XILINX INC
Form 10-Q
November 03, 2009

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 26, 2009

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 000-18548

Xilinx, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**77-0188631**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2100 Logic Drive, San Jose, California	**95124**
(Address of principal executive offices)	(Zip Code)

(408) 559-7778
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer o Non-accelerated filer o 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

Shares outstanding of the registrant's common stock:

Class	Shares Outstanding as of October 21, 2009
Common Stock, $.01 par value	276,859,725

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		Six Months Ended	
(In thousands, except per share amounts)	Sept. 26, 2009	Sept. 27, 2008*	Sept. 26, 2009	Sept. 27, 2008*
Net revenues	$ 414,950	$ 483,537	$ 791,185	$ 971,783
Cost of revenues	158,177	177,407	301,999	353,913
Gross margin	256,773	306,130	489,186	617,870
Operating expenses:				
Research and development	90,145	89,501	173,378	180,235
Selling, general and administrative	78,621	88,080	152,177	181,084
Amortization of acquisition-related intangibles		1,426	2,493	2,851
Restructuring charges	5,915	2,487	21,686	22,023
Total operating expenses	174,681	181,494	349,734	386,193
Operating income	82,092	124,636	139,452	231,677
Impairment loss on investments		(29,001)		(33,622)
Interest and other income (expense), net	(1,782)	7,240	(12,692)	11,718
Income before income taxes	80,310	102,875	126,760	209,773
Provision for income taxes	16,272	21,815	24,716	45,535
Net income	$ 64,038	$ 81,060	$ 102,044	$ 164,238
Net income per common share:				
Basic	$ 0.23	$ 0.29	$ 0.37	$ 0.59
Diluted	$ 0.23	$ 0.29	$ 0.37	$ 0.59
Cash dividends declared per common share	$ 0.14	$ 0.14	$ 0.28	$ 0.28
Shares used in per share calculations:				
Basic	276,353	276,169	275,735	277,357
Diluted	276,988	277,714	276,271	279,258

* As adjusted for the retrospective adoption of the accounting standard for convertible debentures in the first quarter of fiscal 2010 (see Note 1)

See notes to condensed consolidated financial statements.

XILINX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	Sept. 26, 2009 (Unaudited)	March 28, 2009 *
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,028,120	$ 1,065,987
Short-term investments	489,490	258,946
Accounts receivable, net	226,673	216,390
Inventories	100,957	119,832
Deferred tax assets	73,935	63,709
Prepaid expenses and other current assets	25,257	27,604
Total current assets	1,944,432	1,752,468
Property, plant and equipment, at cost	732,976	776,808
Accumulated depreciation and amortization	(361,287)	(388,901)
Net property, plant and equipment	371,689	387,907
Long-term investments	352,375	347,787
Goodwill	117,955	117,955
Acquisition-related intangibles, net		2,493
Other assets	174,234	203,291
Total Assets	$ 2,960,685	$ 2,811,901
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 92,166	$ 48,201
Accrued payroll and related liabilities	94,461	89,918
Income taxes payable	919	10,171
Deferred income on shipments to distributors	75,755	62,364
Other accrued liabilities	29,155	22,412
Total current liabilities	292,456	233,066
Convertible debentures	353,471	352,110
Deferred tax liabilities	206,714	196,189
Long-term income taxes payable	140,428	80,699
Other long-term liabilities	1,478	1,077
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $.01 par value (none issued)		
Common stock, $.01 par value	2,768	2,755
Additional paid-in capital	1,054,811	1,085,745
Retained earnings	903,844	879,118

Accumulated other comprehensive income (loss)	4,715	(18,858)
Total stockholders' equity	1,966,138	1,948,760
Total Liabilities and Stockholders' Equity	$ 2,960,685	$ 2,811,901

* Derived from audited financial statements and adjusted for the retrospective adoption of the accounting standard for convertible debentures in the first quarter of fiscal 2010 (see Note 1)

See notes to condensed consolidated financial statements.

XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Six Months Ended Sept. 26, 2009	Sept. 27, 2008 *
Cash flows from operating activities:		
Net income	$ 102,044	$ 164,238
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	25,065	28,729
Amortization	8,567	8,351
Stock-based compensation	25,491	28,147
Net (gain) loss on sale of available-for-sale securities	97	(3,289)
Amortization of debt discount on convertible debentures	1,911	2,579
Convertible debt derivatives – revaluation and amortization	(550)	(288)
Impairment loss on investments	—	33,622
Tax benefit from exercise of stock options	3,727	1,291
(Excess) reduction of tax benefit from stock-based compensation	16,297	(4,559)
Changes in assets and liabilities:		
Accounts receivable, net	(10,283)	15,069
Inventories	18,862	(11,697)
Deferred income taxes	(762)	48,255
Prepaid expenses and other current assets	(1,790)	(27,046)
Other assets	30,577	(12,461)
Accounts payable	43,965	23,485
Accrued liabilities (including restructuring activities)	10,799	66
Income taxes payable	(22,465)	(23,759)
Deferred income on shipments to distributors	13,391	(17,536)
Net cash provided by operating activities	264,943	253,197
Cash flows from investing activities:		
Purchases of available-for-sale securities	(803,322)	(665,060)
Proceeds from sale and maturity of available-for-sale securities	589,872	539,655
Purchases of property, plant and equipment	(8,847)	(21,650)
Other investing activities	(2,816)	(493)
Net cash used in investing activities	(225,113)	(147,548)
Cash flows from financing activities:		
Repurchases of common stock	—	(275,000)
Proceeds from issuance of common stock through various stock plans	15,918	76,828
Payment of dividends to stockholders	(77,318)	(77,625)
Excess (reduction of) tax benefit from stock-based compensation	(16,297)	4,559
Net cash used in financing activities	(77,697)	(271,238)
Net decrease in cash and cash equivalents	(37,867)	(165,589)

Cash and cash equivalents at beginning of period	1,065,987	866,995
Cash and cash equivalents at end of period	$ 1,028,120	$ 701,406
Supplemental disclosure of cash flow information:		
Interest paid	$ 10,776	$ 15,625
Income taxes paid, net of refunds	$ 18,285	$ 56,452

* As adjusted for the retrospective adoption of the accounting standard for convertible debentures in the first quarter of fiscal 2010 (see Note 1)

See notes to condensed consolidated financial statements.

XILINX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared in conformity with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X, and should be read in conjunction with the Xilinx, Inc. (Xilinx or the Company) consolidated financial statements filed with the U.S. Securities and Exchange Commission (SEC) on Form 10-K/A for the fiscal year ended March 28, 2009. The interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, of a normal, recurring nature necessary to provide a fair statement of results for the interim periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending April 3, 2010 or any future period.

The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2010 is a 53-week year ending on April 3, 2010. The third quarter of fiscal 2010 will be a 14-week quarter ending on January 2, 2010. Fiscal 2009, which ended on March 28, 2009, was a 52-week fiscal year. The first and second quarters of fiscal 2010 and 2009 were all 13-week quarters.

Adoption of New Accounting Standard for Convertible Debentures

Effective March 29, 2009, the Company retrospectively adopted the authoritative guidance for convertible debentures issued by the Financial Accounting Standards Board (FASB), which affected the Company's 3.125% convertible debentures (debentures). The guidance specifies that issuers of convertible debt instruments should separately account for the liability (debt) and equity (conversion option) components of such instruments in a manner that reflects the borrowing rate for a similar non-convertible debt. The liability component is recognized as the fair value of a similar instrument that does not have a conversion feature at issuance. The equity component is based on the excess of the principal amount of the debentures over the fair value of the liability component, after adjusting for an allocation of debt issuance costs and the deferred tax impact. Such excess represents the estimated fair value of the conversion feature and is recorded as additional paid-in capital. The Company's debentures were issued at a coupon rate of 3.125%, which was below that of a similar instrument that does not have a conversion feature (7.20%). Therefore, the valuation of the debt component resulted in a discounted carrying value of the debentures compared to the principal. This debt discount is amortized as additional non-cash interest expense over the expected life of the debt, which is also the stated life of the debt. The condensed consolidated financial statements have been retrospectively adjusted for all periods presented in accordance with the authoritative guidance for convertible debentures. See "Note 10. Convertible Debentures and Revolving Credit Facility" for further information.

The effect of the retrospective adoption on individual line items on the Company's condensed consolidated balance sheet was as follows:

(In thousands)	March 28, 2009 As

	Previously Reported	Adjustments (1)	As Adjusted
Other assets	$ 216,905	$ (13,614) (2)	$ 203,291
Convertible debentures	690,125	(338,015)	352,110
Deferred tax liabilities	82,648	113,541	196,189
Additional paid-in capital	856,232	229,513	1,085,745
Retained earnings	897,771	(18,653)	879,118

(1) The amounts represent the net effect of the adoption of the accounting standard for convertible debentures in the first quarter of fiscal 2010 and the repurchase of a portion of the debentures.

(2) Other assets as of March 28, 2009 decreased by $13.6 million due to a decrease to long-term deferred tax assets and a retroactive adjustment of debt issuance costs upon the adoption of the accounting standard for convertible debentures. Long-term deferred tax assets as of March 28, 2009 decreased by $7.0 million and the Company reclassified $6.6 million of debt issuance costs from other assets to additional paid-in capital. The reclassification resulted in a cumulative decrease in amortization of debt issuance costs of $488 thousand as of March 28, 2009.

The effect of the retrospective adoption on individual line items on the Company's condensed consolidated statements of income for the periods indicated was as follows:

(In thousands, except per share amounts)	Year Ended March 28, 2009			Year Ended March 29, 2008		
	As Previously Reported	Adjustments	As Adjusted	As Previously Reported	Adjustments	As Adjuste
Gain on early extinguishment of convertible debentures	$ 110,606	$ (35,572) (1)	$ 75,034	$	$	$
Interest and other income (expense), net	12,189	(4,587) (2)	7,602	52,750	(4,604) (2)	48,14
Provision for income taxes	122,544	(26,237)	96,307	100,047	127	100,17
Net income	375,640	(13,922)	361,718	374,047	(4,731)	369,31
Net income per common share - basic	$ 1.36	$ (0.05)	$ 1.31	$ 1.27	$ (0.02)	$ 1.2
Net income per common share - diluted	$ 1.36	$ (0.05)	$ 1.31	$ 1.25	$ (0.01)	$ 1.2

(1) Gain on early extinguishment of convertible debentures decreased during fiscal 2009 due to the allocation of $35.6 million of the original gain to additional paid-in capital.

(2) Interest and other income (expense), net decreased during fiscal 2009 and 2008 due to additional interest expense recorded retroactively, partially offset by a reduction of amortization of debt issuance costs.

(In thousands, except per share amounts)	Three Months Ended Sept. 27, 2008			Six Months Ended Sept. 27, 2008		
	As Previously Reported	Adjustments	As Adjusted	As Previously Reported	Adjustments	As Adjusted
Interest and other income (expense), net	$ 8,490	$ (1,250) (3)	$ 7,240	$ 14,195	$ (2,477) (3)	$ 11,718
Provision for income taxes	22,300	(485)	21,815	46,496	(961)	45,535
Net income	81,825	(765)	81,060	165,754	(1,516)	164,238
Net income per common share - basic	$ 0.30	$ (0.01)	$ 0.29	$ 0.60	$ (0.01)	$ 0.59
Net income per common share - diluted	$ 0.29	$	$ 0.29	$ 0.59	$	$ 0.59

(3) Interest and other income (expense), net decreased during the three and six months ended September 27, 2008 due to additional interest expense recorded retroactively, partially offset by a reduction of amortization of debt issuance costs.

The retrospective adoption does not change the Company's net cash provided by (used in) operating, investing or financing activities for any period.

Subsequent Events

Events that have occurred subsequent to September 26, 2009 have been evaluated through November 3, 2009, the date the Company issued these financial statements. See Note 21. Subsequent Events for additional information.

Note 2. Recent Accounting Pronouncements

In June 2009, the FASB issued the authoritative guidance to eliminate the historical GAAP hierarchy and establish only two levels of U.S. GAAP, authoritative and nonauthoritative. When launched on July 1, 2009, the FASB Accounting Standards Codification (ASC) became the single source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other nongrandfathered, non-SEC accounting literature not included in the ASC became nonauthoritative. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the ASC. This authoritative guidance was effective for financial statements for interim or annual reporting periods ended after September 15, 2009. The Company adopted the new codification in the second quarter of fiscal 2010. As the codification was not intended to change or alter existing GAAP, it did not have any impact on the Company's consolidated financial statements.

In August 2009, the FASB issued the authoritative guidance to provide additional guidance (including illustrative examples) clarifying the measurement of liabilities at fair value. Among other things, the guidance clarifies how the price of a traded debt security (i.e., an asset value) should be considered in estimating the fair value of the issuer's liability. This authoritative guidance is effective for the first reporting period (including interim periods) beginning after its issuance. The guidance is effective for Xilinx beginning in the third quarter of fiscal 2010. The Company is currently evaluating the authoritative guidance but does not believe that its adoption will have a significant impact on its consolidated financial condition or results of operations.

In October 2009, the FASB issued the authoritative guidance to update the accounting and reporting requirements for revenue arrangements with multiple deliverables. This guidance established a selling price hierarchy, which allows the use of an estimated selling price to determine the selling price of a deliverable in cases where neither vendor-specific objective evidence nor third-party evidence is available. This guidance is to be applied prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, which for the Company is its fiscal 2012. Early adoption is permitted, and if this update is adopted early in other than the first quarter of an entity's fiscal year, then it must be applied retrospectively to the beginning of that fiscal year. The Company is currently assessing the impact of the adoption on its financial condition and results of operations.

In October 2009, the FASB issued the authoritative guidance that clarifies which revenue allocation and measurement guidance should be used for arrangements that contain both tangible products and software, in cases where the software is more than incidental to the tangible product as a whole. More specifically, if the software sold with or embedded within the tangible product is essential to the functionality of the tangible product, then this software as well as undelivered software elements that relate to this software are excluded from the scope of existing software revenue guidance. This guidance is to be applied prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, which for the Company is its fiscal 2012. Early adoption is permitted, and if this update is adopted early in other than the first quarter of an entity's fiscal year, then it must be applied retrospectively to the beginning of that fiscal year. The Company is currently assessing the impact of the adoption on its financial condition and results of operations.

Note 3. Significant Customers and Concentrations of Credit Risk

Avnet, Inc. (Avnet), one of the Company's distributors, distributes the substantial majority of the Company's products worldwide. As of September 26, 2009 and March 28, 2009, Avnet accounted for 74% and 81% of the Company's total accounts receivable, respectively. Resale of product through Avnet accounted for 46% and 49% of the Company's worldwide net revenues in the second quarter and the first six months of fiscal 2010, respectively. For both the second quarter and the first six months of fiscal 2009, resale of product through Avnet accounted for 56% of the Company's worldwide net revenues. The percentage of accounts receivable due from Avnet and the percentage of worldwide net revenues from Avnet are consistent with historical patterns.

Xilinx is subject to concentrations of credit risk primarily in its trade accounts receivable and investments in debt securities to the extent of the amounts recorded on the condensed consolidated balance sheet. The Company attempts to mitigate the concentration of credit risk in its trade receivables through its credit evaluation process, collection terms, distributor sales to diverse end customers and through geographical dispersion of sales. The Company has credit insurance for a portion of its accounts receivable balance to further mitigate the concentration of its credit risk. Xilinx generally does not require collateral for receivables from its end customers or from distributors.

No end customer accounted for more than 10% of net revenues for any of the periods presented.

The Company mitigates concentrations of credit risk in its investments in debt securities by currently investing at least 90% of its portfolio in AA or higher grade securities as rated by Standard & Poor's or Moody's Investors Service. The Company's methods to arrive at investment decisions are not solely based on the rating agencies' credit ratings. Xilinx also performs additional credit due diligence and conducts regular portfolio credit reviews, including a review of counterparty credit risk related to the Company's forward currency exchange contracts. Additionally, Xilinx limits its investments in the debt securities of a single issuer based upon the issuer's credit rating and attempts to further mitigate credit risk by diversifying risk across geographies and type of issuer.

Since September 2007, the global credit markets have experienced adverse conditions that have negatively impacted the values of various types of investment and non-investment grade securities. The global credit and capital markets have recently experienced significant volatility and disruption due to instability in the global financial system and the current uncertainty related to global economic conditions. As of September 26, 2009, less than 5% of the Company's $1.77 billion investment portfolio consisted of asset-backed securities and less than 11% of the portfolio consisted of mortgage-backed securities. Asset-backed securities consisted of student loan auction rate securities and other asset-backed securities.

Less than 4% of the investment portfolio consisted of student loan auction rate securities and all of these securities are rated AAA with the exception of $8.4 million that were downgraded to an A rating during the fourth quarter of fiscal 2009. More than 98% of the underlying assets that secure these securities are pools of student loans originated under the Federal Family Education Loan Program (FFELP) that are substantially guaranteed by the U.S. Department of Education. These securities experienced failed auctions in the fourth quarter of fiscal 2008 due to liquidity issues in the global credit markets. In a failed auction, the interest rates are reset to a maximum rate defined by the contractual terms for each security. The Company has collected and expects to collect all interest payable on these securities when due. During the first six months of both fiscal 2010 and 2009, $950 thousand of these student loan auction rate securities were redeemed for cash by the issuers at par value. Because there can be no assurance of a successful auction in the future, beginning with the quarter ended March 29, 2008, the student loan auction rate securities were reclassified from short-term to long-term investments on the consolidated balance sheets. The final maturity dates range from March 2023 to November 2047.

All other asset-backed securities comprised approximately 1% of the investment portfolio as of September 26, 2009, of which approximately 3% are AAA rated and the remainder are rated between AA and A. These asset-backed securities are secured primarily by bank, finance and insurance company obligations, collateralized loan and bank obligations, credit card debt and mortgage-backed securities with no direct U.S. subprime mortgage exposure. Substantially all of the other mortgage-backed securities in the investment portfolio are AAA rated, were issued by U.S. government-sponsored enterprises and agencies and represented less than 11% of the investment portfolio as of September 26, 2009. As a result of recent adverse conditions in the global credit markets, there is a risk that the Company may incur additional other-than-temporary impairment charges for certain types of investments such as asset-backed securities should the credit markets experience further deterioration or the underlying assets fail to perform as anticipated due to the continued or worsening global economic conditions. See "Note 5. Financial Instruments" for a table of the Company's available-for-sale securities.

Note 4. Fair Value Measurements

The guidance for fair value measurements established by the FASB defines fair value as the exchange price that would be received from selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which Xilinx would transact and also considers assumptions that market participants

would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance.

The Company determines the fair value for marketable debt securities using industry standard pricing services, data providers and other third-party sources and by internally performing valuation analyses. The Company primarily uses a consensus price or weighted average price for its fair value assessment. The Company determines the consensus price using market prices from a variety of industry standard pricing services, data providers, security master files from large financial institutions and other third party sources and uses those multiple prices as inputs into a distribution-curve-based algorithm to determine the daily market value. The pricing services use multiple inputs to determine market prices, including reportable trades, benchmark yield curves, credit spreads and broker/dealer quotes as well as other industry and economic events. For certain securities with short maturities, such as discount commercial paper and certificates of deposit, the security is accreted from purchase price to face value at maturity. If a subsequent transaction on the same security is observed in the marketplace, the price on the subsequent transaction is used as the current daily market price and the security will be accreted to face value based on the revised price. For certain other securities, such as student loan auction rate securities, the Company performs its own valuation analysis using a discounted cash flow pricing model.

