	113,327
Long-term obligations	**9**	15
Other long-term liabilities	**83,325**	94,606
Commitments and contingencies (Note 11)		
Stockholders equity:		
Common stock, par value $.01 per share:		
Authorized 500,000 shares		
Outstanding 24,388 shares and 24,191 shares, respectively	**243**	241
Additional paid-in capital	**184,940**	177,646
Accumulated other comprehensive income	**58,502**	79,089
Retained earnings	**317,650**	341,459
Total stockholders equity	**561,335**	598,435
Total liabilities and stockholders equity	**$ 741,198**	$ 806,383

See Accompanying Notes to Condensed Consolidated Financial Statements.

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COHERENT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in thousands)

	Six Months Ended	
	April 4, 2009	**March 29, 2008**
Cash flows from operating activities:		
Net income (loss)	**$ (23,809)**	$ 10,854
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**9,716**	12,241
Amortization of intangible assets	**3,837**	4,435
Deferred income taxes	**(1,583)**	935
Loss (gain) on disposal of property and equipment	**438**	(87)
Stock-based compensation	**4,178**	5,311
Excess tax benefit from stock-based compensation arrangements	**(8)**	
Impairment of goodwill	**19,286**	
Non-cash restructuring and other	**167**	
Other non-cash expense	**34**	152
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	**13,013**	(2,211)
Inventories	**1,867**	1,884
Prepaid expenses and other assets	**(9,514)**	(14,402)
Other assets	**10,045**	2,550
Accounts payable	**(5,743)**	3,529
Income taxes payable/receivable	**(2,025)**	1,764
Other current liabilities	**(2,396)**	4,785
Other long-term liabilities	**(9,976)**	(3,099)
Net cash provided by operating activities	**7,527**	28,641
Cash flows from investing activities:		
Purchases of property and equipment	**(14,156)**	(9,213)
Proceeds from dispositions of property and equipment	**1,349**	9,853
Purchases of available-for-sale securities	**(44,986)**	(105,824)
Proceeds from sales and maturities of available-for-sale securities	**25,434**	136,878
Proceeds from sale of business		6,519
Change in restricted cash	**2,521**	(25)
Other net		804
Net cash provided by (used in) investing activities	**(29,838)**	38,992
Cash flows from financing activities:		
Short-term borrowings	**3**	
Short-term repayments	**(3)**	
Repayment of capital lease obligations	**(4)**	(6)
Cash overdrafts increase (decrease)	**20**	(874)
Issuance of common stock under employee stock option and purchase plans	**3,544**	1,362
Repurchase of common stock		(228,147)
Excess tax benefits from stock-based compensation arrangements	**8**	
Net cash provided by (used in) financing activities	**3,568**	(227,665)
Effect of exchange rate changes on cash and cash equivalents	**(12,132)**	13,889
Net decrease in cash and cash equivalents	**(30,875)**	(146,143)
Cash and cash equivalents, beginning of period	**213,826**	315,927
Cash and cash equivalents, end of period	**$ 182,951**	$ 169,784

Supplemental disclosure of cash flow information:				
Cash paid during the period for:				
Interest	**$**	**104**	$	192
Income taxes	**$**	**13,029**	$	10,274
Cash received during the period for:				
Income taxes	**$**	**6,138**	$	3,575
Non-cash investing and financing activities:				
Unpaid property and equipment	**$**	**1,492**	$	2,423
Net retirement of restricted stock awards	**$**	**394**	**$**	

See Accompanying Notes to Condensed Consolidated Financial Statements

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COHERENT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such rules and regulations. These interim condensed consolidated financial statements and notes thereto should be read in conjunction with the Coherent, Inc. (referred to herein as the Company, we, our, us or Coherent) consolidated financial statements and notes thereto filed on Form 10-K for the fiscal year ended September 27, 2008. In the opinion of management, all adjustments necessary for a fair presentation of financial condition and results of operation as of and for the periods presented have been made and include only normal recurring adjustments. Interim results of operations are not necessarily indicative of results to be expected for the year or any other interim periods presented therein.
Our fiscal year ends on the Saturday closest to September 30. Fiscal years 2009 and 2008 include 53 and 52 weeks, respectively.

