

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

FORM 10-Q

(MARK ONE)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 27, 2008

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934 (No Fee Required)

Commission File No. 0-12718

SUPERTEX, INC.

(Exact name of Registrant as specified in its Charter)

California
(State or other jurisdiction of incorporation or organization)

94-2328535
(IRS Employer Identification #)

**1235 Bordeaux Drive
Sunnyvale, California 94089**
(Address of principal executive offices)

Registrant's Telephone Number, Including Area Code: **(408) 222-8888**

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 []

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Check one.

Large accelerated filer [] **Accelerated filer** [X] **Non-accelerated filer** [] **Smaller Reporting Company** []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes []

No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common Stock, no par value

Outstanding at January 30, 2009
12,869,095

*Exhibit index is on Page 35
Total number of pages: 36*

SUPERTEX, INC.

QUARTERLY REPORT - FORM 10Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SUPERTEX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except per share amounts)

| | Three Months Ended | | Nine Months Ended | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | December 27, 2008 | December 29, 2007 | December 27, 2008 | December 29, 2007 |
| Net sales | \$ 17,596 | \$ 20,147 | \$ 63,800 | \$ 62,938 |
| Cost of sales ⁽¹⁾ | 8,076 | 8,915 | 28,240 | 26,011 |
| Gross profit | 9,520 | 11,232 | 35,560 | 36,927 |
| Research and development ⁽¹⁾ | 3,467 | 3,358 | 11,306 | 10,981 |
| Selling, general and administrative ⁽¹⁾ | 3,157 | 3,888 | 10,853 | 11,726 |
| Total operating expenses | 6,624 | 7,246 | 22,159 | 22,707 |
| Income from operations | 2,896 | 3,986 | 13,401 | 14,220 |
| Interest income | 881 | 1,664 | 2,763 | 4,485 |
| Other expense, net | (1,025) | (332) | (1,218) | (59) |
| Income before provision for income taxes | 2,752 | 5,318 | 14,946 | 18,646 |
| Provision for income taxes | 140 | 1,641 | 3,345 | 5,995 |
| Net income | \$ 2,612 | \$ 3,677 | \$ 11,601 | \$ 12,651 |
| Net income per share: | | | | |
| Basic | \$ 0.20 | \$ 0.27 | \$ 0.90 | \$ 0.92 |
| Diluted | \$ 0.20 | \$ 0.26 | \$ 0.90 | \$ 0.91 |
| Shares used in per share computation: | | | | |
| Basic | 12,854 | 13,685 | 12,824 | 13,700 |
| Diluted | 12,925 | 13,912 | 12,923 | 13,929 |
| ⁽¹⁾ Includes amortization of employee stock-based compensation as follows. See Note 6 for more information: | | | | |
| Cost of sales | \$ 157 | \$ 127 | \$ 402 | \$ 401 |
| Research and development | \$ 279 | \$ 198 | \$ 898 | \$ 663 |
| Selling, general and administrative | \$ 259 | \$ 210 | \$ 739 | \$ 631 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SUPERTEX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands)

| | December 27, 2008 | March 29, 2008 |
|--|--------------------------|-----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 50,755 | \$ 17,902 |
| Short-term investments | 5,930 | 6,827 |
| Trade accounts receivable, net | 9,698 | 13,197 |
| Inventories, net | 17,361 | 17,036 |
| Prepaid expenses and other current assets | 1,294 | 3,647 |
| Deferred income taxes | 9,401 | 9,401 |
| Total current assets | 94,439 | 68,010 |
| Long-term investment, net | 79,000 | 96,531 |
| Property, plant and equipment, net | 9,242 | 9,916 |
| Other assets | 374 | 373 |
| Deferred income taxes | 6,112 | 2,521 |
| TOTAL ASSETS | \$ 189,167 | \$ 177,351 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Trade accounts payable | \$ 2,467 | \$ 3,280 |
| Accrued salaries and employee benefits | 10,681 | 12,146 |
| Other accrued liabilities | 1,431 | 1,741 |
| Deferred revenue | 4,778 | 4,349 |
| Total current liabilities | 19,357 | 21,516 |
| Income taxes payable, noncurrent | 4,181 | 3,960 |
| TOTAL LIABILITIES | 23,538 | 25,476 |
| Commitments and contingencies (Note 9) | | |
| Shareholders' equity: | | |
| Preferred stock, no par value -- 10,000 shares authorized, none outstanding | - | - |
| Common stock, no par value -- 30,000 shares authorized; issued and outstanding 12,868 shares and 12,749 shares | 58,817 | 54,968 |
| Accumulated other comprehensive loss | (5,765) | (4,069) |
| Retained earnings | 112,577 | 100,976 |
| TOTAL SHAREHOLDERS' EQUITY | 165,629 | 151,875 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 189,167 | \$ 177,351 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SUPERTEX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