The Company validates the consensus prices by taking random samples from each asset type and corroborating those prices using reported trade activity, benchmark yield curves, binding broker/dealer quotes or other relevant price information. There have not been any changes to the Company's fair value methodology during the first six months of fiscal 2010 and the Company did not adjust or override any fair value measurements as of September 26, 2009.

Fair Value Hierarchy

The measurements of fair value were established based on a fair value hierarchy that prioritizes the utilized inputs. This hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. The guidance for fair value measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities.

The Company's Level 1 assets consist of U.S. Treasury securities and money market funds.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

The Company's Level 2 assets consist of bank certificates of deposit, commercial paper, corporate bonds, municipal bonds, U.S. agency securities, foreign government and agency securities, floating-rate notes, certain asset-backed securities and mortgage-backed securities. The Company's Level 2 assets and liabilities include foreign currency forward contracts.

Level 3 - Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

The Company's Level 3 assets and liabilities include student loan auction rate securities, certain asset-backed securities and the embedded derivative related to the Company's debentures.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability. The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of September 26, 2009 and March 28, 2009:

	Sept. 26, 2009			
(In thousands)	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Money market funds	$ 498,025	$ —	$ —	$ 498,025
Bank certificates of deposit	—	40,001	—	40,001
Commercial paper	—	279,934	—	279,934
Corporate bonds	—	6,900	—	6,900
Auction rate securities	—	—	60,985	60,985
Municipal bonds	—	13,110	—	13,110
U.S. government and agency securities	19,999	34,158	—	54,157
Foreign government and agency securities	—	402,229	—	402,229
Floating rate notes	—	207,495	—	207,495
Asset-backed securities	—	921	19,802	20,723
Mortgage-backed securities	—	189,318	—	189,318
Foreign currency forward contracts (net)	—	4,789	—	4,789
Total assets measured at fair value	$ 518,024	$ 1,178,855	$ 80,787	$ 1,777,666
Liabilities:				
Convertible debentures – embedded derivative	$ —	$ —	$ 1,531	$ 1,531
Total liabilities measured at fair value	$ —	$ —	$ 1,531	$ 1,531
Net assets measured at fair value	$ 518,024	$ 1,178,855	$ 79,256	$ 1,776,135

	March 28, 2009			
(In thousands)	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Money market funds	$ 343,750	$ —	$ —	$ 343,750
Bank certificates of deposit	—	20,001	—	20,001
Commercial paper	—	229,869	—	229,869
Corporate bonds	—	11,485	—	11,485
Auction rate securities	—	—	58,354	58,354
Municipal bonds	—	14,520	—	14,520
U.S. government and agency securities	2,972	6,952	—	9,924
Foreign government and agency securities	—	453,664	—	453,664
Floating rate notes	—	230,575	—	230,575
Asset-backed securities	—	5,894	36,492	42,386
Mortgage-backed securities	—	169,201	—	169,201
Total assets measured at fair value	$ 346,722	$ 1,142,161	$ 94,846	$ 1,583,729

Liabilities:				
Foreign currency forward contracts (net)	$ —	$ 1,082	$ —	$ 1,082
Convertible debentures – embedded derivative	—	—	2,110	2,110
Total liabilities measured at fair value	$ —	$ 1,082	$ 2,110	$ 3,192
Net assets measured at fair value	$ 346,722	$ 1,141,079	$ 92,736	$ 1,580,537

Changes in Level 3 Instruments Measured at Fair Value on a Recurring Basis

The following table is a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

(In thousands)	Three Months Ended		Six Months Ended	
	Sept. 26, 2009	Sept. 27, 2008	Sept. 26, 2009	Sept. 27, 2008
Balance as of beginning of period	$ 96,153	$ 142,082	$ 92,736	$ 145,388
Total realized and unrealized gains (losses):				
Included in interest and other income (expense), net	(1,159)	10	(421)	330
Included in other comprehensive income (loss)	3,462	(4,114)	6,891	(6,790)
Included in impairment loss on investments	—	(19,766)	—	(19,766)
Sales and settlements, net (1)	(19,200)	—	(19,950)	(950)
Balance as of end of period	$ 79,256	$ 118,212	$ 79,256	$ 118,212

(1) During the first six months of both fiscal 2010 and 2009, $950 thousand of student loan auction rate securities were redeemed for cash at par value. In addition, during the second quarter of fiscal 2010, the Company sold $20.0 million notional value of senior class asset-backed securities and realized a $1.0 million loss that is included in interest and other income (expense), net.

The amount of total gains or (losses) included in net income attributable to the change in unrealized gains or losses relating to assets and liabilities still held as of the end of the period:

(In thousands)	Three Months Ended Sept. 26, 2009	Sept. 27, 2008	Six Months Ended Sept. 26, 2009	Sept. 27, 2008
Interest and other income (expense), net	$ (159)	$ 10	$ 579	$ 330
Impairment loss on investments	—	(19,766)	—	(19,766)

As of September 26, 2009, marketable securities measured at fair value using Level 3 inputs were comprised of $61.0 million of student loan auction rate securities and $19.8 million of asset-backed securities within the Company's available-for-sale investment portfolio. Auction failures during the fourth quarter of fiscal 2008 and the lack of market activity and liquidity required that the Company's student loan auction rate securities be measured using observable market data and Level 3 inputs. The fair values of the Company's student loan auction rate securities were based on the Company's assessment of the underlying collateral and the creditworthiness of the issuers of the securities. More than 98% of the underlying assets that secure the student loan auction rate securities are pools of student loans originated under FFELP that are substantially guaranteed by the U.S. Department of Education. The fair values of the Company's student loan auction rate securities were determined using a discounted cash flow pricing model that incorporated financial inputs such as projected cash flows, discount rates, expected interest rates to be paid to investors and an estimated liquidity discount. The weighted-average life over which cash flows were projected was determined to be approximately nine years, given the collateral composition of the securities. The discount rates that were applied to the pricing model were based on market data and information for comparable- or similar-term student loan asset-backed securities. The

discount rates increased by approximately 215 to 300 basis points (2.15 and 3.00 percentage points) in fiscal 2009 due to a widening of credit spreads and increased liquidity discount as a result of the global credit crisis. During the first six months of fiscal 2010, the discount rate decreased by approximately 110 to 130 basis points (1.10 to 1.30 percentage points). The expected interest rate to be paid to investors in a failed auction was determined by the contractual terms for each security. The liquidity discount represents an estimate of the additional return an investor would require to compensate for the lack of liquidity of the student loan auction rate securities. The Company does not intend to sell, nor does it believe it is more likely than not that it would be required to sell, the student loan auction rate securities before anticipated recovery, which could be at final maturity that ranges from March 2023 to November 2047. Because there can be no assurance of a successful auction in the future, all of the Company's student loan auction rate securities are recorded in long-term investments on its condensed consolidated balance sheets. All of the Company's student loan auction rate securities are rated AAA with the exception of $8.4 million that were downgraded to an A rating during the fourth quarter of fiscal 2009.

The Company's $19.8 million of senior class asset-backed securities are secured primarily by bank, finance and insurance company obligations, collateralized loan and bank obligations, credit card debt and mortgage-backed securities with no direct U.S. subprime mortgage exposure. These senior class asset-backed securities were measured using observable market data and Level 3 inputs due to the lack of market activity and liquidity. The fair values of these senior class asset-backed securities were based on the Company's assessment of the underlying collateral and the creditworthiness of the issuers of the securities. The Company determined the fair values for the senior class asset-backed securities by using prices from pricing services that could not be corroborated by observable market data. The Company corroborated the prices from the pricing services using comparable benchmark indexes and securities prices. The Company does not intend to sell, nor does it believe it is more likely than not that it would be required to sell, these senior class asset-backed securities prior to final maturity in November 2009. The senior class asset-backed securities were downgraded by at least one credit rating agency during the third and fourth quarters of fiscal 2009. As of September 26, 2009, the $19.8 million of senior class asset-backed securities were rated A. During the second quarter of fiscal 2010, the Company sold $20.0 million notional value of senior class asset-backed securities and realized a $1.0 million loss.

In March 2007, the Company issued $1.00 billion principal amount of 3.125% junior subordinated convertible debentures to an initial purchaser in a private offering. As a result of the repurchases in fiscal 2009, the remaining principal amount of the debentures as of September 26, 2009 was $689.6 million. The fair value of the debentures as of September 26, 2009 was approximately $604.1 million, based on the last trading price of the debentures. The debentures included embedded features that qualify as an embedded derivative under authoritative guidance issued by the FASB. The embedded derivative was separately accounted for as a discount on the debentures and its fair value was established at the inception of the debentures. Each quarter, the change in the fair value of the embedded derivative, if any, is recorded in the consolidated statements of income. The Company uses a derivative valuation model to derive the value of the embedded derivative. Key inputs into this valuation model are the Company's current stock price, risk-free interest rates, the stock dividend yield, the stock volatility and the debenture's credit spread over LIBOR. The first three inputs are based on observable market data while the last two inputs require management judgment and are Level 3 inputs.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

As of September 26, 2009, the Company had non-marketable equity securities in private companies of $22.0 million (adjusted cost). The Company's investments in non-marketable securities of private companies are accounted for by using the cost method. The fair value of the Company's cost method investments is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of these investments. These investments are measured at fair value on a non-recurring basis when they are deemed to be other-than-temporarily impaired. In determining whether a decline in value of non-marketable equity investments in private companies has occurred and is other than temporary, an assessment is made by considering available evidence, including the general market conditions in the investee's industry, the investee's product development status and subsequent rounds of financing and the related valuation and/or Xilinx's participation in such financings. The Company also assesses the investee's ability to meet business milestones and the financial condition and near-term prospects of the individual investee, including the rate at which the investee is using its cash and the investee's need for possible additional funding at a lower valuation. The valuation methodology for determining the fair value of non-marketable equity securities is based on the factors noted above which require management judgment and are Level 3 inputs. The Company recognized an impairment loss on non-marketable equity investments of $2.3 million during the first quarter of fiscal 2009. The entire amount of each of the impaired non-marketable equity investments was written off. No impairment loss on non-marketable equity investments was recognized during the second quarter of fiscal 2009 or the first six

months of fiscal 2010.

Note 5. Financial Instruments

The following is a summary of available-for-sale securities:

	Sept. 26, 2009				March 28, 2009			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estim Fa Va
Money market funds	$ 498,025	$	$	$ 498,025	$ 343,750	$	$	$ 34
Bank certificates of deposit	40,001			40,001	20,001			2
Commercial paper	279,934			279,934	229,869			22
Corporate bonds	6,929	211	(240)	6,900	11,579	207	(301)	1
Auction rate securities	69,500		(8,515)	60,985	70,450		(12,096)	5
Municipal bonds	13,100	80	(70)	13,110	14,868	74	(422)	1
U.S. government and agency securities	54,110	47		54,157	9,789	137	(2)	
Foreign government and agency securities	402,171	58		402,229	453,505	159		45
Floating rate notes	208,931	229	(1,665)	207,495	244,222	303	(13,950)	23
Asset-backed securities	20,930		(207)	20,723	46,275	13	(3,902)	4
Mortgage-backed securities	182,577	7,190	(449)	189,318	164,533	5,004	(336)	16
	$ 1,776,208	$ 7,815	$ (11,146)	$ 1,772,877	$ 1,608,841	$ 5,897	$ (31,009)	$ 1,58
Included in:								
Cash and cash equivalents				$ 931,012				$ 97
Short-term investments				489,490				25
Long-term investments				352,375				34
				$ 1,772,877				$ 1,58

The following table shows the fair values and gross unrealized losses of the Company's investments, aggregated by investment category, for individual securities that have been in a continuous unrealized loss position for the length of time specified, as of September 26, 2009 and March 28, 2009:

	Sept. 26, 2009					
	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate bonds	$	$	$ 1,061	$ (240)	$ 1,061	$ (240)
Auction rate securities			60,985	(8,515)	60,985	(8,515)
Municipal bonds	583	(1)	1,940	(69)	2,523	(70)
Floating rate notes	58,876	(183)	74,495	(1,482)	133,371	(1,665)
Asset-backed securities	922	(8)	19,801	(199)	20,723	(207)
Mortgage-backed securities	26,741	(416)	339	(33)	27,080	(449)
	$ 87,122	$ (608)	$ 158,621	$ (10,538)	$ 245,743	$ (11,146)

	March 28, 2009					
	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate bonds	$ 1,729	$ (49)	$ 471	$ (252)	$ 2,200	$ (301)
Auction rate securities	58,354	(12,096)			58,354	(12,096)

Municipal bonds	4,103	(274)	2,302	(148)	6,405	(422)
U.S. government and agency securities	717	(2)			717	(2)
Floating rate notes	95,746	(5,762)	116,586	(8,188)	212,332	(13,950)
Asset-backed securities	5,267	(393)	36,492	(3,509)	41,759	(3,902)
Mortgage-backed securities	23,421	(294)	306	(42)	23,727	(336)
	$ 189,337	$ (18,870)	$ 156,157	$ (12,139)	$ 345,494	$ (31,009)

The gross unrealized losses on these investments were primarily due to adverse conditions in the global credit markets in fiscal 2010 and 2009. For available-for-sale debt securities with unrealized losses, the Company performs additional analysis in order to evaluate whether or not the losses are associated with the underlying creditworthiness of the security. When assessing whether the decline in fair value is other than temporary, the Company considers the fair market value of the security, the duration of the security's decline, the financial condition of the issuer as well as any other relevant information. Management also assesses whether it intends to sell the security or whether it would more likely than not be required to sell the security before expected recovery. The Company reviewed the investment portfolio and determined that the gross unrealized losses on these investments as of September 26, 2009 and March 28, 2009 were temporary in nature. The aggregate of individual unrealized losses that had been outstanding for 12 months or more were not significant in relation to the Company's total available-for-sale portfolio as of September 26, 2009 and March 28, 2009. The Company also believes that it will be able to collect both principal and interest amounts due to the Company at maturity, given the high credit quality of these investments and any related underlying collateral.

The amortized cost and estimated fair value of marketable debt securities (bank certificates of deposit, commercial paper, corporate bonds, auction rate securities, municipal bonds, U.S. and foreign government and agency securities, floating rate notes, asset-backed securities and mortgage-backed securities) as of September 26, 2009, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

(In thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 922,565	$ 922,477
Due after one year through five years	95,973	94,974
Due after five years through ten years	62,971	65,246
Due after ten years	196,674	192,155
	$ 1,278,183	$ 1,274,852

Certain information related to available-for-sale securities is as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	Sept. 26, 2009	Sept. 27, 2008	Sept. 26, 2009	Sept. 27, 2008
Proceeds from sale of available-for-sale securities	$ 48,467	$ 111,307	$ 62,075	$ 163,360
Gross realized gains on sale of available-for-sale securities	$ 1,521	$ 3,225	$ 1,738	$ 3,867
Gross realized losses on sale of available-for-sale securities	(1,552)	(341)	(1,835)	(578)
Net realized gains (losses) on sale of available-for-sale securities	$ (31)	$ 2,884	$ (97)	$ 3,289
Amortization of premiums on available-for-sale securities	$ (1,236)	$ (2,057)	$ (2,607)	$ (4,114)

The cost of securities matured or sold is based on the specific identification method.

Note 6. Derivative Financial Instruments

As of September 26, 2009 and March 28, 2009, the Company had the following outstanding forward currency exchange contracts which are derivative financial instruments:

(In thousands and U.S. dollars)	Sept. 26, 2009	March 28, 2009
Euro	$ 47,308	$ 51,072
Singapore dollar	30,503	30,123
Japanese Yen	12,454	12,563
British Pound	6,720	6,408
	$ 96,985	$ 100,166

As part of the Company's strategy to reduce volatility of operating expenses due to foreign exchange rate fluctuations, the Company employs a hedging program with a five-quarter forward outlook for major foreign-currency-denominated operating expenses. The outstanding forward currency exchange contracts expire at various dates between October 2009 and October 2010. The net unrealized gain or loss was an unrealized gain of $4.8 million as of September 26, 2009 and an unrealized loss of $1.1 million as of March 28, 2009.

As of September 26, 2009 and March 28, 2009, all the forward foreign currency exchange contracts are designated and qualify as cash flow hedges and the effective portion of the gain or loss on the forward contract is reported as a component of other comprehensive income and reclassified into net income in the same period during which the hedged transaction affects earnings.

The Company may enter into forward foreign currency exchange contracts to hedge firm commitments such as the acquisition of capital expenditures. For such forward foreign currency exchange contracts that are designated and qualify as a fair value hedge, the gain or loss on the forward contract as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in the same line item associated with the hedged item in current earnings.

The debentures include provisions that qualify as an embedded derivative. See "Note 10. Convertible Debentures and Revolving Credit Facility" for detailed discussion about the embedded derivative. The embedded derivative was separated from the debentures and its fair value was established at the inception of the debentures. Any subsequent change in fair value of the embedded derivative would be recorded in the Company's consolidated statement of income. The fair value of the embedded derivative at inception of the debentures was $2.5 million and it changed to $2.0 million and $1.5 million as of September 27, 2008 and September 26, 2009, respectively. The change in the fair value of the embedded derivative of $330 thousand and $579 thousand during the first six months of fiscal 2009 and 2010 was recorded as a credit to interest and other income (expense), net on the Company's condensed consolidated statements of income.

The following table summarizes the fair value and presentation in the consolidated balance sheets for derivative instruments designated as hedging instruments as of September 26, 2009 and March 28, 2009, utilized for risk management purposes detailed above:

(In thousands)	Foreign Exchange Contracts			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fa Va
September 26, 2009	Prepaid expenses and other current assets	$ 4,923	Other accrued liabilities	$
March 28, 2009	Prepaid expenses and other current assets	$ 2,307	Other accrued liabilities	$ 3

The following table summarizes the effect of derivative instruments on the consolidated statements of income for the three and six months ended September 26, 2009:

(In thousands) Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective portion)	Statement of Income Location	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective portion)	Statement of Income Location	Amount of Gain (Loss) Recorded (Ineffective portion)
Three Months Ended September 26, 2009					
Foreign exchange contracts	$ 1,412	Interest and other income (expense), net	$ 1,626	Interest and other income (expense), net	$ 11
Six Months Ended September 26, 2009					
Foreign exchange contracts	$ 6,011	Interest and other income (expense), net	$ 889	Interest and other income (expense), net	$ 55

Note 7. Stock-Based Compensation Plans

The Company's equity incentive plans are broad-based, long-term retention programs that are intended to attract and retain talented employees as well as align stockholder and employee interests.