Correction of an Error in Condensed Consolidated Statements of Cash Flows

In July 2008, we determined that the purchase and sale activity of securities classified as cash equivalents had been improperly included in the presentation of purchases and sales of investments within the investing section of the consolidated statement of cash flows within the captions Purchases of available-for-sale securities and Proceeds from sales and maturities of available-for-sale securities. As a result, we have corrected this error in the accompanying consolidated statement of cash flows for the six months ended March 29, 2008 by removing the purchases, sales and maturities of the securities classified as cash equivalents from the amounts previously reported. The correction of the error does not change the net effect of these purchases, maturities and sales of available for sale securities within cash flows from investing activities. For the six months ended March 29, 2008, we previously reported purchases of available for sale securities of $530,332, which we have reduced by $424,508 of purchases related to cash equivalents to purchases of $105,824, as corrected. We previously reported proceeds from sales and maturities of available-for-sale securities of $561,386, which we have reduced by $424,508 of sales and maturities related to cash equivalents to maturities and sales of $136,878, as corrected.

2. RECENT ACCOUNTING STANDARDS

In December 2007, the Financial Accounting Standards Board (FASB) ratified the Emerging Issues Task Force (EITF) s Consensus for Issue No. 07-1, Accounting for Collaborative Arrangements (EITF 07-1), which defines collaborative arrangements and establishes reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. We adopted EITF 07-1 for our fiscal year beginning September 28, 2008. The adoption of EITF 07-1 did not have a material impact on our consolidated financial position and results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 141 (revised 2007) Business Combinations (SFAS 141(R)). SFAS 141(R) retains the fundamental requirements of the original pronouncement requiring that the purchase method be used for all business combinations. SFAS 141(R) defines the acquirer as the entity that obtains control of one or more businesses in the business combination, establishes the acquisition date as the date that the acquirer achieves control and requires the acquirer to recognize the assets acquired, liabilities assumed and any noncontrolling interest at their fair values as of the acquisition date. SFAS 141(R) also requires that acquisition related costs be recognized separately from the acquisition and recorded as an expense. SFAS 141(R) is effective for us for acquisitions after the beginning of our fiscal year 2010. We are currently evaluating the potential impact, if any, of the adoption of FAS 141(R) on our consolidated financial position, results of operations and cash flows.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. We adopted SFAS 157 in our first quarter of fiscal 2009. The adoption of SFAS 157 for financial assets and financial liabilities did not have a significant impact on our consolidated financial position and results of operations.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2) which delayed the effective date of SFAS 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. FSP 157-2 is effective for us for our fiscal year beginning October 4, 2009. We are currently evaluating the impact of the adoption of those provisions of SFAS 157 on our consolidated financial position and results of operations.

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In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 expands the use of fair value accounting but does not affect existing standards, which require assets or liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure certain financial assets and financial liabilities, on an instrument-by-instrument basis. If the fair value option is elected, changes in fair value are recognized in earnings. We adopted SFAS 159 in our first quarter of fiscal 2009. The adoption of SFAS 159 did not have a material impact on our consolidated financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of SFAS No. 133 (SFAS 161). This statement changes the disclosure requirements for derivative instruments and hedging activities. SFAS 161 requires us to provide enhanced disclosures about (a) how and why we use derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133, Accounting for Derivative Instruments and Hedging Activities, and its related interpretations, and (c) how derivative instruments and related hedged items affect our financial position, financial performance, and cash flows. We adopted SFAS 161 in our second quarter of fiscal 2009. The adoption of SFAS 161 did not have a material impact on our consolidated financial position and results of operations.

In April 2008, the FASB issued FASB Staff Position No. SFAS 142-3, Determination of the Useful Life of Intangible Assets (FSP SFAS 142-3). FSP SFAS 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 SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142). The intent of FSP SFAS 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141R and other applicable accounting literature. FSP SFAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and must be applied prospectively to intangible assets acquired after the effective date. We will evaluate the potential impact of FSP SFAS 142-3 on acquisitions on a prospective basis.

In May 2008, the FASB issued SFAS No. 162 The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). This statement is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement will be effective 60 days following the U.S. Securities and Exchange Commission s approval of the Public Company Accounting Oversight Board amendment to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. We do not expect that the adoption of SFAS 162 will have a significant impact on our consolidated financial position, results of operations and cash flows.

In April 2009, the FASB issued FSP FAS 141(R)-1 Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FSP 141(R)-1) which amends the guidance in SFAS No. 141(R) to require contingent assets acquired and liabilities assumed in a business combination to be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the measurement period. If fair value cannot be reasonably estimated during the measurement period, the contingent asset or liability would be recognized in accordance with SFAS No. 5 Accounting for Contingencies , and FASB Interpretation (FIN) No. 14 Reasonable Estimation of the Amount of a Loss . Further, this FSP eliminated the specific subsequent accounting guidance for contingent assets and liabilities from SFAS No. 141(R), without significantly revising the guidance in SFAS No. 141. However, contingent consideration arrangements of an acquiree assumed by the acquirer in a business combination would still be initially and subsequently measured at fair value in accordance with SFAS No. 141(R). This FSP is effective for all business acquisitions occurring on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We are currently evaluating the potential impact, if any, of the adoption of FAS 141(R)-1 on our consolidated financial position, results of operations and cash flows.

