

Spansion Inc.  
Form 10-Q  
August 04, 2010  
Table of Contents

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

**Form 10-Q**

(Mark One)

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

For the quarterly period ended June 27, 2010

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 Number 001-34747

**SPANSION INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: Spansion Inc. - Form 10-Q

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>20-3898239</b> (I.R.S. Employer Identification No.)
<b>915 DeGuigne Drive</b>  <b>Sunnyvale, California</b> (Address of principal executive offices)	<b>94085</b> (Zip Code)
<b>(408) 962-2500</b> (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and small reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

**Table of Contents**

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the close of business on August 2, 2010:

<b>Class</b>	<b>Number of Shares</b>
Class A Common Stock, \$0.001 par value	59,270,916
Class B Common Stock, \$0.001 par value	1

**Table of Contents**

**Table of Contents**

**INDEX**

	<b>Page No.</b>
Part I. Financial Information	
Item 1. <u>Financial Statements (unaudited)</u>	4
<u>Condensed Consolidated Statements of Operations – Three and Six Months Ended June 27, 2010 and June 28, 2009</u>	4
<u>Condensed Consolidated Balance Sheets – June 27, 2010 and December 27, 2009</u>	5
<u>Condensed Consolidated Statements of Cash Flows – Six Months Ended June 27, 2010 and June 28, 2009</u>	6
<u>Condensed Consolidated Statements of Stockholder’s Equity (Deficit) – June 27, 2010</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	40
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	55
Item 4. <u>Controls and Procedures</u>	55
Part II. <u>Other Information</u>	56
Item 1. <u>Legal Proceedings</u>	56
Item 1A. <u>Risk Factors</u>	56
Item 6. <u>Exhibits</u>	71
<u>Signature</u>	72

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## Spansion Inc.

## Condensed Consolidated Statements of Operations

(in thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 27, 2010			Six Months Ended June 27, 2010		
	Successor <sup>(1)</sup>	Predecessor <sup>(1)</sup>	Predecessor <sup>(1)</sup>	Successor <sup>(1)</sup>	Predecessor <sup>(1)</sup>	Predecessor <sup>(1)</sup>
	Period from May 11, 2010 to June 27, 2010	Period from March 29, 2010 to May 10, 2010	Three Months ended June 28, 2009	Period from May 11, 2010 to June 27, 2010	Period from December 28, 2009 to May 10, 2010	Six Months ended June 28, 2009
Net sales	\$ 124,569	\$ 101,786	\$ 272,117	\$ 124,569	\$ 324,914	\$ 630,000
Net sales to related parties	4,801	24,496	104,184	4,801	78,705	145,929
Total net sales	129,370	126,282	376,301	129,370	403,619	775,929
Cost of sales (Note 8)	111,413	85,697	280,266	111,413	274,817	663,301
Research and development (Note 8)	13,420	12,115	37,889	13,420	35,068	82,635
Sales, general and administrative	18,259	20,497	33,788	18,259	68,105	137,817
Restructuring charges (credits)		(2,785)	14,212		(2,772)	38,154
Operating income (loss) before reorganization items	(13,722)	10,758	10,146	(13,722)	28,401	(145,978)
Interest and other income (expense), net	364	(3,190)	1,916	364	(2,904)	2,396
Interest expense <sup>(2)</sup>	(4,877)	(11,237)	(9,212)	(4,877)	(30,573)	(33,678)
Gain on deconsolidation of subsidiary						30,100
Gain (loss) before reorganization items and income taxes	(18,235)	(3,669)	2,850	(18,235)	(5,076)	(147,160)
Reorganization items		364,876	(9,842)		370,340	(372,299)
Income (loss) before income taxes	(18,235)	361,207	(6,992)	(18,235)	365,264	(519,459)
Provision for (benefit from) income taxes	(21)	1,235	261	(21)	1,640	429
Net income (loss)	\$ (18,214)	\$ 359,972	\$ (7,253)	\$ (18,214)	\$ 363,624	\$ (519,888)
Net income (loss) per share						
Basic	\$ (0.31)	\$ 2.22	\$ (0.04)	\$ (0.31)	\$ 2.24	\$ (3.22)
Diluted	\$ (0.31)	\$ 2.21	\$ (0.04)	\$ (0.31)	\$ 2.24	\$ (3.22)
Shares used in per share calculation						
Basic	59,271	162,513	161,778	59,271	162,439	161,530

## Edgar Filing: Spansion Inc. - Form 10-Q

Diluted	59,271	162,518	161,778	59,271	162,610	161,530
---------	--------	---------	---------	--------	---------	---------

- (1) Please refer to Notes 2 and 3 for an explanation of the basis of the Successor and Predecessor presentations.
- (2) Contractual interest expense for the three and six months ended June 28, 2009 was approximately and \$21.0 million and \$48.0 million, respectively.

See accompanying notes

**Table of Contents****Spansion Inc.****Condensed Consolidated Balance Sheets****(in thousands)****(Unaudited)**

	<b>Successor June 27, 2010</b>	<b>Predecessor December 27, 2009</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 254,145	\$ 324,903
Auction rate securities	25,885	100,335
Accounts receivable	139,912	129,174
Accounts receivable from related parties	13,201	366,602
Allowance for doubtful accounts	(305)	(56,408)
Accounts receivables, net	152,808	439,368
Inventories	244,536	141,723
Deferred income taxes	1,141	13,332
Prepaid expenses and other current assets	44,930	49,533
Total current assets	723,445	1,069,194
Property, plant and equipment, net	329,601	322,710
Intangible assets, net	207,276	1,330
Goodwill	165,553	
Other assets	41,394	44,743
Total assets	&nbsp;	