Stock-Based Compensation

The following table summarizes stock-based compensation expense related to stock awards granted under the Company's equity incentive plans and rights to acquire stock granted under the Company's 1990 Employee Qualified Stock Purchase Plan (Employee Stock Purchase Plan):

	Three Months Ended		Six Months Ended	
(In thousands)	Sept. 26, 2009	Sept. 27, 2008	Sept. 26, 2009	Sept. 27, 2008
Stock-based compensation included in:				
Cost of revenues	$ 1,272	$ 1,497	$ 2,387	$ 3,079
Research and development	5,205	6,293	11,201	12,647
Selling, general and administrative	5,285	5,629	10,958	11,857
Restructuring charges		305	945	564
	$ 11,762	$ 13,724	$ 25,491	$ 28,147

During the first six months of fiscal 2010 and 2009, the tax benefit realized for the tax deduction from option exercises and other awards, including amounts credited to additional paid-in capital, totaled $5.2 million and $9.8 million, respectively.

The fair values of stock options and stock purchase plan rights under the Company's equity incentive plans and Employee Stock Purchase Plan were estimated as of the grant date using the Black-Scholes option pricing model. The Company's expected stock price volatility assumption for stock options is estimated using implied volatility of the Company's traded options. The expected life of options granted is based on the historical exercise activity as well as the expected disposition of all options outstanding. The expected life of options granted also considers the

contractual term which is seven years for all option awards granted on or after April 1, 2007. The per-share weighted-average fair values of stock options granted during the second quarter of fiscal 2010 was $5.63 ($7.40 for the second quarter of fiscal 2009) and for the first six months of fiscal 2010 was $5.66 ($7.41 for the first six months of fiscal 2009). The fair values of stock options granted in fiscal 2010 and 2009 were estimated at the date of grant using the following assumptions:

	Three Months Ended		Six Months Ended	
	Sept. 26, 2009	Sept. 27, 2008	Sept. 26, 2009	Sept. 27, 2008
Expected life of options (years)	5.3	5.4	5.2 to 5.3	5.4
Expected stock price volatility	0.33 to 0.36	0.35 to 0.38	0.33 to 0.43	0.33 to 0.38
Risk-free interest rate	2.3% to 2.8%	2.9% to 3.3%	1.8% to 2.9%	2.7% to 3.5%
Dividend yield	2.4% to 2.7%	2.1% to 2.4%	2.4% to 3.0%	2.1% to 2.4%

Under the Company's Employee Stock Purchase Plan, shares are only issued during the second and fourth quarters of each fiscal year. The per-share weighted-average fair values of stock purchase rights granted under the Employee Stock Purchase Plan during the second quarter of fiscal 2010 and 2009 were $6.13 and $7.35, respectively. The fair values of stock purchase plan rights granted in the second quarter of fiscal 2010 and 2009 were estimated at the date of grant using the following assumptions:

	2010	2009
Expected life of options (years)	0.5 to 2.0	0.5 to 2.0
Expected stock price volatility	0.33 to 0.34	0.36
Risk-free interest rate	0.3% to 1.2%	1.9% to 2.5%
Dividend yield	2.5%	2.3%

The Company began granting restricted stock units (RSUs) in the first quarter of fiscal 2008. The estimated fair values of RSU awards were calculated based on the market price of Xilinx common stock on the date of grant, reduced by the present value of dividends expected to be paid on Xilinx common stock prior to vesting. The per share weighted-average fair value of RSUs granted during the second quarter of fiscal 2010 was $19.27 ($22.98 for the second quarter of fiscal 2009) and for the first six months of fiscal 2010 was $19.25 ($23.31 for the first six months of fiscal 2009). The weighted-average fair values of RSUs granted in fiscal 2010 and 2009 were calculated based on estimates at the date of grant as follows:

	Three Months Ended		Six Months Ended	
	Sept. 26, 2009	Sept. 27, 2008	Sept. 26, 2009	Sept. 27, 2008
Risk-free interest rate	1.4% to 1.8%	2.4% to 2.9%	1.3% to 2.0%	2.0% to 3.2%
Dividend yield	2.4% to 2.9%	2.1% to 2.4%	2.4% to 3.0%	2.1% to 2.4%

Employee Stock Option Plans

A summary of the Company's option plans activity and related information is as follows:

	Options Outstanding	
(Shares in thousands)	Number of Shares	Weighted-Average Exercise Price Per Share
March 29, 2008	49,289	$ 32.34
Granted	1,895	$ 24.32
Exercised	(3,234)	$ 20.08

Forfeited/cancelled/expired	(6,929)	$	34.93
March 28, 2009	41,021	$	32.51
Granted	2,104	$	20.53
Exercised	(123)	$	20.32
Forfeited/cancelled/expired	(6,730)	$	29.60
September 26, 2009	36,272	$	32.39
Options exercisable at:			
March 28, 2009	35,059	$	33.95
September 26, 2009	30,392	$	34.28

The 2007 Equity Incentive Plan (2007 Equity Plan), which became effective on January 1, 2007, replaced both the Company's 1997 Stock Plan (which expired on May 8, 2007) and the Supplemental Stock Option Plan and all available but unissued shares under these prior plans were cancelled as of April 1, 2007. The 2007 Equity Plan is now Xilinx's only plan for providing stock-based awards to eligible employees and non-employee directors. The contractual term for stock awards granted under the 2007 Equity Plan is seven years from the grant date. Prior to April 1, 2007, stock options granted by the Company generally expired ten years from the grant date. Stock awards granted to existing and newly hired employees generally vest over a four-year period from the date of grant. The types of awards allowed under the 2007 Equity Plan include incentive stock options, non-qualified stock options, RSUs, restricted stock and stock appreciation rights. To date, the Company has issued a mix of non-qualified stock options and RSUs under the 2007 Equity Plan. The mix of stock options and RSU awards will change depending upon the grade level of the employees. Employees at the lower grade levels will receive mostly RSUs and may also receive stock options, whereas employees at the higher grade levels, including the Company's executive officers, will receive mostly stock options and may also receive RSUs. On August 12, 2009, the stockholders approved an amendment to increase the authorized number of shares reserved for issuance under the 2007 Equity Plan by 5.0 million shares. As of September 26, 2009, 13.0 million shares remained available for grant under the 2007 Equity Plan.

The total pre-tax intrinsic value of options exercised during the three months and six months ended September 26, 2009 was $180 thousand and $232 thousand, respectively. The total pre-tax intrinsic value of options exercised during the three months and six months ended September 27, 2008 was $6.8 million and $17.5 million, respectively. This intrinsic value represents the difference between the exercise price and the fair market value of the Company's common stock on the date of exercise.

Restricted Stock Unit Awards

A summary of the Company's RSU activity and related information is as follows:

	RSUs Outstanding	
(Shares in thousands)	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share
March 29, 2008	2,169	$ 24.39
Granted	1,634	$ 21.89
Vested	(509)	$ 24.46
Cancelled	(324)	$ 24.25
March 28, 2009	2,970	$ 22.99
Granted	1,338	$ 19.25
Vested	(681)	$ 23.39
Cancelled	(164)	$ 22.82
September 26, 2009	3,463	$ 21.29

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan, employees purchased 719 thousand shares for $10.2 million in the second quarter of fiscal 2010 and 947 thousand shares for $16.4 million in the second quarter of fiscal 2009. The next scheduled purchase under the Employee Stock Purchase Plan is in the fourth quarter of fiscal 2010. On August 12, 2009, the stockholders approved an amendment to increase the authorized number of shares reserved for issuance under the Employee Stock Purchase Plan by 2.0 million shares. As of September 26, 2009, 8.9 million shares were available for future issuance out of 42.5 million shares authorized.

Note 8. Net Income Per Common Share

The computation of basic net income per common share for all periods presented is derived from the information on the condensed consolidated statements of income, and there are no reconciling items in the numerator used to compute diluted net income per common share. The total shares used in the denominator of the diluted net income per common share calculation includes 635 thousand and 536 thousand potentially dilutive common equivalent shares outstanding for the second quarter and the first six months of fiscal 2010, respectively, that are not included in basic net income per common share. For the second quarter and the first six months of fiscal 2009, the total shares used in the denominator of the diluted net income per common share calculation includes 1.5 million and 1.9 million potentially dilutive common equivalent shares, respectively. Potentially dilutive common equivalent shares are determined by applying the treasury stock method to the assumed exercise of outstanding stock options, the assumed vesting of outstanding RSUs and the assumed issuance of common stock under the Employee Stock Purchase Plan.

Outstanding stock options and RSUs to purchase approximately 39.1 million and 42.6 million shares, for the second quarter and the first six months of fiscal 2010, respectively, under the Company's stock award plans were excluded from diluted net income per common share, applying the treasury stock method, as their inclusion would have been antidilutive. These options and RSUs could be dilutive in the future if the Company's average share price increases and is greater than the combined exercise prices and the unamortized fair values of these options and RSUs. For the second quarter and the first six months of fiscal 2009, respectively, 38.9 million and 37.7 million of the Company's stock options and RSUs outstanding were excluded from the calculation.

Diluted net income per common share does not include any incremental shares issuable upon the exchange of the debentures (see "Note 10. Convertible Debentures and Revolving Credit Facility"). The debentures will have no impact on diluted net income per common share until the price of the Company's common stock exceeds the conversion price of $30.82 per share, because the principal amount of the debentures will be settled in cash upon conversion. Prior to conversion, the Company will include, in the diluted net income per common share calculation, the effect of the additional shares that may be issued when the Company's common stock price exceeds $30.82 per share, using the treasury stock method. The conversion price of $30.82 per share represents the adjusted conversion price due to the accumulation of cash dividends distributed to the common stockholders through the third quarter of fiscal 2009.

Note 9. Inventories

Inventories are stated at the lower of cost (determined using the first-in, first-out method), or market (estimated net realizable value) and are comprised of the following:

(In thousands)	Sept. 26, 2009	March 28, 2009
Raw materials	$ 8,170	$ 10,024
Work-in-process	67,374	79,426
Finished goods	25,413	30,382
	$ 100,957	$ 119,832

Note 10. Convertible Debentures and Revolving Credit Facility

3.125% Junior Subordinated Convertible Debentures

In March 2007, the Company issued $1.00 billion principal amount of 3.125% junior convertible debentures due March 15, 2037, to an initial purchaser in a private offering. The debentures are subordinated in right of payment to the Company's existing and future senior debt and to the other liabilities of the Company's subsidiaries. The debentures were initially convertible, subject to certain conditions, into shares of Xilinx common stock at a conversion rate of 32.0760 shares of common stock per $1 thousand principal amount of debentures, representing an initial effective conversion price of approximately $31.18 per share of common stock. The conversion rate is subject to adjustment for certain events as outlined in the indenture governing the debentures but will not be adjusted for accrued interest. During the third quarter of fiscal 2009, due to the accumulation of cash dividend distributions to common stockholders, the conversion rate for the debentures was adjusted to 32.4446 shares of common stock per $1 thousand principal amount of debentures, representing an adjusted conversion price of $30.82 per share.

The Company received net proceeds from issuance of the debentures of $980.0 million after deduction of issuance costs of $20.0 million. In the third and fourth quarters of fiscal 2009, the Company paid $193.2 million in cash to repurchase $310.4 million (principal amount) of its debentures, resulting in approximately $689.6 million of debt outstanding as of March 28, 2009. The debt issuance costs, as adjusted for the retrospective adoption of the authoritative guidance for convertible debentures issued by the FASB, are recorded in long-term other assets and are being amortized to interest expense over 30 years. Interest is payable semiannually in arrears on March 15 and September 15, beginning on September 15, 2007. The debentures pay cash interest of 3.125%. However, the Company recognizes an effective interest rate of 7.20% on the carrying value of the debentures. The effective rate is based on the interest rate for a similar instrument that does not have a conversion feature. The debentures also have a contingent interest component that may require the Company to pay interest based on certain thresholds beginning with the semi-annual interest period commencing on March 15, 2014 (the maximum amount of contingent interest that will accrue is 0.50% per year) and upon the occurrence of certain events, as outlined in the indenture governing the debentures.

Effective March 29, 2009, the Company retrospectively adopted the authoritative guidance for convertible debentures issued by the FASB. The authoritative guidance specifies that issuers of convertible debt instruments should separately account for the liability (debt) and equity (conversion option) components of such instruments in a manner that reflects the borrowing rate for a similar non-convertible debt. See "Adoption of New Accounting Standard for Convertible Debentures" included in "Note 1. Basis of Presentation" for further information relating to the adoption.

The carrying values of the liability and equity components of the debentures, after the retrospective adoption, are reflected in the Company's condensed consolidated balance sheets as follows:

(In thousands)	Sept. 26, 2009	March 28, 2009
Liability component:		
Principal amount of convertible debentures	$ 689,635	$ 689,635
Unamortized discount of liability component	(336,104)	(338,015)
Unamortized discount of embedded derivative from date of issuance	(1,591)	(1,620)
Carrying value of liability component	351,940	350,000
Carrying value of embedded derivative component	1,531	2,110
Convertible debentures – net carrying value	$ 353,471	$ 352,110
Equity component – net carrying value	$ 229,513	$ 229,513

The remaining debt discount is being amortized as additional non-cash interest expense over the expected remaining life of the debentures using the effective interest rate of 7.20%. As of September 26, 2009, the remaining term of the debentures is 27.4 years.

Interest expense related to the debentures was included in interest and other income (expense), net on the condensed consolidated statements of income and was recognized as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	Sept. 26, 2009	Sept. 27, 2008	Sept. 26, 2009	Sept. 27, 2008
Contractual coupon interest	$ 5,388	$ 7,813	$ 11,040	$ 15,625
Amortization of debt issuance costs	(3)	116	112	232
Amortization of embedded derivative	14	21	29	42
Amortization of debt discount	964	1,301	1,911	2,579
Total interest expense related to the debentures	$ 6,363	$ 9,251	$ 13,092	$ 18,478

On or after March 15, 2014, the Company may redeem all or part of the remaining debentures outstanding for the principal amount plus any accrued and unpaid interest if the closing price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading-day period prior to the date on which the Company provides notice of redemption. Upon conversion, the Company would pay the holder the cash value of the applicable number of shares of Xilinx common stock, up to the principal amount of the debentures. If the conversion value exceeds $1 thousand, the Company may also deliver, at its option, cash or common stock or a combination of cash and common stock for the conversion value in excess of $1 thousand (conversion spread). There would be no adjustment to the numerator in the net income per common share computation for the cash settled portion of the debentures as that portion of the debt instrument will always be settled in cash. The conversion spread will be included in the denominator for the computation of diluted net income per common share, using the treasury stock method.

Holders of the debentures may convert their debentures only upon the occurrence of certain events in the future, as outlined in the indenture. In addition, holders of the debentures who convert their debentures in connection with a fundamental change, as defined in the indenture, may be entitled to a make-whole premium in the form of an increase in the conversion rate. Additionally, in the event of a fundamental change, the holders of the debentures may require Xilinx to purchase all or a portion of their debentures at a purchase price equal to 100% of the principal amount of debentures, plus accrued and unpaid interest, if any. As of September 26, 2009, none of the conditions allowing holders of the debentures to convert had been met.

The Company concluded that the embedded features related to the contingent interest payments and the Company making specific types of distributions (e.g., extraordinary dividends) qualify as derivatives and should be bundled as a compound embedded derivative. The fair value of the derivative at the date of issuance of the debentures was $2.5 million and is accounted for as a discount on the debentures. Due to the repurchase of a portion of the debentures in fiscal 2009, the carrying value of the derivative ($1.6 million) will continue to be amortized to interest expense over the remaining term of the debentures. Any change in fair value of this embedded derivative will be included in interest and other income (expense), net on the Company's condensed consolidated statements of income. The Company also concluded that the debentures are not conventional convertible debt instruments and that the embedded stock conversion option qualifies as a derivative. In addition, the Company has concluded that the embedded conversion option would be classified in stockholders' equity if it were a freestanding instrument. Accordingly, the embedded conversion option is not required to be accounted for separately.

Revolving Credit Facility

In April 2007, Xilinx entered into a five-year $250.0 million senior unsecured revolving credit facility with a syndicate of banks. Borrowings under the credit facility will bear interest at a benchmark rate plus an applicable margin based upon the Company's credit rating. In connection with the credit facility, the Company is required to maintain certain financial and nonfinancial covenants. As of September 26, 2009, the Company had made no borrowings under this credit facility and was not in violation of any of the covenants.

Note 11. Common Stock and Debentures Repurchase Program

The Board of Directors has approved stock repurchase programs enabling the Company to repurchase its common stock in the open market or through negotiated transactions with independent financial institutions. On February 25, 2008, the Board authorized the repurchase of up to $800.0 million of common stock. On November 6, 2008, the Board of Directors approved the amendment of the Company's $800.0 million stock repurchase program to provide that the funds may also be used to repurchase outstanding debentures. This repurchase program has no stated expiration date. Through September 26, 2009, the Company had used $274.3 million of the $800.0 million authorized for the repurchase of its outstanding common stock and debentures. The Company's current policy is to retire all repurchased shares and debentures, and consequently, no treasury shares or debentures were held as of September 26, 2009 or March 28, 2009.

During the first six months of fiscal 2009, the Company entered into stock repurchase agreements with independent financial institutions. Under these agreements, Xilinx provided these financial institutions with up-front payments totaling $125.0 million for the second quarter of fiscal 2009 ($275.0 million for the first six months of fiscal 2009). These financial institutions agreed to deliver to Xilinx a certain number of shares based upon the volume weighted-average price, during an averaging period, less a specified discount. Under these arrangements, the Company repurchased 4.9 million and 10.8 million shares of common stock for $125.0 million and $275.0 million, respectively, during the second quarter and the first six months of fiscal 2009. There were no such arrangements and no repurchases of common stock in the first six months of fiscal 2010. As of September 26, 2009 and September 27, 2008, no amounts remained outstanding under any stock repurchase agreements and all related shares had been delivered to the Company.

Note 12. Restructuring Charges

On April 15, 2009, Xilinx announced restructuring measures designed to drive structural operating efficiencies across the Company. Upon completion of the restructuring plan, Xilinx expects to reduce its global workforce by up to 200 positions, or approximately 6% of the Company's global workforce. These employee terminations impact various geographies and functions worldwide. Certain positions were eliminated in the first and second quarters of fiscal 2010 and other positions will be eliminated over the remaining periods of fiscal 2010. The reorganization plan is expected to be completed by the end of the fourth quarter of fiscal 2010.

The Company recorded total restructuring charges of $5.9 million and $21.7 million in the second quarter and the first six months of fiscal 2010, respectively, primarily related to severance pay expenses. As stated above, the Company expects to continue implementing the restructuring measures resulting in additional restructuring charges relating to the April 2009 restructuring totaling approximately $6.0 million over the remaining periods of fiscal 2010. See "Note 21. Subsequent Events" for information relating to an additional restructuring.

The following table summarizes the restructuring accrual activity for the first six months of fiscal 2010:

(In thousands)	Employee severance and benefits	Facility-related and other costs	Total
Balance as of March 28, 2009	$ —	$ 682	$ 682
Restructuring charges	20,728	958	21,686
Cash payments	(14,830)	(1,151)	(15,981)
Non-cash settlements	(945)	—	(945)
Balance as of September 26, 2009	$ 4,953	$ 489	$ 5,442

The charges above, as well as those included in the table below, have been shown separately as restructuring charges on the condensed consolidated statements of income. The remaining accrual as of September 26, 2009 primarily relates to severance pay and benefits that are expected to be paid during the third quarter of fiscal 2010.