In April 2009, the FASB issued FSP FAS No. 107-1 and Accounting Principles Board (APB) Opinion No. 28-1 (FSP FAS 107-1 & APB 28-1), Interim Disclosures about Fair Value of Financial Instruments. This FSP amends SFAS No. 107, Disclosures About Fair Value of Financial

Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. This FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. We do not expect that the adoption of FSP FAS 107-1 & APB 28-1 will have a significant impact on our consolidated financial position, results of operations and cash flows.

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In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments. This FSP amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. We do not expect that the adoption of FSP FAS 115-2 and FAS 124-2 will have a significant impact on our consolidated financial position, results of operations and cash flows.

In April 2009, the FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. This FSP provides additional guidance for estimating fair value in accordance with SFAS No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. We do not expect that the adoption of FSP FAS 157-4 will have a significant impact on our consolidated financial position, results of operations and cash flows.

3. FAIR VALUE OF CASH EQUIVALENTS AND MARKETABLE SECURITIES

We measure our cash equivalents and marketable securities at fair value. The fair values of our financial assets and liabilities are determined using quoted market prices of identical assets or quoted market prices of similar assets from active markets. Level 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 valuations are obtained from quoted market prices in active markets involving similar assets. Level 3 valuations would be based on unobservable inputs to a valuation model and include our own data about assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances; as of April 4, 2009, we did not have any assets or liabilities valued based on Level 3 valuations.

Financial assets and liabilities measured at fair value as of April 4, 2009 are summarized below (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value
Money market fund deposits (1)	$ 22,462	$	$ 22,462
Certificates of deposit (2)		120,909	120,909
U.S. Treasury and agency obligations (3)		25,764	25,764
Corporate notes and obligations (4)		749	749
Commercial paper (5)		11,464	11,464
Foreign currency contracts (6)		(162)	(162)
Total net assets measured at fair value	$ 22,462	$ 158,724	$ 181,186

(1) Included in cash and cash equivalents on the Condensed Consolidated Balance Sheet.

(2) Includes $115,467 recorded in cash and cash equivalents and $5,442 recorded in short-term investments on the Condensed Consolidated Balance Sheet.

(3) Includes $10,198 recorded in cash and cash equivalents and $15,566 recorded in short-term investments on the Condensed Consolidated Balance Sheet.

(4) Included in short-term investments on the Condensed Consolidated Balance Sheet.

(5) Includes $9,372 recorded in cash and cash equivalents and $2,092 recorded in short-term investments on the Condensed Consolidated Balance Sheet.

(6) Includes $201 recorded in prepaid expenses and other assets and $363 recorded in other current liabilities on the Condensed Consolidated Balance Sheet.

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4. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , as amended, requires that all derivatives, whether designated in hedging relationships or not, be recorded on the balance sheet at fair value. We enter into foreign exchange forwards to minimize the risks of foreign currency fluctuation of specific assets and liabilities on the balance sheet; these are not designated as hedging instruments under FAS 133.

Effective December 28, 2008, we adopted the changes to the disclosure requirements for derivative and hedging activities of SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 requires us to provide enhanced disclosures about (a) how and why we use derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect our financial position, financial performance, and cash flows.

We maintain operations in various countries outside of the United States and foreign subsidiaries that manufacture and sell our products in various global markets. The majority of our sales are transacted in U.S. dollars. However, we do generate revenues in other currencies, primarily the Euro and the Japanese Yen. As a result, our earnings and cash flows are exposed to fluctuations in foreign currency exchange rates. We attempt to limit these exposures through financial market instruments. We utilize derivative instruments, primarily forward contracts with maturities of two months or less, to manage our exposure associated with anticipated cash flows and net asset and liability positions denominated in foreign currencies. Gains and losses on the forward contracts are mitigated by gains and losses on the underlying instruments. We do not use derivative financial instruments for speculative or trading purposes. If a financial counterparty to any of our hedging arrangements experiences financial difficulties or is otherwise unable to honor the terms of the foreign currency hedge, we may experience material financial losses.

For derivative instruments that are not designated as hedging instruments under SFAS 133, gains and losses are recognized in other income (expense).

The outstanding notional amounts of hedge contracts, with maximum maturity of 2 months, are as follows (in thousands):

	April 4, 2009	September 27, 2008
Other foreign currency hedge contracts		
Purchase	**$ 10,447**	$ 22,310
Sell	**(4,093)**	(8,470)
Net	**$ 6,354**	$ 13,840

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The location and fair value amounts of our derivative instruments reported in our Condensed Consolidated Balance Sheets as of April 4, 2009 were as follows (in thousands):

	Asset Derivatives April 4, 2009		Liability Derivatives April 4, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments under SFAS 133				
Foreign exchange contracts	Prepaid expenses and other assets	$ 201	Other current liabilities	$ 363

The location and amounts of non-designated derivative instruments gains and losses in the Condensed Consolidated Statements of Operations for the three and six months ended April 4, 2009 are as follows (in thousands):

	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives	
		Three Months Ended April 4, 2009	Six Months Ended April 4, 2009
Derivatives not designated as hedging instruments under SFAS 133			
Foreign exchange contracts	Other income (expense)	$ (1,417)	$ (1,726)

5. REVENUE RECOGNITION

We recognize revenue when all four revenue recognition criteria have been met: persuasive evidence of an arrangement exists, the product has been delivered or the service has been rendered, the price is fixed or determinable and collection is probable. Revenue from product sales is recorded when all of the foregoing conditions are met and risk of loss and title passes to the customer. Our products typically include a warranty and the estimated cost of product warranty claims (based on historical experience) is recorded at the time the sale is recognized. Sales to customers are generally not subject to any price protection or return rights.

The vast majority of our sales are made to original equipment manufacturers (OEMs), distributors, resellers and end-users in the non-scientific market. Sales made to these customers do not require installation of the products by us and are not subject to other post-delivery obligations, except in occasional instances where we have agreed to perform installation or provide training. In those instances, we defer revenue related to installation services or training until these services have been rendered. We allocate revenue from multiple element arrangements to the various elements based upon relative fair values.

Our sales to distributors, resellers and end-user customers typically do not have customer acceptance provisions and only certain of our sales to OEM customers have customer acceptance provisions. Customer acceptance is generally limited to performance under our published product specifications. For the few product sales that have customer acceptance provisions because of other than published specifications, (1) the products are tested and accepted by the customer at our site or by the customer s acceptance of the results of our testing program prior to shipment to the customer, or (2) the revenue is deferred until customer acceptance occurs.

Sales to end-users in the scientific market typically require installation and, thus, involve post-delivery obligations; however, our post-delivery installation obligations are not essential to the functionality of our products. We defer revenue related to installation services until completion of these services.

For most products, training is not provided; therefore, no post-delivery training obligation exists. However, when training is provided to our customers, it is typically priced separately and is recognized as revenue after these services have been provided.

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6. SHORT-TERM INVESTMENTS

We consider all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Marketable short-term investments in debt securities are classified and accounted for as available-for-sale securities and are valued based on quoted market prices in active markets involving similar assets. Investments classified as available-for-sale are reported at fair value with unrealized gains and losses, net of related income taxes, recorded as a separate component of other comprehensive income (OCI) in stockholders equity until realized. Interest and amortization of premiums and discounts for debt securities are included in interest income. Gains and losses on securities sold are determined based on the specific identification method and are included in other income (expense).

Cash, cash equivalents and short-term investments consist of the following (in thousands):

	April 4, 2009			
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents	$ 182,947	$ 4	$	$ 182,951
Short-term investments:				
Available-for-sale securities:				
Commercial paper	$ 2,092	$	$	$ 2,092
Certificates of deposit	5,404	38		5,442
U.S. Treasury and agency obligations	15,552	14		15,566
Corporate notes and obligations	755	1	(7)	749
Total short-term investments	$ 23,803	$ 53	$ (7)	$ 23,849

	September 27, 2008			
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents	$ 216,474	$ 2	$ (5)	$ 216,471
Less: restricted cash				(2,645)
				$ 213,826
Short-term investments:				
Available-for-sale securities:				
Commercial paper	$ 1,496	$	$	$ 1,496
Certificates of deposit	900	5		905
U.S. Treasury and agency obligations	607	5		612
Corporate notes and obligations	1,254	7	(6)	1,255
Total short-term investments	$ 4,257	$ 17	$ (6)	$ 4,268

At September 27, 2008, $2.6 million of cash was restricted for remaining close out costs associated with our purchase of the remaining outstanding shares of Lambda Physik. The cash was paid during the first fiscal quarter and no cash was restricted as of April 4, 2009.