In June 2008, Xilinx announced a functional reorganization pursuant to which Xilinx eliminated 249 positions, or approximately 7% of the Company's global workforce at that time. These employee terminations occurred across various geographies and functions worldwide. The reorganization plan was completed by the end of the second

quarter of fiscal 2009. The Company recorded total restructuring charges of $22.0 million in connection with the reorganization. These charges consisted of $19.5 million of severance pay and benefits expenses which were recorded in the first quarter of fiscal 2009 and $2.5 million of facility-related costs and severance benefits expenses which were recorded in the second quarter of fiscal 2009.

The following table summarizes the restructuring accrual activity for the first six months of fiscal 2009:

(In thousands)	Employee severance and benefits	Facility-related costs	Total
Balance as of March 29, 2008	$	$	$
Restructuring charges	20,539	1,484	22,023
Cash payments	(19,023)	(327)	(19,350)
Non-cash settlements	(564)	(131)	(695)
Balance as of September 27, 2008	$ 952	$ 1,026	$ 1,978

Note 13. Impairment Loss on Investments

The Company did not record any other-than-temporary impairment losses for the first six months of fiscal 2010. The Company recognized impairment losses on investments of $29.0 million and $33.6 million during the second quarter and the first six months of fiscal 2009, respectively. The $29.0 million of impairment losses for the second quarter of fiscal 2009 included $28.2 million of losses related to marketable debt securities in the Company's investment portfolio.

During the second quarter of fiscal 2009, the issuer of one of the marketable debt securities in the Company's investment portfolio filed for bankruptcy resulting in a significant decline in the fair value of this security. The original purchase price of this security, excluding accrued interest, was $10.0 million. Based upon the available market and financial data for the issuer, the decline in market value was deemed to be other than temporary and the Company recorded an impairment loss of $8.4 million during the quarter. Additionally, $18.3 million of senior class asset-backed securities were downgraded from AA or A rating to CCC- rating in late September 2008. In October 2008, the issuer received a notice of default from a counterparty. Subsequently, the issuer appointed a receiver and the securities were further downgraded to D rating. The original purchase price of these securities, excluding accrued interest, was $38.0 million. Using a pricing model, with inputs such as the credit ratings of the underlying securities, estimated underlying collateral prices derived from comparable benchmark indexes and other market data, the estimated subordination protection to the senior class asset-backed securities and estimated liquidity discounts, the Company determined the fair value of these senior class asset-backed securities to be $18.3 million. The decline was deemed to be other than temporary and, therefore, the Company recognized an impairment loss of $19.8 million on these securities during the second quarter of fiscal 2009. The remaining $758 thousand of impairment losses was related to the continuous decline in market value of a marketable equity security that was previously written down in the first quarter of fiscal 2009 and was deemed to be worthless as of September 27, 2008.

In addition to the aforementioned amounts recorded in the second quarter of fiscal 2009, the $33.6 million of impairment losses for the first six months of fiscal 2009 included $4.6 million from the write-down of the Company's investments recorded in the first quarter of fiscal 2009, $2.3 million of which was related to non-marketable equity securities in private companies. These impairment losses resulted primarily from weak financial conditions of certain investees. The remaining $2.3 million was a result of the decline in the fair value of the Company's investment in a marketable equity security. Because of the continued decline in its market value, the Company believed that the decline in the market value was other than temporary, and recognized a pre-tax impairment loss on its investment in this marketable equity security during the first quarter of fiscal 2009.

Note 14. Interest and Other Income (Expense), Net

The components of interest and other income (expense), net are as follows:

(In thousands)	Three Months Ended Sept. 26, 2009	Three Months Ended Sept. 27, 2008*	Six Months Ended Sept. 26, 2009	Six Months Ended Sept. 27, 2008*
Interest income	$ 4,279	$ 13,781	$ 9,590	$ 28,076
Reversal of interest income			(8,656)	
Interest expense	(6,363)	(9,251)	(13,092)	(18,478)
Other income (expense), net	302	2,710	(534)	2,120
	$ (1,782)	$ 7,240	$ (12,692)	$ 11,718

* As adjusted for the retrospective adoption of the accounting standard for convertible debentures in the first quarter of fiscal 2010 (see Note 1)

During the first quarter of fiscal 2010, the Company recorded expense of $8.7 million in order to reverse the interest income it accrued through March 28, 2009 related to an earlier prepayment it made to the Internal Revenue Service (IRS). See Note 16. Income Taxes for additional information.

Note 15. Comprehensive Income

The components of comprehensive income are as follows:

(In thousands)	Three Months Ended Sept. 26, 2009	Three Months Ended Sept. 27, 2008*	Six Months Ended Sept. 26, 2009	Six Months Ended Sept. 27, 2008*
Net income	$ 64,038	$ 81,060	$ 102,044	$ 164,238
Net change in unrealized loss on available-for-sale securities, net of tax	4,163	(7,630)	13,403	(9,896)
Reclassification adjustment for (gains) losses on available-for-sale securities, net of tax, included in net income	(23)	(1,710)	7	(1,969)
Net change in unrealized loss on non-marketable equity security, net of tax	2,001			
Net change in unrealized gain (loss) on hedging transactions, net of tax	1,412	(3,466)	6,010	(4,025)
Net change in cumulative translation adjustment	321	(2,709)	4,153	(2,421)
Comprehensive income	$ 71,912	$ 65,545	$ 125,617	$ 145,927

* As adjusted for the retrospective adoption of the accounting standard for convertible debentures in the first quarter of fiscal 2010 (see Note 1)

The components of accumulated other comprehensive income (loss) as of September 26, 2009 and March 28, 2009 are as follows:

(In thousands)	Sept. 26, 2009	March 28, 2009
Accumulated unrealized loss on available-for-sale securities, net of tax	$ (2,064)	$ (15,474)
Accumulated unrealized gain (loss) on hedging transactions, net of tax	4,998	(1,012)
Accumulated cumulative translation adjustment	1,781	(2,372)
Accumulated other comprehensive income (loss)	$ 4,715	$ (18,858)

Note 16. Income Taxes

The Company recorded tax provisions of $16.3 million and $24.7 million for the second quarter and the first six months of fiscal 2010, respectively, representing effective tax rates of 20% and 19%, respectively. The Company recorded tax provisions of $21.8 million and $45.5 million for the second quarter and the first six months of fiscal 2009, respectively, representing effective tax rates of 21% and 22%, respectively.

The difference between the U.S. federal statutory tax rate of 35% and the Company's effective tax rate is primarily due to income earned in lower tax rate jurisdictions, for which no U.S. income tax has been provided, as the Company intends to permanently reinvest these earnings outside of the U.S.

The Company's total gross unrecognized tax benefits as of September 26, 2009 increased by $2.3 million in the second quarter of fiscal 2010 to $201.8 million. The total amount of unrecognized tax benefits that, if realized in a future period, would favorably affect the effective tax rate was $73.2 million as of September 26, 2009.

The Company's policy is to include interest and penalties related to income tax liabilities within the provision for income taxes on the consolidated statements of income. The balance of accrued interest and penalties recorded in the consolidated balance sheet as of September 26, 2009 was $22.9 million. Interest and penalties included in the Company's provision for income taxes totaled $1.0 million in the second quarter of fiscal 2010.

With limited exception, the Company is no longer subject to U.S. federal and state audits by taxing authorities for years through fiscal 2004. The Company is no longer subject to tax audits in Ireland for years through fiscal 2004.

On December 8, 2008, the IRS issued a statutory notice of deficiency reflecting proposed audit adjustments for fiscal 2005. The Company is expecting to begin negotiations with the IRS Appeals Division on this matter no later than the fourth quarter of fiscal 2010.

On August 25, 2006, the IRS filed a Notice of Appeal that it appeals to the U.S. Court of Appeals for the Ninth Circuit, the August 30, 2005 decision of the Tax Court. In its 2005 decision, the Tax Court decided in favor of the Company and rejected the IRS's position that the value of compensatory stock options must be included in the Company's cost sharing agreement with its Irish affiliate. On May 27, 2009, the Company received a 2-1 adverse judicial ruling from the Appeals Court reversing the Tax Court decision and holding that the Company should include stock option amounts in its cost sharing agreement with Xilinx Ireland. The Company does not agree with the Appeals Court decision and filed a motion for rehearing on August 12, 2009. The Company has no estimate of when the Ninth Circuit Court of Appeals will rule on the Xilinx motion.

As a result of the Appeals Court decision, the Company recorded adjustments for taxes, penalties and interest to be accrued in the first quarter of fiscal 2010. The Company reversed interest income of $8.7 million in the first quarter of fiscal 2010 that it previously accrued through March 28, 2009 on the earlier prepayment it made to the IRS. See "Note 14. Interest and Other Income (Expense), Net."

The Company believes it has provided adequate reserves for any tax deficiencies that could result from ongoing IRS reviews. Due to this and various other factors, the Company believes it is impractical to determine the amount of uncertain tax benefits that will significantly increase or decrease within the next 12 months.

Note 17. Commitments

Xilinx leases some of its facilities and office buildings under non-cancelable operating leases that expire at various dates through October 2018. During the third quarter of fiscal 2006, Xilinx entered into a land lease in conjunction with the Company's new building investment in Singapore. The land lease will expire in November 2035 and the lease cost was settled in an up-front payment in June 2006. Some of the operating leases for facilities and office buildings require payment of operating costs, including property taxes, repairs, maintenance and insurance. Most of the Company's leases contain renewal options for varying terms. Approximate future minimum lease payments under non-cancelable operating leases are as follows:

Years ending March 31,	(In thousands)

2010 (remaining six months)	$	4,283
2011		6,876
2012		2,231
2013		1,817
2014		1,315
Thereafter		2,814
	$	19,336

Aggregate future rental income to be received, which includes rents from both owned and leased property, totaled $9.6 million as of September 26, 2009. Rent expense, net of rental income, under all operating leases was $1.8 million and $3.1 million for the second quarter and the first six months of fiscal 2010, respectively. Rent expense, net of rental income, under all operating leases was $1.6 million and $6.5 million for the second quarter and the first six months of fiscal 2009, respectively. Rent expense for the first quarter of fiscal 2009 includes a $2.8 million charge related to a leased facility that the Company no longer intends to occupy. Rental income, which includes rents received from both owned and leased property, was not material for the second quarter and the first six months of fiscal 2010 or 2009.

Other commitments as of September 26, 2009 totaled $67.7 million and consisted of purchases of inventory and other non-cancelable purchase obligations related to subcontractors that manufacture silicon wafers and provide assembly and some test services. The Company expects to receive and pay for these materials and services in the next three to six months, as the products meet delivery and quality specifications. As of September 26, 2009, the Company also had $14.6 million of non-cancelable license obligations to providers of electronic design automation software and hardware/software maintenance expiring at various dates through September 2011.

In the fourth quarter of fiscal 2005, the Company committed up to $20.0 million to acquire, in the future, rights to intellectual property until July 2023. This commitment was reduced to $5.0 million in May 2009. License payments will be amortized over the useful life of the intellectual property acquired.

Note 18. Product Warranty and Indemnification

The Company generally sells products with a limited warranty for product quality. The Company provides an accrual for known product issues if a loss is probable and can be reasonably estimated. Activity related to the Company's product warranty liability for the first six months of fiscal 2010 and 2009 was not significant.

The Company offers, subject to certain terms and conditions, to indemnify certain customers and distributors for costs and damages awarded against these parties in the event the Company's hardware products are found to infringe third-party intellectual property rights, including patents, copyrights or trademarks. To a lesser extent, the Company may from time-to-time offer limited indemnification with respect to its software products. The terms and conditions of these indemnity obligations are limited by contract, which obligations are typically perpetual from the effective date of the agreement. The Company has historically received only a limited number of requests for indemnification under these provisions and has not made any significant payments pursuant to these provisions. The Company cannot estimate the maximum amount of potential future payments, if any, that the Company may be required to make as a result of these obligations due to the limited history of indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision. However, there can be no assurances that the Company will not incur any financial liabilities in the future as a result of these obligations.

Note 19. Contingencies

Internal Revenue Service

On August 25, 2006, the IRS filed a Notice of Appeal that it appeals to the U.S. Court of Appeals for the Ninth Circuit, the August 30, 2005 decision of the Tax Court. In its 2005 decision, the Tax Court decided in favor of the Company and rejected the IRS's position that the value of compensatory stock options must be included in the Company's cost sharing agreement with its Irish affiliate. On May 27, 2009, the Company received a 2-1 adverse judicial ruling from the Appeals Court reversing the Tax Court decision and holding that the Company should include stock option amounts in its cost sharing agreement with Xilinx Ireland. The Company does not agree with the Appeals Court decision and filed a motion for rehearing on August 12, 2009. The Company has no estimate of when the Ninth Circuit Court of Appeals will rule on the Xilinx motion.

In a separate matter, on December 8, 2008, the IRS issued a statutory notice of deficiency reflecting proposed audit adjustments for fiscal 2005. The Company is expecting to begin negotiations with the IRS Appeals Division on this matter no later than the fourth quarter of fiscal 2010. The Company believes that adequate accruals have been provided for fiscal 2005 and all other open tax years.

Patent Litigation

On December 28, 2007, a patent infringement lawsuit was filed by PACT XPP Technologies, AG (PACT) against the Company in the U.S. District Court for the Eastern District of Texas, Marshall Division (PACT XPP Technologies, AG. v. Xilinx, Inc. and Avnet, Inc. Case No. 2:07-CV-563). The lawsuit pertains to 11 different patents and PACT seeks injunctive relief, unspecified damages and interest and attorneys fees. Neither the likelihood, nor the amount of any potential exposure to the Company is estimable at this time.

Other Matters

Except as stated above, there are no pending legal proceedings of a material nature to which the Company is a party or of which any of its property is the subject.

Note 20. Goodwill and Acquisition-Related Intangibles

As of September 26, 2009 and March 28, 2009, goodwill and the gross and net amounts of acquisition-related intangibles for all acquisitions were as follows:

(In thousands)	Sept. 26, 2009	March 28, 2009	Amortization Life
Goodwill	$ 117,955	$ 117,955	
Patents-gross	$ 22,752	$ 22,752	5 to 7 years
Less accumulated amortization	22,752	22,738	
Patents-net		14	
Miscellaneous intangibles-gross	58,958	58,958	2 to 5 years
Less accumulated amortization	58,958	56,479	
Miscellaneous intangibles-net		2,479	
Total acquisition-related intangibles-gross	81,710	81,710	
Less accumulated amortization	81,710	79,217	
Total acquisition-related intangibles-net	$	$ 2,493	

Amortization expense for acquisition-related intangible assets for the first six months of fiscal 2010 was $2.5 million. During the second quarter of fiscal 2010, the Company did not record any amortization expense from acquisition-related intangibles since all acquisition-related intangibles were fully amortized as of June 27, 2009. For the second quarter and the first six months of fiscal 2009, amortization expense for acquisition-related intangible assets was $1.4 million and $2.9 million, respectively. Acquisition-related intangible assets were amortized on a straight-line basis. During the first quarter of fiscal 2010, the Company decided to discontinue investing additional funds or resources in certain software technology that was previously acquired. Based on the fact that the future separately identifiable cash flows were not sufficient to recover the carrying value of the asset, the Company wrote off $1.9 million of remaining carrying value of this acquisition-related intangible asset.

Note 21. Subsequent Events

On October 13, 2009, the Company s Board of Directors declared an increase in the cash dividend from $0.14 per common share to $0.16 per common share for the third quarter of fiscal 2010. The dividend is payable on

November 24, 2009 to stockholders of record on November 4, 2009.

In October 2009, the Company took an additional restructuring action and notified the affected employees. The total additional restructuring costs for this action will be between $2.0 million and $2.5 million and will be recognized in the third and fourth quarters of fiscal 2010.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements in this Management's Discussion and Analysis that are forward looking, within the meaning of the Private Securities Litigation Reform Act of 1995, involve numerous risks and uncertainties and are based on current expectations. The reader should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including those risks discussed under "Risk Factors" and elsewhere in this document. Often, forward-looking statements can be identified by the use of forward-looking words, such as "may," "will," "could," "should," "expect," "believe," "anticipate," "estimate," "continue," "plan," "intend," "project" and other similar terminology, or the negative of such terms. We disclaim any responsibility to update or revise any forward-looking statement provided in this document for any reason.

Critical Accounting Policies and Estimates

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our consolidated financial statements. The SEC has defined critical accounting policies as those that are most important to the portrayal of our financial condition and results of operations and require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, our critical accounting policies include: valuation of marketable and non-marketable securities, which impacts losses on debt and equity securities when we record impairments; revenue recognition, which impacts the recording of revenues; and valuation of inventories, which impacts cost of revenues and gross margin. Our critical accounting policies also include: the assessment of impairment of long-lived assets including acquisition-related intangibles, which impacts their valuation; the assessment of the recoverability of goodwill, which impacts goodwill impairment; accounting for income taxes, which impacts the provision or benefit recognized for income taxes, as well as the valuation of deferred tax assets recorded on our consolidated balance sheet; and valuation and recognition of stock-based compensation, which impacts gross margin, research and development (R&D) expenses, and selling, general and administrative (SG&A) expenses. Below, we discuss these policies further, as well as the estimates and judgments involved. We also have other key accounting policies that are not as subjective, and therefore, their application would not require us to make estimates or judgments that are as difficult, but which nevertheless could significantly affect our financial reporting.

Valuation of Marketable and Non-marketable Securities

The Company's short-term and long-term investments include marketable debt securities and non-marketable equity securities. As of September 26, 2009, the Company had marketable debt securities with a fair value of $1.27 billion and non-marketable equity securities in private companies of $22.0 million (adjusted cost).

The Company determines the fair values for marketable debt and equity securities using industry standard pricing services, data providers and other third-party sources and by internally performing valuation analyses. See "Note 4. Fair Value Measurements" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for details of the valuation methodologies. In determining if and when a decline in value below adjusted cost of marketable debt and equity securities is other than temporary, the Company evaluates on an ongoing basis the market conditions, trends of earnings, financial condition, credit ratings, any underlying collateral and other key measures for our investments. We assess other-than-temporary impairment of debt and equity securities in accordance with the latest guidance issued by the FASB. We recorded an other-than-temporary impairment for marketable debt securities and a marketable equity security in the first six months of fiscal 2009. We did not record any other-than-temporary impairment for marketable debt or equity securities in the first six months of fiscal 2010.

The Company's investments in non-marketable securities of private companies are accounted for by using the cost method. These investments are measured at fair value on a non-recurring basis when they are deemed to be other-than-temporarily impaired. In determining whether a decline in value of non-marketable equity investments in private companies has occurred and is other than temporary, an assessment is made by considering available evidence, including the general market conditions in the investee's industry, the investee's product development status and subsequent rounds of financing and the related valuation and/or our participation in such financings. We also assess the investee's ability to meet business milestones and the financial condition and near-term prospects of the individual investee, including the rate at which the investee is using its cash and the investee's need for possible additional funding at a lower valuation. The valuation methodology for determining the fair value of non-marketable equity securities is based on the factors noted above which require management judgment and are Level 3 inputs. See "Note 4. Fair Value Measurements" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for additional information. When a decline in value is deemed to be other than temporary, the Company recognizes an impairment loss in the current period's operating results to the extent of the decline. We recorded other-than-temporary impairments for non-marketable equity securities in the first six months of fiscal 2009. We did not record any other-than-temporary impairment for non-marketable equity securities in the first six months of fiscal 2010.

Revenue Recognition

Sales to distributors are made under agreements providing distributor price adjustments and rights of return under certain circumstances. Revenue and costs relating to distributor sales are deferred until products are sold by the distributors to the distributors' end customers. For the first six months of fiscal 2010, approximately 70% of our net revenues were from products sold to distributors for subsequent resale to original equipment manufacturers (OEMs) or their subcontract manufacturers. Revenue recognition depends on notification from the distributor that product has been sold to the distributor's end customer. Also reported by the distributor are product resale price, quantity and end customer shipment information, as well as inventory on hand. Reported distributor inventory on hand is reconciled to deferred revenue balances monthly. We maintain system controls to validate distributor data and to verify that the reported information is accurate. Deferred income on shipments to distributors reflects the effects of distributor price adjustments and the amount of gross margin expected to be realized when distributors sell through product purchased from the Company. Accounts receivable from distributors are recognized and inventory is relieved when title to inventories transfers, typically upon shipment from Xilinx at which point we have a legally enforceable right to collection under normal payment terms.

As of September 26, 2009, we had $105.4 million of deferred revenue and $29.6 million of deferred cost of goods sold recognized as a net $75.8 million of deferred income on shipments to distributors. As of March 28, 2009, we had $90.4 million of deferred revenue and $28.0 million of deferred cost of goods sold recognized as a net $62.4 million of deferred income on shipments to distributors. The deferred income on shipments to distributors that will ultimately be recognized in our consolidated statement of income will be different than the amount shown on the consolidated balance sheet due to actual price adjustments issued to the distributors when the product is sold to their end customers.

Revenue from sales to our direct customers is recognized upon shipment provided that persuasive evidence of a sales arrangement exists, the price is fixed, title has transferred, collection of resulting receivables is reasonably assured, and there are no customer acceptance requirements and no remaining significant obligations. For each of the periods presented, there were no significant formal acceptance provisions with our direct customers.

Revenue from software licenses is deferred and recognized as revenue over the term of the licenses of one year. Revenue from support services is recognized when the service is performed. Revenue from Support Products, which includes software and services sales, was less than 7% of net revenues for all of the periods presented.

Allowances for end customer sales returns are recorded based on historical experience and for known pending customer returns or allowances.

Valuation of Inventories

Inventories are stated at the lower of actual cost (determined using the first-in, first-out method) or market (estimated net realizable value). The valuation of inventory requires us to estimate excess or obsolete inventory as well as inventory that is not of saleable quality. We review and set standard costs quarterly to approximate

current actual manufacturing costs. Our manufacturing overhead standards for product costs are calculated assuming full absorption of actual spending over actual volumes, adjusted for excess capacity. Given the cyclicality of the market, the obsolescence of technology and product lifecycles, we write down inventory based on forecasted demand and technological obsolescence. These factors are impacted by market and economic conditions, technology changes, new product introductions and changes in strategic direction and require estimates that may include uncertain elements. The estimates of future demand that we use in the valuation of inventory are the basis for our published revenue forecasts, which are also consistent with our short-term manufacturing plans. If our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, we could be required to write down additional inventory, which would have a negative impact on our gross margin.

Impairment of Long-Lived Assets Including Acquisition-Related Intangibles

Long-lived assets and certain identifiable intangible assets to be held and used are reviewed for impairment if indicators of potential impairment exist. Impairment indicators are reviewed on a quarterly basis. When indicators of impairment exist and assets are held for use, we estimate future undiscounted cash flows attributable to the assets. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the assets or based on appraisals. Factors affecting impairment of assets held for use include the ability of the specific assets to generate separately identifiable positive cash flows.

When assets are removed from operations and held for sale, we estimate impairment losses as the excess of the carrying value of the assets over their fair value. Factors affecting impairment of assets held for sale include market conditions. Changes in any of these factors could necessitate impairment recognition in future periods for assets held for use or assets held for sale.

Long-lived assets such as goodwill, other intangible assets and property, plant, and equipment, are considered nonfinancial assets, and are only measured at fair value when indicators of impairment exist. The accounting and disclosure guidance for fair value measurements established by the FASB became effective for these assets beginning in the first quarter of fiscal 2010.

Goodwill

As required by the guidance for goodwill established by the FASB, goodwill is not amortized but is subject to impairment tests on an annual basis, or more frequently if indicators of potential impairment exist, and goodwill is written down when it is determined to be impaired. We perform an annual impairment review in the fourth quarter of each fiscal year and compare the fair value of the reporting unit in which the goodwill resides to its carrying value. If the carrying value exceeds the fair value, the goodwill of the reporting unit is potentially impaired. For purposes of impairment testing, Xilinx operates as a single reporting unit. We use the quoted market price method to determine the fair value of the reporting unit. Based on the impairment review performed during the fourth quarter of fiscal 2009, there was no impairment of goodwill in fiscal 2009. Unless there are indicators of impairment, our next impairment review for goodwill will be performed and completed in the fourth quarter of fiscal 2010. To date, no impairment indicators have been identified.

Accounting for Income Taxes

Xilinx is a multinational corporation operating in multiple tax jurisdictions. We must determine the allocation of income to each of these jurisdictions based on estimates and assumptions and apply the appropriate tax rates for these jurisdictions. We undergo routine audits by taxing authorities regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. Tax audits often require an extended period of time to resolve and may result in income tax adjustments if changes to the allocation are required between jurisdictions with different tax rates.

In determining income for financial statement purposes, we must make certain estimates and judgments. These estimates and judgments occur in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenue and expense. Additionally, we must estimate the amount and likelihood of potential losses arising from audits or deficiency notices issued by taxing authorities. The taxing

authorities positions and our assessment can change over time resulting in a material effect on the provision for income taxes in periods when these changes occur.

We must also assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a reserve in the form of a valuation allowance for the deferred tax assets that we estimate will not ultimately be recoverable.

The Company has elected to adopt the alternative transition method provided by the FASB for calculating the tax effects of stock-based compensation pursuant to the authoritative guidance for stock-based compensation. The alternative transition method includes simplified methods to establish the initial pool of excess tax benefits related to the tax effects of employee stock-based compensation, and to determine the subsequent impact on the pool of excess tax benefits and consolidated statements of cash flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of the accounting guidance for stock-based compensation.

In June 2006, the FASB issued authoritative guidance which contains a two-step approach to recognizing and measuring uncertain tax positions relating to accounting for income taxes. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being ultimately realized. See Note 16. Income Taxes to our condensed consolidated financial statements included in Part 1. Financial Information.

Stock-Based Compensation

Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the date of grant requires judgment. We use the Black-Scholes option-pricing model to estimate the fair value of employee stock options and rights to purchase shares under the Company s Employee Stock Purchase Plan. Option pricing models, including the Black-Scholes model, also require the use of input assumptions, including expected stock price volatility, expected life, expected dividend rate, expected forfeiture rate and expected risk-free rate of return. We use implied volatility based on traded options in the open market as we believe implied volatility is more reflective of market conditions and a better indicator of expected volatility than historical volatility. In determining the appropriateness of implied volatility, we considered: the volume of market activity of traded options, and determined there was sufficient market activity; the ability to reasonably match the input variables of traded options to those of options granted by the Company, such as date of grant and the exercise price, and determined the input assumptions were comparable; and the length of term of traded options used to derive implied volatility, which is generally one to two years and which was extrapolated to match the expected term of the employee options granted by the Company, and determined the length of the option term was reasonable. The expected life of options granted is based on the historical exercise activity as well as the expected disposition of all options outstanding. We will continue to review our input assumptions and make changes as deemed appropriate depending on new information that becomes available. Higher volatility and expected lives result in a proportional increase to stock-based compensation determined at the date of grant. The expected dividend rate and expected risk-free rate of return do not have as significant an effect on the calculation of fair value.

In addition, we developed an estimate of the number of stock-based awards which will be forfeited due to employee turnover. Quarterly changes in the estimated forfeiture rate have an effect on reported stock-based compensation, as the effect of adjusting the rate for all expense amortization after April 1, 2006 is recognized in the period the forfeiture estimate is changed. If the actual forfeiture rate is higher than the estimated forfeiture rate, then an adjustment is made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognized in the financial statements. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment is made to decrease the estimated forfeiture rate, which will result in an increase to the expense recognized in the financial statements. The effect of forfeiture adjustments in the first six months of fiscal 2010 and 2009 reduced stock-based compensation expense by $8.0 million and $4.5 million, respectively. The expense we recognize in future periods could also differ significantly from the current period and/or our forecasts due to adjustments in the assumed forfeiture rates.

Results of Operations: Second quarter and first six months of fiscal 2010 compared to the second quarter and first six months of fiscal 2009

The following table sets forth statement of income data as a percentage of net revenues for the periods indicated:

	Three Months Ended		Six Months Ended	
	Sept. 26, 2009	Sept. 27, 2008*	Sept. 26, 2009	Sept. 27, 2008*
Net Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of revenues	38.1	36.7	38.2	36.4
Gross Margin	**61.9**	**63.3**	**61.8**	**63.6**
Operating Expenses:				
Research and development	21.7	18.5	21.9	18.6
Selling, general and administrative	19.0	18.2	19.2	18.6
Amortization of acquisition-related intangibles	0.0	0.3	0.3	0.3
Restructuring charges	1.4	0.5	2.8	2.3
Total operating expenses	42.1	37.5	44.2	39.8
Operating Income	**19.8**	**25.8**	**17.6**	**23.8**
Impairment loss on investments	0.0	(6.0)	0.0	(3.4)
Interest and other income (expense), net	(0.5)	1.5	(1.6)	1.2
Income Before Income Taxes	**19.3**	**21.3**	**16.0**	**21.6**
Provision for income taxes	3.9	4.5	3.1	4.7
Net Income	**15.4%**	**16.8%**	**12.9%**	**16.9%**

* As adjusted for the retrospective adoption of the accounting standard for convertible debentures in the first quarter of fiscal 2010 (see Note 1)

Net Revenues

We sell our products to global manufacturers of electronic products in end markets such as wired and wireless communications, aerospace and defense, audio, video and broadcast, and industrial, scientific and medical. The vast majority of our net revenues are generated by sales of our semiconductor products, but we also generate sales from support products. We classify our product offerings into four categories: New, Mainstream, Base and Support Products. The composition of each product category is as follows:

- New Products include our most recent product offerings and include the Virtex®-6, Virtex-5, Spartan®-6, Spartan-3A and Spartan-3E product families.
- Mainstream Products include the Virtex-4, Spartan-3, Spartan-II and CoolRunner -II product families.
- Base Products consist of our older product families including the Virtex, Virtex-E, Virtex-II, Spartan, XC4000, CoolRunner and XC9500 products.
- Support Products include configuration products (PROMs - programmable read only memory), software, intellectual property (IP) cores, customer training, design services and support.

These product categories, excluding Support Products, are modified on a periodic basis to better reflect the age of the products and advances in technology. The most recent adjustment was made on March 29, 2009, which was the beginning of our first quarter of fiscal 2010. Amounts for the prior periods presented have been reclassified to conform to the new categorization. New Products include our most recent product offerings and are typically designed into our customers latest generation of electronic systems. Mainstream Products are generally several years old and designed into customer programs that are currently shipping in full production. Base Products are older than Mainstream Products with demand generated generally by the oldest customer systems still in production. Support Products are generally products or services sold in conjunction with our semiconductor devices to aid customers in the design process.

Net revenues of $415.0 million in the second quarter of fiscal 2010 represented a 14% decrease from the comparable prior year period of $483.5 million. Net revenues for the first six months of fiscal 2010 were $791.2 million, a 19% decrease from the comparable prior year period of $971.8 million. Although we are seeing signs of a recovery in our business, the worldwide economic downturn adversely impacted our revenues for the second quarter and the first six months of fiscal 2010 compared with the prior year periods.

Total unit sales declined in the second quarter and the first six months of fiscal 2010 compared with the comparable prior year periods, but average selling price per unit increased during the same periods. No end customer accounted for more than 10% of the Company's net revenues for any of the periods presented.

Net Revenues by Product

Net revenues by product categories for the second quarter and the first six months of fiscal 2010 and 2009 were as follows:

	Three Months Ended			Six Months Ended		
(In millions)	Sept. 26, 2009	Sept. 27, 2008	Change	Sept. 26, 2009	Sept. 27, 2008	Change
New Products	$ 127.7	$ 78.1	63%	$ 221.9	$ 137.0	62%
Mainstream Products	139.0	177.3	(22)%	272.5	368.1	(26)%
Base Products	128.1	202.0	(37)%	256.9	413.0	(38)%
Support Products	20.2	26.1	(23)%	39.9	53.7	(26)%
Total net revenues	$ 415.0	$ 483.5	(14)%	$ 791.2	$ 971.8	(19)%

Net revenues from New Products for the second quarter and the first six months of fiscal 2010 increased significantly from the comparable prior year periods as a result of strong market acceptance of these products. We expect sales of New Products to continue to increase over time as more customers' programs go into volume production with our 65-nanometer (nm) products. In addition, design win activity is strong for our next generation product families which include our high-end, 40-nm Virtex-6 field programmable gate arrays (FPGAs) and our high-volume, 45-nm Spartan-6 FPGAs. We expect these New Product families to contribute significantly to the growth in New Product revenues over time.

During the second quarter and the first six months of fiscal 2010, net Revenues from Mainstream and Base Products declined from the comparable prior year periods primarily due to lower demand associated with the weakened economic conditions.

Net revenues from Support Products decreased for the second quarter and the first six months of fiscal 2010 compared to the prior year periods primarily due to a decline in sales from our PROM products attributable to the weakened economic conditions.

Net Revenues by End Markets

Our end market revenue data is derived from our understanding of our end customers' primary markets. We classify our net revenues by end markets into four categories: Communications, Industrial and Other, Consumer and Automotive and Data Processing. The percentage change calculation in the table below represents the year-to-year dollar change in each end market.

Net revenues by end markets for the second quarter and the first six months of fiscal 2010 and 2009 were as follows:

	Three Months Ended			Six Months Ended		
	Sept. 26,	Sept. 27,	% Change	Sept. 26,	Sept. 27,	% Change

(% of total net revenues)	2009	2008	in Dollars	2009	2008	in Dollars
Communications	46%	43%	(8)%	47%	42%	(9)%
Industrial and Other	31	32	(17)%	31	33	(23)%
Consumer and Automotive	16	17	(22)%	15	17	(28)%
Data Processing	7	8	(20)%	7	8	(32)%
Total net revenues	100%	100%	(14)%	100%	100%	(19)%

Net revenues from Communications decreased during the second quarter and the first six months of fiscal 2010 due to a decline in sales from our wired applications which more than offset the increase in sales from our wireless applications.

The decreases in net revenues from Industrial and Other during the second quarter and the first six months of fiscal 2010 as compared to the comparable prior year periods were primarily due to weakness in industrial, scientific and medical applications as well as test and measurement applications.

Net revenues from Consumer and Automotive decreased during the second quarter and the first six months of fiscal 2010 from the comparable prior year periods primarily due to decreased sales in audio, video and broadcast applications.

During the second quarter and the first six months of fiscal 2010, net revenues from Data Processing declined from the comparable prior year periods primarily due to lower sales from computing applications.

Net Revenues by Geography

Geographic revenue information reflects the geographic location of the distributors, OEMs or contract manufacturers who purchased our products. This may differ from the geographic location of the end customers. Net revenues by geography for the second quarter and the first six months of fiscal 2010 and 2009 were as follows:

	Three Months Ended			Six Months Ended		
(In millions)	Sept. 26, 2009	Sept. 27, 2008	Change	Sept. 26, 2009	Sept. 27, 2008	Change
North America	$ 145.2	$ 162.2	(10)%	$ 274.8	$ 334.3	(18)%
Asia Pacific	143.6	156.4	(8)%	283.1	312.1	(9)%
Europe	86.8	113.4	(23)%	162.6	224.8	(28)%
Japan	39.4	51.5	(23)%	70.7	100.6	(30)%
Total net revenues	$ 415.0	$ 483.5	(14)%	$ 791.2	$ 971.8	(19)%

Net revenues in all geographies declined during the second quarter and the first six months of fiscal 2010 from the comparable prior year periods due to broad-based weakness across most end market segments versus the comparable prior year periods.

Net revenues in North America decreased during the second quarter and the first six months of fiscal 2010 from the comparable prior year periods primarily due to a decline in sales from the Communications end market. The decline was mainly due to lower sales from wired communications applications. In addition, the Consumer and Automotive end market declined, mainly due to lower sales from audio, video and broadcast applications.

During the second quarter and the first six months of fiscal 2010, net revenues in Asia Pacific declined from the comparable prior year periods. The decline was less than the other geographies as a result of strength in the Communications end market due to growth in third generation wireless applications in China, which partially offset the weakness in other end market segments.

The decreases in net revenues in Europe during the second quarter and the first six months of fiscal 2010 as compared to the comparable prior year periods were driven primarily by a decline in sales from the Communications and Industrial and Other end markets due to lower sales in wired communications applications and industrial, scientific and medical applications.

Net revenues in Japan decreased during the second quarter and the first six months of fiscal 2010 from the comparable prior year periods. The decrease was due to weaker sales from broad-based applications within the Communications and Industrial and Other end markets.

Gross Margin

	Three Months Ended			Six Months Ended		
(In millions)	Sept. 26, 2009	Sept. 27, 2008	Change	Sept. 26, 2009	Sept. 27, 2008	Change
Gross margin	$ 256.8	$ 306.1	(16)%	$ 489.2	$ 617.9	(21)%
Percentage of net revenues	61.9%	63.3%		61.8%	63.6%	

The gross margin decreases of 1.4 and 1.8 percentage points in the second quarter and the first six months of fiscal 2010, respectively, from the comparable prior year periods were driven primarily by the product mix effect of New Product growth year-over-year and a decline in sales of Mainstream and Base Products. New Products generally have lower gross margins than Mainstream and Base Products as they are in the early stage of their product life cycle and have higher unit costs associated with relatively lower volumes and early manufacturing maturity. As a percentage of total net revenues, New Product sales increased year-to-date by approximately 14% from fiscal 2009 to fiscal 2010.

Gross margin may be affected in the future due to product and customer mix shifts, competitive-pricing pressure, manufacturing-yield issues and wafer pricing. We expect to mitigate any adverse impacts from these factors by continuing to improve yields on our New Products and by improving manufacturing efficiencies.