7. GOODWILL AND INTANGIBLE ASSETS

During the three months ended December 27, 2008, our stock price declined substantially, which combined with expectations of declines in forecasted operating results due to the slowdown in the global economy, led the Company to conclude that a triggering event for review for potential goodwill impairment had occurred. Accordingly, as of December 27, 2008, we performed an interim goodwill impairment evaluation, as required under SFAS No. 142. Under SFAS No. 142, goodwill is tested for impairment first by comparing each reporting unit s fair value to its respective carrying value. If such comparison indicates a potential impairment, then the impairment is determined as the difference between the recorded value of goodwill and its fair value. The performance of this test is a two-step process.

Step 1 of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. If the carrying amount of a reporting unit exceeds the reporting unit s fair value, we perform Step 2 of the goodwill impairment test to determine the amount of impairment loss. Step 2 of the goodwill impairment test involves comparing the fair value of the affected reporting unit s goodwill against the carrying value of that goodwill.

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The reporting units we evaluated for goodwill impairment have been determined to be the same as our operating segments in accordance with SFAS No. 142 and include Commercial Lasers and Components (CLC) and Specialty Lasers and Systems (SLS). We determined the fair value of our reporting units for the Step 1 test using a weighting of the Income (discounted cash flow), Market and Transaction approach valuation methodologies. We completed Step 1 of the impairment test. Management reviewed the results of the Step 1 analysis and concluded that a Step 2 analysis was required only for the CLC reporting unit. Due to the extensive work involved in performing the Step 2 analysis, the Company had not completed its analysis for the CLC reporting unit at the time the Company s quarterly report on Form 10-Q for the first quarter of fiscal 2009 was due. Our preliminary analysis indicated that the entire balance of the goodwill in the CLC reporting unit at that date was impaired and we recorded a non-cash goodwill impairment charge of $19.3 million in the first quarter of fiscal 2009. During the three months ended April 4, 2009, we completed the Step 2 analysis for the CLC reporting unit at December 27, 2008 and determined that the entire balance of goodwill in the CLC reporting unit at that date was impaired. The estimated fair value of our SLS reporting unit exceeded its carrying value so no further impairment analysis was required for this reporting unit.

The non-cash impairment of goodwill of $19.3 million was recorded in the three months ended December 27, 2008.

During the three months ended April 4, 2009, our expectations of declines in forecasted operating results due to the slowdown in the global economy and the further declines in our stock price led the Company to conclude that a triggering event for review for potential goodwill impairment had occurred. Accordingly, as of April 4, 2009, we performed an interim goodwill impairment evaluation, as required under SFAS No. 142. This interim impairment evaluation utilized the same valuation techniques used in our impairment valuation in the first quarter of fiscal 2009. Based on the results of our Step 1 analysis, we determined that no additional goodwill impairment was indicated.

The changes in the carrying amount of goodwill by segment for the period from September 27, 2008 to April 4, 2009 are as follows (in thousands):

	Commercial Lasers and Components	Specialty Lasers and Systems	Total
Balance as of September 27, 2008	$ 23,786	$ 63,032	$ 86,818
Reclassification (see Note 17)	(4,500)	4,500	
Impairment loss	(19,286)		(19,286)
Translation adjustments and other		(4,019)	(4,019)
Balance as of April 4, 2009	$	$ 63,513	$ 63,513

Components of our amortizable intangible assets are as follows (in thousands):

	April 4, 2009			September 27, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Existing technology	$ 53,128	$ (35,377)	$ 17,751	$ 54,615	$ (33,370)	$ 21,245
Patents	9,605	(7,859)	1,746	10,496	(8,090)	2,406
Drawings	1,311	(1,311)		1,433	(1,433)	
Order backlog	4,637	(4,623)	14	5,052	(5,034)	18
Customer lists	5,231	(3,410)	1,821	5,440	(3,253)	2,187

Trade name		3,556		(2,272)		1,284		3,861		(2,236)		1,625
Non-compete agreement		2,315		(2,279)		36		2,454		(2,379)		75
Total	$	79,783	$	(57,131)	$	22,652	$	83,351	$	(55,795)	$	27,556

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Amortization expense for intangible assets for the six months ended April 4, 2009 and March 29, 2008 was $3.8 million and $4.4 million, respectively. At April 4, 2009, estimated amortization expense for the remainder of fiscal 2009, the next five succeeding fiscal years and all fiscal years thereafter are as follows (in thousands):

	Estimated Amortization Expense
2009 (remainder)	$ 3,741
2010	6,419
2011	4,929
2012	