In order to compete effectively, we pass manufacturing cost reductions on to our customers in the form of reduced prices to the extent that we can maintain acceptable margins. Price erosion is common in the semiconductor industry, as advances in both product architecture and manufacturing process technology permit continual reductions in unit cost. We have historically been able to offset much of this revenue decline in our mature products with increased revenues from newer products.

Research and Development

	Three Months Ended			Six Months Ended		
(In millions)	Sept. 26, 2009	Sept. 27, 2008	Change	Sept. 26, 2009	Sept. 27, 2008	Change
Research and development	$ 90.1	$ 89.5	1%	$ 173.4	$ 180.2	(4)%
Percentage of net revenues	22%	19%		22%	19%	

R&D spending increased $644 thousand during the second quarter of fiscal 2010 and decreased $6.8 million during the first six months of fiscal 2010 compared to the same periods last year. The slight increase in R&D expenses for the second quarter of fiscal 2010 was mainly due to increased mask and wafer spending, which was partially offset by headcount reduction as a result of a functional reorganization, reduced discretionary spending and lower stock-based compensation expense. The decrease in R&D expenses in the first six months of fiscal 2010 was primarily attributable to headcount reduction as a result of a functional reorganization, reduced discretionary spending and lower stock-based compensation expense, which was partially offset by increased mask and wafer spending.

We plan to continue to selectively invest in R&D efforts in areas such as new products and more advanced process development, IP cores and the development of new design and layout software. We may also consider acquisitions to complement our strategy for technology leadership and engineering resources in critical areas.

Selling, General and Administrative

	Three Months Ended			Six Months Ended		
(In millions)	Sept. 26, 2009	Sept. 27, 2008	Change	Sept. 26, 2009	Sept. 27, 2008	Change
Selling, general and administrative	$ 78.6	$ 88.1	(11)%	$ 152.2	$ 181.1	(16)%
Percentage of net revenues	19%	18%		19%	19%	

SG&A expenses decreased $9.5 million during the second quarter of fiscal 2010 and $28.9 million during the first six months of fiscal 2010 compared to the same periods last year. The decreases were primarily attributable to headcount reduction as a result of a functional reorganization, reduced discretionary spending, lower sales commissions and lower stock-based compensation expense.

Amortization of Acquisition-Related Intangibles

	Three Months Ended			Six Months Ended		
(In millions)	Sept. 26, 2009	Sept. 27, 2008	Change	Sept. 26, 2009	Sept. 27, 2008	Change
Amortization	$	$ 1.4	(100)%	$ 2.5	$ 2.9	(13)%
Percentage of net revenues	0%	0%		0%	0%	

Amortization expense was related to the intangible assets acquired from prior acquisitions. Normal amortization expense for these acquisition-related intangible assets decreased for the first six months of fiscal 2010 from the same period last year, due to the complete amortization of certain intangible assets in fiscal 2009. In addition, during the first quarter of fiscal 2010, we decided to discontinue investing additional funds or resources in certain software technology that was previously acquired. Based on the fact that the future separately identifiable cash flows were not sufficient to recover the carrying value of the asset, we wrote off $1.9 million of remaining carrying value of this acquisition-related intangible asset in the first quarter of fiscal 2010. As of June 27, 2009, all acquisition-related intangibles were fully amortized.

Stock-Based Compensation

	Three Months Ended			Six Months Ended		
(In millions)	Sept. 26, 2009	Sept. 27, 2008	Change	Sept. 26, 2009	Sept. 27, 2008	Change
Stock-based compensation included in:						
Cost of revenues	$ 1.3	$ 1.5	(15)%	$ 2.4	$ 3.1	(22)%
Research and development	5.2	6.3	(17)%	11.2	12.6	(11)%
Selling, general and administrative	5.3	5.6	(6)%	11.0	11.8	(8)%
Restructuring charges		0.3	(100)%	0.9	0.6	68%
	$ 11.8	$ 13.7	(14)%	$ 25.5	$ 28.1	(9)%

The 14% and 9% decreases in stock-based compensation expense for the second quarter and the first six months of fiscal 2010, respectively, were due to a decrease in the number of shares granted, declining weighted-average fair values of stock awards vesting and an increase in the number of shares cancelled due to the June 2008 and April 2009 restructurings.

Restructuring Charges

On April 15, 2009, we announced restructuring measures designed to drive structural operating efficiencies across the Company. Upon completion of the restructuring plan, we expect to reduce our global workforce by up to 200 positions, or approximately 6% of the Company's global workforce. These employee terminations impact various geographies and functions worldwide. Certain positions were eliminated in the first and second quarters of fiscal 2010 and other positions will be eliminated over the remaining periods of fiscal 2010. The reorganization plan is expected to be completed by the end of the fourth quarter of fiscal 2010.

We recorded total restructuring charges of $5.9 million and $21.7 million in the second quarter and the first six months of fiscal 2010, respectively, primarily related to severance pay expenses. As stated above, we expect to continue implementing the restructuring measures resulting in additional restructuring charges relating to the April 2009 restructuring totaling approximately $6.0 million over the remaining periods of fiscal 2010. See "Note 21. Subsequent Events" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for information relating to an additional restructuring.

The following table summarizes the restructuring accrual activity for the first six months of fiscal 2010:

(In millions)	Employee severance and benefits	Facility-related and other costs	Total
Balance as of March 28, 2009	$ —	$ 0.7	$ 0.7
Restructuring charges	20.7	1.0	21.7
Cash payments	(14.9)	(1.2)	(16.1)
Non-cash settlements	(0.9)	—	(0.9)
Balance as of September 26, 2009	$ 4.9	$ 0.5	$ 5.4

The charges above, as well as those included in the table below, have been shown separately as restructuring charges on the condensed consolidated statements of income. The remaining accrual as of September 26, 2009 primarily relates to severance pay and benefits that are expected to be paid during the third quarter of fiscal 2010.

In June 2008, Xilinx announced a functional reorganization pursuant to which Xilinx eliminated 249 positions, or approximately 7% of the Company's global workforce at that time. These employee terminations occurred across various geographies and functions worldwide. The reorganization plan was completed by the end of the second quarter of fiscal 2009. The Company recorded total restructuring charges of $22.0 million in connection with the reorganization. These charges consisted of $19.5 million of severance pay and benefits expenses which were recorded in the first quarter of fiscal 2009 and $2.5 million of facility-related costs and severance benefits expenses which were recorded in the second quarter of fiscal 2009.

The following table summarizes the restructuring accrual activity for the first six months of fiscal 2009:

(In millions)	Employee severance and benefits	Facility-related costs	Total
Balance as of March 29, 2008	$ —	$ —	$ —
Accruals during the period	20.5	1.5	22.0
Cash payments	(19.0)	(0.3)	(19.3)

Non-cash settlements	(0.5)	(0.2)	(0.7)
Balance as of September 27, 2008	$ 1.0	$ 1.0	$ 2.0

We estimate that severance and benefits expenses incurred in the April 2009 restructuring will result in gross annual cash savings relating to employee compensation of approximately $23.0 million before taxes. We began realizing savings associated with the restructuring, primarily within the SG&A and R&D expense categories, beginning in the first quarter of fiscal 2010, but we do not expect to fully realize the savings benefit until the fourth quarter of fiscal 2010. In addition, we estimate cumulative stock-based compensation expense savings of approximately $3.8 million through fiscal 2013 as a result of the April 2009 restructuring. The vast majority of the stock-based compensation expense savings are estimated to occur in fiscal 2010 and 2011. There can be no assurance that these expected future savings will be completely realized as they may be partially offset by increases in other expenses.

Impairment Loss on Investments

We did not record any other-than-temporary impairment losses for the first six months of fiscal 2010. We recognized impairment losses on investments of $29.0 million and $33.6 million during the second quarter and the first six months of fiscal 2009, respectively. The $29.0 million of impairment losses for the second quarter of fiscal 2009 consisted of $28.2 million of losses related to marketable debt securities in our investment portfolio and $758 thousand of decline in market value of a marketable equity security that was previously written down in the first quarter of fiscal 2009 and was deemed to be worthless as of September 27, 2008. See "Note 13. Impairment Loss on Investments" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for additional information regarding impairment losses on investments.

In addition to the aforementioned amounts recorded in the second quarter of fiscal 2009, the $33.6 million of impairment losses for the first six months of fiscal 2009 included $4.6 million from the write-down of our investments recorded in the first quarter of fiscal 2009, $2.3 million of which was related to our investment in non-marketable equity securities in private companies. These impairment losses resulted primarily from weak financial conditions of certain investees. The remaining $2.3 million was a result of the decline in the fair value of our investment in a marketable equity security. Because of the continued decline in its market value, we believed that the decline in the market value was other than temporary, and recognized a pre-tax impairment loss on our investment in this marketable equity security during the first quarter of fiscal 2009.

Interest and Other Income (Expense), Net

	Three Months Ended			Six Months Ended		
(In millions)	Sept. 26, 2009	Sept. 27, 2008*	Change	Sept. 26, 2009	Sept. 27, 2008*	Change
Interest and other income (expense), net	$ (1.8)	$ 7.2	NM	$ (12.7)	$ 11.7	NM
Percentage of net revenues	0%	1%		(2)%	1%	

* As adjusted for the retrospective adoption of the accounting standard for convertible debentures in the first quarter of fiscal 2010 (see Note 1)
NM - % change not meaningful

The decreases in interest and other income (expense), net for the second quarter and the first six months of fiscal 2010 over the comparable prior year's periods were primarily due to a decrease in interest rates earned on the investment portfolio. The average interest rate yield decreased by approximately 190 basis points (1.9 percentage points) year-over-year. In addition, during the first quarter of fiscal 2010, the Company recorded expense of $8.7 million in order to reverse the interest income it accrued through March 28, 2009 related to an earlier prepayment it made to the IRS. See "Note 16. Income Taxes" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for additional information.

Provision for Income Taxes

	Three Months Ended			Six Months Ended		
(In millions)	Sept. 26, 2009	Sept. 27, 2008*	Change	Sept. 26, 2009	Sept. 27, 2008*	Change
Provision for income taxes	$ 16.3	$ 21.8	(25)%	$ 24.7	$ 45.5	(46)%
Percentage of net revenues	4%	5%		3%	5%	
Effective tax rate	20%	21%		19%	22%	

* As adjusted for the retrospective adoption of the accounting standard for convertible debentures in the first quarter of fiscal 2010 (see Note 1)

The effective tax rates in all periods reflected the favorable impact of foreign income at statutory rates less than the U.S. rate and tax credits earned.

The decrease in the effective tax rate in the second quarter and the first six months of fiscal 2010 as compared to the prior year periods was primarily due to the extension of the federal R&D credit.

On August 25, 2006, the IRS filed a Notice of Appeal that it appeals to the U.S. Court of Appeals for the Ninth Circuit, the August 30, 2005 decision of the Tax Court. In its 2005 decision, the Tax Court decided in favor of the Company and rejected the IRS's position that the value of compensatory stock options must be included in the Company's cost sharing agreement with its Irish affiliate. On May 27, 2009, the Company received a 2-1 adverse judicial ruling from the Appeals Court reversing the Tax Court decision and holding that the Company should include stock option amounts in its cost sharing agreement with Xilinx Ireland. The Company does not agree with the Appeals Court decision and filed a motion for rehearing on August 12, 2009. The Company has no estimate of when the Ninth Circuit Court of Appeals will rule on the Xilinx motion. See "Note 16. Income Taxes" and "Note 19. Contingencies" to our condensed consolidated financial statements, included in Part 1. "Financial Information," and Item 1. "Legal Proceedings," included in Part II. "Other Information."

Financial Condition, Liquidity and Capital Resources

We have historically used a combination of cash flows from operations and equity and debt financing to support ongoing business activities, acquire or invest in critical or complementary technologies, purchase facilities and capital equipment, repurchase our common stock and debentures under our repurchase program, pay dividends and finance working capital. Additionally, our investments in debt securities are available for future sale. The combination of cash, cash equivalents and short-term and long-term investments as of September 26, 2009 and March 28, 2009 totaled $1.87 billion and $1.67 billion, respectively. As of September 26, 2009, we had cash, cash equivalents and short-term investments of $1.52 billion and working capital of $1.65 billion. As of March 28, 2009, cash, cash equivalents and short-term investments were $1.32 billion and working capital was $1.52 billion.

Operating Activities - During the first six months of fiscal 2010, our operations generated net positive cash flow of $264.9 million, which was $11.7 million higher than the $253.2 million generated during the first six months of fiscal 2009. The positive cash flow from operations generated during the first six months of fiscal 2010 was primarily from net income as adjusted for noncash related items, decreases in inventories and other assets and increases in accounts payable, accrued liabilities and deferred income on shipments to distributors. These items were partially offset by an increase in accounts receivable and a decrease in income taxes payable. Accounts receivable increased by $10.3 million as of September 26, 2009 from the levels at March 28, 2009, due to higher shipments during the second quarter of fiscal 2010 compared to the fourth quarter of fiscal 2009. Consequently, days sales outstanding increased to 52 days at September 26, 2009 from 43 days at March 28, 2009. Our inventory levels were $18.9 million lower as of September 26, 2009 compared to March 28, 2009. Combined inventory days at Xilinx and distribution decreased to 79 days as of September 26, 2009 from 80 days at March 28, 2009, due to lower inventory at Xilinx and was partially offset by slightly higher inventory in the distributor channel.

For the first six months of fiscal 2009, the net positive cash flow from operations was primarily from net income as adjusted for noncash related items, decreases in accounts receivable and deferred income taxes and an increase in accounts payable. These items were partially offset by increases in inventories and prepaid expenses and decreases in income taxes payable and deferred income on shipments to distributors.

Investing Activities - Net cash used in investing activities of $225.1 million during the first six months of fiscal 2010 included net purchases of available-for-sale securities of $213.5 million, $8.8 million for purchases of property, plant and equipment and $2.8 million for other investing activities. Net cash used in investing activities of $147.5 million during the first six months of fiscal 2009 included net purchases of available-for-sale securities of $125.4 million, $21.6 million for purchases of property, plant and equipment and $493 thousand for other investing activities.

Financing Activities - Net cash used in financing activities was $77.7 million in the first six months of fiscal 2010 and consisted of $77.3 million for dividend payments to stockholders and $16.3 million for the reduction of tax benefit from stock-based compensation and was partially offset by $15.9 million of proceeds from the issuance of common stock under employee stock plans. For the comparable fiscal 2009 period, net cash used in financing activities was $271.2 million and consisted of $275.0 million for the repurchase of common stock and $77.6 million for dividend payments to stockholders. These items were partially offset by $76.8 million of proceeds from the issuance of common stock under employee stock plans and $4.6 million for excess tax benefits from stock-based compensation.

Stockholders equity increased $17.4 million during the first six months of fiscal 2010. The increase was attributable to the $102.0 million in net income for the first six months of fiscal 2010, stock-based compensation related amounts totaling $21.9 million, the issuance of common stock under employee stock plans of $16.3 million, the change in unrealized losses on available-for-sale securities, net of deferred tax benefits of $13.4 million, the change in hedging transaction gains of $6.0 million, cumulative translation adjustment of $4.2 million and the related tax benefits associated with stock option exercises and the Employee Stock Purchase Plan of $3.7 million. The increases were partially offset by the payment of dividends to stockholders of $77.3 million and the reduction of tax benefit associated with stock option exercises and the Employee Stock Purchase Plan of $72.8 million relating to the current and prior years.

Contractual Obligations

We lease some of our facilities, office buildings and land under non-cancelable operating leases that expire at various dates through November 2035. See Note 17. Commitments to our condensed consolidated financial statements, included in Part 1. Financial Information, for a schedule of our operating lease commitments as of September 26, 2009 and additional information about operating leases.

Due to the nature of our business, we depend entirely upon subcontractors to manufacture our silicon wafers and provide assembly and some test services. The lengthy subcontractor lead times require us to order the materials and services in advance, and we are obligated to pay for the materials and services when completed. As of September 26, 2009, we had $67.7 million of outstanding inventory and other non-cancelable purchase obligations to subcontractors. We expect to receive and pay for these materials and services in the next three to six months, as the products meet delivery and quality specifications. As of September 26, 2009, the Company also had $14.6 million of non-cancelable license obligations to providers of electronic design automation software and hardware/software maintenance expiring at various dates through September 2011.

In the fourth quarter of fiscal 2005, the Company committed up to $20.0 million to acquire, in the future, rights to intellectual property until July 2023. This commitment was reduced to $5.0 million in May 2009. License payments will be amortized over the useful life of the intellectual property acquired.

In March 2007, the Company issued $1.00 billion principal amount of 3.125% debentures due March 15, 2037. As a result of the repurchases in fiscal 2009, the remaining principal amount of the debentures as of September 26, 2009 was $689.6 million. The debentures require payment of interest at an annual rate of 3.125% payable semiannually on March 15 and September 15 of each year, beginning September 15, 2007. See Note 10. Convertible Debentures and Revolving Credit Facility to our condensed consolidated financial statements, included in Part 1. Financial Information, for additional information about our debentures.

As of September 26, 2009, $140.4 million of liabilities recorded in connection with uncertain tax positions and related interest and penalties were classified as long-term income taxes payable in the condensed consolidated balance sheet. Due to the inherent uncertainty with respect to the timing of future cash outflows associated with these liabilities as of September 26, 2009, we are unable to reliably estimate the timing of cash settlement with the respective taxing authority.

Off-Balance-Sheet Arrangements

As of September 26, 2009, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Liquidity and Capital Resources

Cash generated from operations is used as our primary source of liquidity and capital resources. Our investment portfolio is also available for future cash requirements as is our $250.0 million revolving credit facility entered into in April 2007. We are not aware of any lack of access to the revolving credit facility; however, we can provide no assurance that access to the credit facility will not be impacted by adverse conditions in the financial markets. Our credit facility is not reliant upon a single bank. There have been no borrowings to date under our existing revolving credit facility. We also have a shelf registration on file with the SEC pursuant to which we may offer an indeterminate amount of debt, equity and other securities in the future to augment our liquidity and capital resources.

We did not repurchase any common stock or debentures during the first six months of fiscal 2010. We used $275.0 million of cash to repurchase 10.8 million shares of our common stock during the first six months of fiscal 2009. During the first six months of fiscal 2010, we paid $77.3 million in cash dividends to stockholders, representing an aggregate amount of $0.28 per common share. During the first six months of fiscal 2009, we paid $77.6 million in cash dividends to stockholders, representing an aggregate amount of $0.28 per common share. On October 13, 2009, our Board of Directors declared an increase in the cash dividend from $0.14 per common share to $0.16 per common share for the third quarter of fiscal 2010. The dividend is payable on November 24, 2009 to stockholders of record on November 4, 2009. Our common stock and debentures repurchase program and dividend policy could be impacted by, among other items, our views on potential future capital requirements relating to R&D, investments and acquisitions, legal risks, principal and interest payments on our debentures and other strategic investments.

The global credit crisis has imposed exceptional levels of volatility and disruption in the capital markets, severely diminished liquidity and credit availability, and increased counterparty risk. Nevertheless, we anticipate that existing sources of liquidity and cash flows from operations will be sufficient to satisfy our cash needs for the foreseeable future. We will continue to evaluate opportunities for investments to obtain additional wafer capacity, procurement of additional capital equipment and facilities, development of new products, and potential acquisitions of technologies or businesses that could complement our business. However, the risk factors discussed in Item 1A included in Part II. Other Information and below could affect our cash positions adversely. In addition, certain types of investments such as asset-backed securities may present risks arising from liquidity and/or credit concerns. In the event that our investments in auction rate securities and senior class asset-backed securities become illiquid, we do not expect this will materially affect our liquidity and capital resources or results of operations.

As of September 26, 2009, marketable securities measured at fair value using Level 3 inputs were comprised of $61.0 million of student loan auction rate securities and $19.8 million of asset-backed securities within our available-for-sale investment portfolio. The amount of assets and liabilities measured using significant unobservable inputs (Level 3) as a percentage of the total assets and liabilities measured at fair value was less than 5% as of September 26, 2009. See Note 4. Fair Value Measurements to our condensed consolidated financial statements, included in Part 1. Financial Information, for additional information. Auction failures during the fourth quarter of fiscal 2008 and the lack of market activity and liquidity required that our student loan auction rate securities be measured using observable market data and Level 3 inputs. The fair values of our student loan auction rate securities were based on our assessment of the underlying collateral and the creditworthiness of the issuers of the securities. More than 98% of the underlying assets that secure the student loan auction rate securities are pools of student loans originated under FFELP that are substantially guaranteed by the U.S. Department of Education. The fair values of our student loan auction rate securities were determined using a

discounted cash flow pricing model that incorporated financial inputs such as projected cash flows, discount rates, expected interest rates to be paid to investors and an estimated liquidity discount. The weighted-average life over which cash flows were projected was determined to be approximately nine years, given the collateral composition of the securities. The discount rates that were applied to the pricing model were based on market data and information for comparable- or similar-term student loan asset-backed securities. The discount rates increased by approximately 215 to 300 basis points (2.15 and 3.00 percentage points) in fiscal 2009 due to a widening of credit spreads and increased liquidity discount as a result of the global credit crisis noted above. During the first six months of fiscal 2010, the discount rate decreased by approximately 110 to 130 basis points (1.10 to 1.30 percentage points). The expected interest rate to be paid to investors in a failed auction was determined by the contractual terms for each security. The liquidity discount represents an estimate of the additional return an investor would require to compensate for the lack of liquidity of the student loan auction rate securities. We do not intend to sell, nor do we believe it is more likely than not that we would be required to sell, the student loan auction rate securities before anticipated recovery, which could be at final maturity that ranges from March 2023 to November 2047. All of the Company's student loan auction rate securities are rated AAA with the exception of $8.4 million that were downgraded to an A rating during the fourth quarter of fiscal 2009.

Our $19.8 million of senior class asset-backed securities are secured primarily by bank, finance and insurance company obligations, collateralized loan and bank obligations, credit card debt and mortgage-backed securities with no direct U.S. subprime mortgage exposure. These senior class asset-backed securities were measured using observable market data and Level 3 inputs due to the lack of market activity and liquidity. The fair values of these senior class asset-backed securities were based on our assessment of the underlying collateral and the creditworthiness of the issuers of the securities. We determined the fair values for the senior class asset-backed securities by using prices from pricing services that could not be corroborated by observable market data. We corroborated the prices from the pricing services using comparable benchmark indexes and securities prices. We do not intend to sell, nor do we believe it is more likely than not that we would be required to sell, these senior class asset-backed securities prior to final maturity in November 2009. The senior class asset-backed securities were downgraded by at least one credit rating agency during the third and fourth quarters of fiscal 2009. As of September 26, 2009, the $19.8 million of senior class asset-backed securities were rated A. During the second quarter of fiscal 2010, the Company sold $20.0 million notional value of senior class asset-backed securities and realized a $1.0 million loss.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk relates primarily to our investment portfolio, which consists of fixed income securities with a fair value of approximately $1.27 billion as of September 26, 2009. Our primary aim with our investment portfolio is to invest available cash while preserving principal and meeting liquidity needs. Our investment portfolio includes municipal bonds, floating rate notes, mortgage-backed securities, asset-backed securities, bank certificates of deposit, commercial paper, corporate bonds, student loan auction rate securities and U.S. and foreign government and agency securities. In accordance with our investment policy, we place investments with high credit quality issuers and limit the amount of credit exposure to any one issuer based upon the issuer's credit rating. These securities are subject to interest rate risk and will decrease in value if market interest rates increase. A hypothetical 100 basis-point (one percentage point) increase or decrease in interest rates compared to rates at September 26, 2009 would have affected the fair value of our investment portfolio by less than $5.0 million.

Credit Market Risk

Since September 2007, the global credit markets have experienced adverse conditions that have negatively impacted the values of various types of investment and non-investment grade securities. The global credit and capital markets have recently experienced significant volatility and disruption due to instability in the global financial system and the current uncertainty related to global economic conditions. As a result of these recent adverse conditions in the global credit markets, there is a risk that we may incur additional other-than-temporary impairment charges for certain types of investments such as asset-backed securities should the credit markets experience further deterioration. See "Note 5. Financial Instruments" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for additional information about our investments.

Foreign Currency Exchange Risk

Sales to all direct OEMs and distributors are denominated in U.S. dollars.

Gains and losses on foreign currency forward contracts that are designated as hedges of anticipated transactions, for which a firm commitment has been attained and the hedged relationship has been effective, are deferred and included in income or expenses in the same period that the underlying transaction is settled. Gains and losses on any instruments not meeting the above criteria are recognized in income or expenses in the condensed consolidated statements of income as they are incurred.

We enter into forward currency exchange contracts to hedge our overseas operating expenses and other liabilities when deemed appropriate. As of September 26, 2009 and March 28, 2009, we had the following outstanding forward currency exchange contracts:

(In thousands and U.S. dollars)	Sept. 27, 2009	March 28, 2009
Euro	$ 47,308	$ 51,072
Singapore dollar	30,503	30,123
Japanese Yen	12,454	12,563
British Pound	6,720	6,408
	$ 96,985	$ 100,166

As part of our strategy to reduce volatility of operating expenses due to foreign exchange rate fluctuations, we employ a hedging program with a five-quarter forward outlook for major foreign-currency-denominated operating expenses. The outstanding forward currency exchange contracts expire at various dates between October 2009 and October 2010. The net unrealized gain or loss was an unrealized gain of $4.8 million as of September 26, 2009 and an unrealized loss of $1.1 million as of March 28, 2009.

Our investments in several of our wholly-owned subsidiaries are recorded in currencies other than the U.S. dollar. As the financial statements of these subsidiaries are translated at each quarter end during consolidation, fluctuations of exchange rates between the foreign currency and the U.S. dollar increase or decrease the value of those investments. These fluctuations are recorded within stockholders' equity as a component of accumulated other comprehensive income (loss). Other monetary foreign-denominated assets and liabilities are revalued on a monthly basis with gains and losses on revaluation reflected in net income. A hypothetical 10% favorable or unfavorable change in foreign currency exchange rates at September 26, 2009 would have affected the annualized foreign-currency-denominated operating expenses of our foreign subsidiaries by less than $7.0 million. In addition, a hypothetical 10% favorable or unfavorable change in foreign currency exchange rates compared to rates at September 26, 2009 would have affected the value of foreign-currency-denominated cash and investments by less than $7.0 million.

ITEM 4. CONTROLS AND PROCEDURES

We maintain a system of disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the U.S. Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. These controls and procedures are also designed to ensure that such information is accumulated and communicated to the Company□s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures designed to provide reasonable assurance that: transactions are properly authorized; assets are safeguarded against unauthorized or improper use; and transactions are properly recorded and reported, to permit the preparation of our financial statements in conformity with generally accepted accounting principles.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns

can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with its policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. We continuously evaluate our internal controls and make changes to improve them as necessary. Our intent is to maintain our disclosure controls as dynamic systems that change as conditions warrant.

An evaluation was carried out, under the supervision of and with the participation of our management, including our CEO and CFO, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon the controls evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this Form 10-Q, the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended September 26, 2009 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Internal Revenue Service

The IRS audited and issued proposed adjustments to the Company's tax returns for fiscal 1996 through 2001. The Company filed petitions with the Tax Court in response to assertions by the IRS relating to fiscal 1996 through 2000. To date, all issues have been settled with the IRS in this matter except as described in the following paragraphs.

On August 30, 2005, the Tax Court issued its opinion concerning whether the value of stock options must be included in the cost sharing agreement with Xilinx Ireland. The Tax Court agreed with the Company that no amount for stock options was to be included in the cost sharing agreement, and thus, the Company had no tax, interest, or penalties due for this issue. The Tax Court entered its decision on May 31, 2006. On August 25, 2006, the IRS appealed the decision to the U.S. Court of Appeals for the Ninth Circuit.

The Company and the IRS presented oral arguments to a three-judge panel of the Appeals Court on March 12, 2008. On May 27, 2009, the Company received a 2-1 adverse judicial ruling from the Appeals Court reversing the Tax Court decision and holding that the Company should include stock option amounts in its cost sharing agreement with Xilinx Ireland. The Company does not agree with the Appeals Court decision and filed a motion for rehearing on August 12, 2009.

In a separate matter, on December 8, 2008, the IRS issued a statutory notice of deficiency reflecting proposed audit adjustments for fiscal 2005. The Company is expecting to begin negotiations with the IRS Appeals Division on this matter no later than the fourth quarter of fiscal 2010. The Company believes it has provided adequate reserves for any tax deficiencies that could result from this IRS action.

Patent Litigation

On December 28, 2007, a patent infringement lawsuit was filed by PACT XPP Technologies, AG (PACT) against the Company in the U.S. District Court for the Eastern District of Texas, Marshall Division (PACT XPP Technologies, AG. v. Xilinx, Inc. and Avnet, Inc. Case No. 2:07-CV-563). The lawsuit pertains to 11 different

patents and PACT seeks injunctive relief, unspecified damages and interest and attorneys fees. Neither the likelihood, nor the amount of any potential exposure to the Company is estimable at this time.

Other Matters

From time to time, we are involved in various disputes and litigation matters that arise in the ordinary course of our business. These include disputes and lawsuits related to intellectual property, mergers and acquisitions, licensing, contract law, tax, regulatory, distribution arrangements, employee relations and other matters. Periodically, we review the status of each matter and assess its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and a range of possible losses can be estimated, we accrue a liability for the estimated loss. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based only on the best information available at the time. As additional information becomes available, we continue to reassess the potential liability related to pending claims and litigation and may revise estimates.

ITEM 1A. RISK FACTORS

The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. The risks and uncertainties described below are not the only risks to the Company. Additional risks and uncertainties not presently known to the Company or that the Company s management currently deems immaterial also may impair its business operations. If any of the risks described below were to occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

There have been no material changes to our risk factors from those previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K/A for the fiscal year ended March 28, 2009 other than the inclusion of a risk factor regarding a recent government ruling on certain of our products.

General economic conditions and the related deterioration in the global business environment could have a material adverse effect on our business, operating results and financial condition.

Global consumer confidence has eroded amidst concerns over declining asset values, inflation, volatility in energy costs, geopolitical issues, the availability and cost of credit, rising unemployment, and the stability and solvency of financial institutions, financial markets, businesses and sovereign nations, among other concerns. These concerns have slowed global economic growth and have resulted in recessions in numerous countries, including many of those in North America, Europe and Asia. Recent economic conditions had a negative impact on our results of operations during the third and fourth quarters of fiscal 2009 and the first and second quarters of fiscal 2010 due to reduced customer demand. While our results of operations sequentially improved during the second quarter of fiscal 2010, they were still below the results for the same period in the prior year, and it is unclear whether this improvement will continue in the future. If unpredictable economic conditions persist or worsen, a number of negative effects on our business could result, including customers or potential customers reducing or delaying orders, the insolvency of key suppliers, which could result in production delays, the inability of customers to obtain credit, and the insolvency of one or more customers. Any of these effects could impact our ability to effectively manage inventory levels and collect receivables and ultimately decrease our net revenues and profitability.

The semiconductor industry is characterized by cyclical market patterns and a significant industry downturn could adversely affect our operating results.

The semiconductor industry is highly cyclical and our financial performance has been affected by downturns in the industry, including the current downturn. Down cycles are generally characterized by price erosion and weaker demand for our products. Weaker demand for our products resulting from economic conditions in the end markets we serve and reduced capital spending by our customers can result, and in the past has resulted in excess and obsolete inventories and corresponding inventory write-downs. We attempt to identify changes in market conditions as soon as possible; however, the dynamics of the market make prediction of and timely reaction to such events difficult. Due to these and other factors, our past results are much less reliable predictors of the future than for companies in older, more stable industries.

The nature of our business makes our revenues difficult to predict which could have an adverse impact on our business.

In addition to the challenging market conditions we may face, we have limited visibility into the demand for our products, particularly new products, because demand for our products depends upon our products being designed into our end customers products and those products achieving market acceptance. Due to the complexity of our customers designs, the design to volume production process for our customers requires a substantial amount of time, frequently longer than a year. In addition, we are increasingly dependent upon turns, orders received and turned for shipment in the same quarter, and we have historically derived a significant portion of our quarterly revenue during the last weeks of the quarter. These factors make it difficult for us to forecast future sales and project quarterly revenues. The difficulty in forecasting future sales impairs our ability to project our inventory requirements, which could result, and in the past has resulted in inventory write-downs or failure to timely meet customer product demands. In addition, difficulty in forecasting revenues compromises our ability to provide forward-looking revenue and earnings guidance.

We are dependent on independent foundries for the manufacture of all of our products and a manufacturing problem or insufficient foundry capacity could adversely affect our operations.

During the first six months of fiscal 2010, nearly all of our wafers were manufactured either in Taiwan, by United Microelectronics Corporation (UMC), in Japan, by Toshiba Corporation (Toshiba) or Seiko Epson Corporation (Seiko) or in South Korea, by Samsung Electronics Co., Ltd. Terms with respect to the volume and timing of wafer production and the pricing of wafers produced by the semiconductor foundries are determined by periodic negotiations between Xilinx and these wafer foundries, which usually result in short-term agreements that do not provide for long-term supply or allocation commitments. We are dependent on these foundries, especially UMC, which supplies the substantial majority of our wafers. We rely on UMC to produce wafers with competitive performance and cost attributes. These attributes include an ability to transition to advanced manufacturing process technologies and increased wafer sizes, produce wafers at acceptable yields and deliver them in a timely manner. We cannot guarantee that the foundries that supply our wafers will not experience manufacturing problems, including delays in the realization of advanced manufacturing process technologies or difficulties due to limitations of new and existing process technologies. Furthermore, we cannot guarantee the foundries will be able to manufacture sufficient quantities of our products. In addition, current economic conditions may adversely impact the financial health and viability of the foundries and result in their insolvency or their inability to meet their commitments to us. For example, in the first quarter of fiscal 2010 we experienced supply shortages due to the difficulties encountered by the foundries in rapidly increasing their production capacities from low utilization levels to the high utilization levels required due to a rapid increase in demand. The insolvency of a foundry or any significant manufacturing problem or insufficient foundry capacity would disrupt our operations and negatively impact our financial condition and results of operations.

We have established other sources of wafer supply for our products in an effort to secure a continued supply of wafers. However, establishing, maintaining and managing multiple foundry relationships requires the investment of management resources as well as additional costs. If we do not manage these relationships effectively, it could adversely affect our results of operations.

Global economic conditions, the economic conditions of the countries in which we operate and currency fluctuations could have a material adverse affect on our business and negatively impact our financial condition and results of operations.

In addition to our U.S. operations, we also have significant international operations, including foreign sales offices to support our international customers and distributors, our regional headquarters in Ireland and Singapore and a research and development site in India. In connection with the restructuring we announced in April 2009, we expect our international operations to grow as we relocate certain operations and administrative functions. Sales and operations outside of the U.S. subject us to the risks associated with conducting business in foreign economic and regulatory environments. Our financial condition and results of operations could be adversely affected by unfavorable economic conditions in countries in which we do significant business or by changes in foreign currency exchange rates affecting those countries. The Company derives over one-half of its revenues from international sales, primarily in the Asia Pacific region, Europe and Japan. Past and current economic weakness in these markets adversely affected revenues. The timing and nature of economic recovery in these markets as well as in the U.S. remains uncertain, and there can be no assurance that global market

conditions will improve in the near future. Sales to all direct OEMs and distributors are denominated in U.S. dollars. While the recent movement of the Euro and Yen against the U.S. dollar had no material impact to our business, increased volatility could impact our European and Japanese customers. Currency instability and recent volatility and disruptions in the credit and capital markets may increase credit risks for some of our customers and may impair our customers' ability to repay existing obligations. Increased currency volatility could also positively or negatively impact our foreign-currency-denominated costs, assets and liabilities. In addition, devaluation of the U.S. dollar relative to other foreign currencies may increase the operating expenses of our foreign subsidiaries adversely affecting our results of operations. Furthermore, because we are increasingly dependent on the global economy, instability in worldwide economic environments occasioned, for example, by political instability, terrorist activity or U.S. military actions could impact economic activity and lead to a contraction of capital spending by our customers. Any or all of these factors could adversely affect our financial condition and results of operations in the future.

We are exposed to fluctuations in interest rates and changes in credit rating and in the market values of our portfolio investments which could have a material adverse impact on our financial condition and results of operations.

Our cash, short-term and long-term investments represent significant assets that may be subject to fluctuating or even negative returns depending upon interest rate movements, changes in credit rating and financial market conditions. Since September 2007, the global credit markets have experienced adverse conditions that have negatively impacted the values of various types of investment and non-investment grade securities. The global credit and capital markets have recently experienced significant volatility and disruption due to instability in the global financial system and the current uncertainty related to global economic conditions. As of September 26, 2009, less than 5% of our $1.77 billion investment portfolio consisted of asset-backed securities and less than 11% of the portfolio consisted of mortgage-backed securities. Asset-backed securities consisted of student loan auction rate securities and other asset-backed securities.

Less than 4% of our investment portfolio consisted of student loan auction rate securities and all of these securities are rated AAA with the exception of $8.4 million that were downgraded to an A rating during the fourth quarter of fiscal 2009. More than 98% of the underlying assets that secure these securities are pools of student loans originated under FFELP that are substantially guaranteed by the U.S. Department of Education. These securities experienced failed auctions in the fourth quarter of fiscal 2008 due to liquidity issues in the global credit markets. In a failed auction, the interest rates are reset to a maximum rate defined by the contractual terms for each security. We have collected and expect to collect all interest payable on these securities when due. During the first six months of both fiscal 2010 and 2009, $950 thousand of these student loan auction rate securities were redeemed for cash by the issuers at par value. Beginning with the quarter ended March 29, 2008, the student loan auction rate securities were reclassified from short-term to long-term investments on the consolidated balance sheets since there can be no assurance of a successful auction in the future. The final maturity dates range from March 2023 to November 2047.

All other asset-backed securities comprised approximately 1% of our investment portfolio as of September 26, 2009, of which approximately 3% are AAA rated and the remainder are rated between AA and A. These asset-backed securities are secured primarily by bank, finance and insurance company obligations, collateralized loan and bank obligations, credit card debt and mortgage-backed securities with no direct U.S. subprime mortgage exposure. Substantially all of the other mortgage-backed securities in the investment portfolio are AAA rated, were issued by U.S. government-sponsored enterprises and agencies and represented less than 11% of the investment portfolio as of September 26, 2009. As a result of recent adverse conditions in the global credit markets, there is a risk that we may incur additional other-than-temporary impairment charges for certain types of investments such as asset-backed securities should the credit markets experience further deterioration or the underlying assets fail to perform as anticipated due to the continued or worsening global economic conditions. Our future investment income may fall short of expectations due to changes in interest rates or if the decline in fair values of our debt securities is judged to be other than temporary. Furthermore, we may suffer losses in principal if we are forced to sell securities that have declined in market value due to changes in interest rates or financial market conditions. See "Note 5. Financial Instruments" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for a table of our available-for-sale securities.

We are subject to the risks associated with conducting business operations outside of the U.S. which could adversely affect our business.

In addition to international sales and support operations and development activities, we purchase our wafers from foreign foundries and have our commercial products assembled, packaged and tested by subcontractors located outside the U.S. In connection with the restructuring we announced in April 2009, we expect these subcontractor activities to increase. All of these activities are subject to the uncertainties associated with international business operations, including tax laws and regulations, trade barriers, economic sanctions, import and export regulations, duties and tariffs and other trade restrictions, changes in trade policies, foreign governmental regulations, reduced protection for IP, longer receivable collection periods and disruptions or delays in production or shipments, any of which could have a material adverse effect on our business, financial condition and/or operating results. Additional factors that could adversely affect us due to our international operations include rising oil prices and increased costs of natural resources. Moreover, our financial condition and results of operations could be affected in the event of political conflicts or economic crises in countries where our main wafer providers, end customers and contract manufacturers who provide assembly and test services worldwide, are located. Adverse change to the circumstances or conditions of our international business operations could have a material adverse effect on our business.

Our success depends on our ability to develop and introduce new products and failure to do so would have a material adverse impact on our financial condition and results of operations.

Our success depends in large part on our ability to develop and introduce new products that address customer requirements and compete effectively on the basis of price, density, functionality, power consumption and performance. The success of new product introductions is dependent upon several factors, including:

- timely completion of new product designs;
- ability to generate new design opportunities or "design wins";
- availability of specialized field application engineering resources supporting demand creation and customer adoption of new products;
- ability to utilize advanced manufacturing process technologies on circuit geometries of 45nm and smaller;
- achieving acceptable yields;
- ability to obtain adequate production capacity from our wafer foundries and assembly and test subcontractors;
- ability to obtain advanced packaging;
- availability of supporting software design tools;
- utilization of predefined IP cores of logic;
- customer acceptance of advanced features in our new products; and
- market acceptance of our customers' products.

Our product development efforts may not be successful, our new products may not achieve industry acceptance and we may not achieve the necessary volume of production that would lead to further per unit cost reductions. Revenues relating to our mature products are expected to decline in the future, which is normal for our product life cycles. As a result, we may be increasingly dependent on revenues derived from design wins for our newer products as well as anticipated cost reductions in the manufacture of our current products. We rely primarily on obtaining yield improvements and corresponding cost reductions in the manufacture of existing products and on introducing new products that incorporate advanced features and other price/performance factors that enable us to increase revenues while maintaining consistent margins. To the extent that such cost reductions and new product introductions do not occur in a timely manner, or to the extent that our products do not achieve market acceptance at prices with higher margins, our financial condition and results of operations could be materially adversely affected.

Increased costs of wafers and materials, or shortages in wafers and materials, could adversely impact our gross margins and lead to reduced revenues.

If greater demand for wafers produced by the foundries is not offset by an increase in foundry capacity, or market demand for wafers or production and assembly materials increases, our supply of wafers and other materials could become limited. Such shortages raise the likelihood of potential wafer price increases and wafer shortages or shortages in materials at production and test facilities. Such increases in wafer prices or materials could adversely affect our gross margins and shortages of wafers and materials would adversely affect our ability to meet customer demands.

Earthquakes and other natural disasters could disrupt our operations and have a material adverse affect on our financial condition and results of operations.

The independent foundries, upon which we rely to manufacture our products, as well as our California and Singapore facilities, are located in regions that are subject to earthquakes and other natural disasters. UMC's foundries in Taiwan and Toshiba's and Seiko's foundries in Japan as well as many of our operations in California are centered in areas that have been seismically active in the recent past and some areas have been affected by other natural disasters. Any catastrophic event in these locations will disrupt our operations, including our manufacturing activities. This type of disruption could result in our inability to manufacture or ship products, thereby materially adversely affecting our financial condition and results of operations. Additionally, disruption of operations at these foundries for any reason, including other natural disasters such as typhoons, fires or floods, as well as disruptions in access to adequate supplies of electricity, natural gas or water could cause delays in shipments of our products, and could have a material adverse effect on our results of operations.

We are dependent on independent subcontractors for most of our assembly and test services and unavailability or disruption of these services could negatively impact our financial condition and results of operations.

We are also dependent on subcontractors to provide semiconductor assembly, substrate, test and shipment services. Any prolonged inability to obtain wafers with competitive performance and cost attributes, adequate yields or timely delivery, any disruption in assembly, test or shipment services, or any other circumstance that would require us to seek alternative sources of supply, could delay shipments and have a material adverse effect on our ability to meet customer demands. In addition, current economic conditions may adversely impact the financial health and viability of these subcontractors and result in their insolvency or their inability to meet their commitments to us. These factors would result in reduced net revenues and could negatively impact our financial condition and results of operations.

If we are not able to successfully compete in our industry, our financial results and future prospects will be adversely affected.

Our programmable logic devices (PLDs) compete in the logic integrated circuits (IC) industry, an industry that is intensely competitive and characterized by rapid technological change, increasing levels of integration, product obsolescence and continuous price erosion. We expect increased competition from our primary PLD competitors, Altera Corporation, Lattice Semiconductor Corporation and Actel Corporation, from the application specific integrated circuits (ASIC) market, which has been ongoing since the inception of FPGAs, from the application specific standard products (ASSP) market, and from new companies that may enter the traditional programmable logic market segment. We believe that important competitive factors in the logic IC industry include:

- product pricing;
- time-to-market;
- product performance, reliability, quality, power consumption and density;
- field upgradability;
- adaptability of products to specific applications;
- ease of use and functionality of software design tools;
- availability and functionality of predefined IP cores of logic;
- inventory and supply chain management;
- access to leading-edge process technology and assembly capacity; and
- ability to provide timely customer service and support.

Our strategy for expansion in the logic market includes continued introduction of new product architectures that address high-volume, low-cost and low-power applications as well as high-performance, high-density applications. In addition, we anticipate continued price reductions proportionate with our ability to lower the cost for established products. However, we may not be successful in achieving these strategies.

Other competitors include manufacturers of:

- high-density programmable logic products characterized by FPGA-type architectures;
- high-volume and low-cost FPGAs as programmable replacements for ASICs and ASSPs;
- ASICs and ASSPs with incremental amounts of embedded programmable logic;
- high-speed, low-density complex programmable logic devices (CPLDs);
- high-performance digital signal processing (DSP) devices;

- products with embedded processors;
- products with embedded multi-gigabit transceivers; and
- other new or emerging programmable logic products.

Several companies have introduced products that compete with ours or have announced their intention to sell PLD products. To the extent that our efforts to compete are not successful, our financial condition and results of operations could be materially adversely affected.

The benefits of programmable logic have attracted a number of competitors to this segment. We recognize that different applications require different programmable technologies, and we are developing architectures, processes and products to meet these varying customer needs. Recognizing the increasing importance of standard software solutions, we have developed common software design tools that support the full range of our IC products. We believe that automation and ease of design are significant competitive factors in this segment.

We could also face competition from our licensees. In the past we have granted limited rights to other companies with respect to certain of our older technology, and we may do so in the future. Granting such rights may enable these companies to manufacture and market products that may be competitive with some of our older products.

Our failure to protect and defend our intellectual property could impair our ability to compete effectively.

We rely upon patent, copyright, trade secret, mask work and trademark laws to protect our intellectual property. We cannot provide assurance that such intellectual property rights can be successfully asserted in the future or will not be invalidated, circumvented or challenged. From time to time, third parties, including our competitors, have asserted against us patent, copyright and other intellectual property rights to technologies that are important to us. Third parties may assert infringement claims against our indemnitees or us in the future. Assertions by third parties may result in costly litigation or indemnity claims and we may not prevail in such matters or be able to license any valid and infringed patents from third parties on commercially reasonable terms. This could result in the loss of our ability to import and sell our products. Any infringement claim, indemnification claim, or impairment or loss of use of our intellectual property could materially adversely affect our financial condition and results of operations.

We rely on information technology systems, and failure of these systems to function properly could result in business disruption.

We rely in part on various information technology (IT) systems to manage our operations, including financial reporting, and we regularly evaluate these systems and make changes to improve them as necessary. Consequently, we periodically implement new, or enhance existing, operational and IT systems, procedures and controls. For example, we recently simplified our supply chain and were required to make certain changes to our IT systems. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, could harm our ability to record and report financial and management information on a timely and accurate basis. Further, these systems are subject to power and telecommunication outages or other general system failure. Failure of our IT systems or difficulties in managing them could result in business disruption.

If we are unable to maintain effective internal controls, our stock price could be adversely affected.

We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002 (the Act). Our controls necessary for continued compliance with the Act may not operate effectively at all times and may result in a material weakness disclosure. The identification of material weaknesses in internal control, if any, could indicate a lack of proper controls to generate accurate financial statements and could cause investors to lose confidence and our stock price to drop. Further, our internal control effectiveness may be impacted upon executing the restructuring plan announced in April 2009 if we are unable to successfully transfer certain control activities and responsibilities to new personnel in different locations.

Unfavorable results of legal proceedings could adversely affect our financial condition and operating results.

From time to time we are subject to various legal proceedings and claims that arise out of the ordinary conduct of our business. Certain claims are not yet resolved, including those that are discussed in Item 1. "Legal Proceedings," included in Part II. "Other Information," and additional claims may arise in the future. Results of legal proceedings cannot be predicted with certainty. Regardless of its merit, litigation may be both time-consuming and disruptive to our operations and cause significant expense and diversion of management attention and we may enter into material settlements to avoid these risks. Should the Company fail to prevail in certain matters, or should several of these matters be resolved against us in the same reporting period, we may be faced with significant monetary damages or injunctive relief against us that would materially and adversely affect a portion of our business and might materially and adversely affect our financial condition and operating results.

Our products could have defects which could result in reduced revenues and claims against us.

We develop complex and evolving products that include both hardware and software. Despite our testing efforts and those of our subcontractors, defects may be found in existing or new products. These defects may cause us to incur significant warranty, support and repair or replacement costs, divert the attention of our engineering personnel from our product development efforts and harm our relationships with customers. Product defects or other performance problems could result in the delay or loss of market acceptance of our products and would likely harm our business. Our customers could also seek damages from us for their losses. A product liability claim brought against us, even if unsuccessful, would likely be time-consuming and costly to defend. Product liability risks are particularly significant with respect to aerospace, automotive and medical applications because of the risk of serious harm to users of these products. Any product liability claim, whether or not determined in our favor, could result in significant expense, divert the efforts of our technical and management personnel, and harm our business.

In preparing our financial statements, we make good faith estimates and judgments that may change or turn out to be erroneous.

In preparing our financial statements in conformity with accounting principles generally accepted in the United States, we must make estimates and judgments in applying our most critical accounting policies. Those estimates and judgments have a significant impact on the results we report in our consolidated financial statements. The most difficult estimates and subjective judgments that we make concern valuation of marketable and non-marketable securities, revenue recognition, inventories, long-lived assets, taxes and stock-based compensation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We also have other key accounting policies that are not as subjective, and therefore, their application would not require us to make estimates or judgments that are as difficult, but which nevertheless could significantly affect our financial reporting. Actual results may differ materially from these estimates. If these estimates or their related assumptions change, our operating results for the periods in which we revise our estimates or assumptions could be adversely and perhaps materially affected.

We depend on distributors, primarily Avnet, to generate a majority of our sales and complete order fulfillment.

Resale of product through Avnet accounted for 49% of the Company's worldwide net revenues in the first six months of fiscal 2010 and as of September 26, 2009, Avnet accounted for 74% of our total accounts receivable. In addition, we are subject to concentrations of credit risk in our trade accounts receivable, which includes accounts of our distributors. A significant reduction of effort by a distributor to sell our products or a material change in our relationship with one or more distributors may reduce our access to certain end customers and adversely affect our ability to sell our products. Furthermore, if a key distributor materially defaults on a contract or otherwise fails to perform, our business and financial results would suffer.

In addition, the financial health of our distributors and our continuing relationships with them are important to our success. Current economic conditions may adversely impact the financial health of some of these distributors, particularly our smaller distributors. This could result in the insolvency of certain distributors, the inability of distributors to obtain credit to finance the purchase of our products, or cause distributors to delay payment of their obligations to us and increase our credit risk exposure. Our business could be harmed if the financial health of these distributors impairs their performance and we are unable to secure alternate distributors.

Reductions in the average selling prices of our products could have a negative impact on our gross margins.

The average selling prices of our products generally decline as the products mature. We seek to offset the decrease in selling prices through yield improvement, manufacturing cost reductions and increased unit sales. We also continue to develop higher value products or product features that increase, or slow the decline of, the average selling price of our products. However, there is no guarantee that our ongoing efforts will be successful or that they will keep pace with the decline in selling prices of our products, which could ultimately lead to a decline in revenues and have a negative effect on our gross margins.

A number of factors can impact our gross margins.

A number of factors, including our product mix, market acceptance of our new products, competitive pricing dynamics, geographic and/or market segment pricing strategies and various manufacturing cost variables cause our gross margins to fluctuate. In addition, forecasting our gross margins is difficult because the majority of our business is based on turns within the same quarter.

If we do not successfully implement the restructuring we announced in April 2009, our results of operations and financial condition could be adversely impacted.

In April 2009, we announced restructuring measures and a net reduction in our global workforce by up to 200 positions, which we expect to complete by the fourth quarter of fiscal 2010. The positions will be eliminated across a variety of functions and geographies worldwide. The restructuring is designed to drive structural operating efficiencies across the Company and will align our Company with the evolving geographic distribution of our customers and supply chain. However, if we do not successfully implement this restructuring, our results of operations and financial condition could be adversely impacted. Factors that could cause actual results to differ materially from our expectations with regard to our announced restructuring include:

- the availability and hiring of the appropriately skilled workers in the Asia Pacific region;
- the transition of testing and other operational matters to third parties; and/or
- the timing and execution of our programs and plans related to the restructuring.

Our failure to comply with the requirements of the International Traffic and Arms Regulations could have a material adverse effect on our financial condition and results of operations.

Based on a recent jurisdictional ruling, certain Xilinx space-grade FPGAs and related technologies are subject to the International Traffic in Arms Regulations (ITAR), which are administered by the U.S. Department of State. The ITAR governs the export and reexport of these FPGAs, the transfer of related technical data, the provision of defense services, as well as offshore production, test and assembly. We will maintain an internal compliance program to meet ITAR requirements. An inability to obtain the required export licenses, or to predict when they will be granted, increases the difficulties of forecasting shipments. In addition, compliance program failures that could result in penalties or a loss of export privileges, as well as stringent ITAR licensing restrictions that may make Xilinx products less attractive to overseas customers, could have a materially adverse effect on our business, financial condition, and/or operating results.

Considerable amounts of our common shares are available for issuance under our equity incentive plans and debentures, and significant issuances in the future may adversely impact the market price of our common shares.

As of September 26, 2009, we had 2.00 billion authorized common shares, of which 276.8 million shares were outstanding. In addition, 61.6 million common shares were reserved for issuance pursuant to our equity incentive plans and Employee Stock Purchase Plan, and 22.4 million shares were reserved for issuance upon conversion or repurchase of the debentures. The availability of substantial amounts of our common shares resulting from the exercise or settlement of equity awards outstanding under our equity incentive plans or the conversion or repurchase of debentures using common shares, which would be dilutive to existing stockholders, could adversely affect the prevailing market price of our common shares and could impair our ability to raise additional capital through the sale of equity securities.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

On February 25, 2008, we announced a repurchase program of up to $800.0 million of common stock. On November 6, 2008, our Board of Directors approved the amendment of the Company's $800.0 million stock repurchase program to provide that the funds may also be used to repurchase outstanding debentures. This repurchase program has no stated expiration date. The Company did not repurchase any of its common stock or debentures during the second quarter of fiscal 2010. Through September 26, 2009, the Company had used $274.3 million of the $800.0 million authorized for the repurchase of its outstanding common stock and debentures, leaving $525.7 million that may yet be purchased under our current common stock and debentures repurchase program. See "Note 11. Common Stock and Debentures Repurchase Program" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for information regarding our stock repurchase plans.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At Xilinx, Inc.'s Annual Meeting of Stockholders held on August 12, 2009, stockholders elected each of the director nominees, approved amendments to our 1990 Employee Qualified Stock Purchase Plan and the 2007 Equity Incentive Plan, and ratified the appointment of our external auditors.

(1) To elect eight directors to serve for the ensuing year or until their successors are duly elected and qualified.

	Votes For	Votes Against	Abstain
Philip T. Gianos	231,463,921	6,056,068	548,901
Moshe N. Gavrielov	232,962,380	4,638,741	467,770
John L. Doyle	231,912,900	5,854,714	301,278
Jerald G. Fishman	228,561,105	8,954,865	552,922
William G. Howard, Jr.	231,844,831	5,675,388	548,671
J. Michael Patterson	235,331,432	2,225,612	511,847
Marshall C. Turner	235,726,638	1,832,515	509,738
Elizabeth W. Vanderslice	235,229,124	2,522,039	317,728

(2) To approve an amendment to our 1990 Employee Qualified Stock Purchase Plan to increase the number of shares reserved for issuance thereunder by 2,000,000 shares.

Votes For	Votes Against	Abstain	Broker Non-Votes
208,149,091	6,661,380	83,184	23,176,259

(3) To approve an amendment to our 2007 Equity Incentive Plan to increase the number of shares reserved for issuance thereunder by 5,000,000 shares.

Votes For	Votes Against	Abstain	Broker Non-Votes
140,118,906	74,570,949	197,750	23,182,309

(4) To ratify the appointment of Ernst & Young LLP, an independent registered public accounting firm, as external auditors of Xilinx, for the fiscal year ending April 3, 2010.

Broker Non-

Votes For	Votes Against	Abstain	Votes
233,349,188	4,594,649	126,077	0

ITEM 6. EXHIBITS

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Items 3 and 5 are not applicable and have been omitted.

SIGNATURES

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

XILINX, INC.

Date: November 3, 2009

/s/ Jon A. Olson
Jon A. Olson
Senior Vice President, Finance
and Chief Financial Officer
(as principal accounting and financial
officer and on behalf of Registrant)