| CASH FLOWS FROM OPERATING ACTIVITIES | Nine Months Ended | |
|--|-------------------|-------------------|
| | December 27, 2008 | December 29, 2007 |
| Net income | \$ 11,601 | \$ 12,651 |
| Non-cash adjustments to net income: | | |
| Depreciation | 2,479 | 2,226 |
| Provision for doubtful accounts and sales returns | 468 | 1,064 |
| Provision for excess and obsolete inventories | 1,969 | 2,085 |
| Stock-based compensation expense | 2,039 | 1,695 |
| Tax benefit related to stock-based compensation plans | 203 | 462 |
| Excess tax benefit related to stock-based compensation plans | (57) | (238) |
| Unrealized loss on short-term investment, categorized as trading | 1,273 | 191 |
| Gain on disposal of property, plant and equipment | - | (200) |
| Deferred income taxes | 94 | (669) |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable | 3,031 | (1,177) |
| Inventories | (2,294) | (5,358) |
| Prepaid expenses and other assets | 2,352 | (257) |
| Trade accounts payable and accrued expenses | (2,590) | (251) |
| Deferred revenue | 429 | 723 |
| Income taxes payable | 221 | 1,978 |
| Net cash provided by operating activities | 21,218 | 14,925 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property, plant and equipment | (1,803) | (3,795) |
| Proceeds from disposal of property and equipment | - | 200 |
| Purchases of short-term investments | (540) | (88,350) |
| Sales of short-term investments | 12,314 | 86,704 |
| Net cash provided by (used in) investing activities | 9,971 | (5,241) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from exercise of stock options and employee stock purchase plan | 1,607 | 2,033 |
| Repurchase of common stock | - | (10,628) |
| Excess tax benefit related to stock-based compensation plans | 57 | 238 |
| Net cash provided by (used in) financing activities | 1,664 | (8,357) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 32,853 | 1,327 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of period | 17,902 | 22,652 |
| End of period | \$ 50,755 | \$ 23,979 |
| Supplemental cash flow disclosures: | | |
| Income taxes paid, net of refunds | \$ 1,941 | \$ 4,701 |
| Supplemental disclosure of non-cash activities: | | |
| Additions to property, plant and equipment included in accounts payable and accrued expenses | \$ 2 | \$ 71 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SUPERTEX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 – Organization and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Supertex, Inc. and its subsidiary have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America. This financial information reflects all adjustments, which are, in the opinion of the Company’s management, of normal recurring nature and necessary to state fairly the statements of financial position as of December 27, 2008 and March 29, 2008, results of operations for the three and nine months ended December 27, 2008 and December 29, 2007, and cash flows for the nine months ended December 27, 2008 and December 29, 2007. The March 29, 2008 balance sheet was derived from the audited financial statements included in the fiscal 2008 Annual Report on Form 10-K, but does not include all disclosures required by GAAP in the United States of America. All significant intercompany transactions and balances have been eliminated.

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in these financial statements have been condensed or omitted pursuant to such rules and regulations, although the Company believes the disclosures which are made are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the audited consolidated financial statements of Supertex, Inc. for the fiscal year ended March 29, 2008, which were included in the fiscal 2008 Annual Report on Form 10-K.

Interim results are not necessarily indicative of results for the full fiscal year. The preparation of financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and such differences may be material to the financial statements. The results of operations for the three and nine months ended December 27, 2008 are not necessarily indicative of the results to be expected for any future periods.

The Company reports on a fiscal year basis and it operates and reports based on quarterly periods ending on the Saturday nearest the end of the applicable calendar quarter, except in a 53-week fiscal year, in which case the additional week falls into the fourth quarter of the fiscal year. Fiscal 2009 will be a 52-week year. The three months ended December 27, 2008, September 27, 2008, and December 29, 2007, all consist of thirteen weeks.

Reclassification

For presentation purposes, certain prior period amounts have been reclassified to conform to the reporting in the current period financial statements. These reclassifications do not affect the Company’s net income or shareholders’ equity. Specifically, due to the adoption of Financial Accounting Standard No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*” (“SFAS 159”) in the first quarter of fiscal year 2009, purchases and sales of trading securities were reclassified from operating cash flows to investing cash flows.

Recent Accounting Pronouncements

In October 2008, the Financial Accounting Standards Board (“FASB”) issued FSP SFAS No. 157-3, “*Determining the Fair Value of a Financial Asset When The Market for That Asset Is Not Active*” (“FSP157-3”), to clarify the application of the provision of SFAS 157 in an inactive market and how an entity would determine fair value in an inactive market. FSP 157-3 is effective immediately and applies to the Company’s December 27, 2008 financial statements. The application of the provisions of FSP 157-3 did not materially affect the Company’s results of operations or financial condition, as of and for the period ended December 27, 2008.

SUPERTEX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(unaudited)

In March 2008, the FASB issued Statement No. 161, “*Disclosures about Derivative Instruments and Hedging Activities*” (“SFAS 161”). The new standard is intended to improve financial reporting of derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 (March 29, 2009 for the Company). The Company is currently assessing the potential impact that the adoption of SFAS 161 will have on its Consolidated Financial Statements, but does not expect it to have a material effect.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, “*Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*” (“SFAS 160”). SFAS 160 will change the accounting and reporting for minority interests, which will be re-characterized as non-controlling interests and classified as a component of equity. SFAS 160 is effective for both public and private companies for fiscal years beginning on or after December 15, 2008 (March 29, 2009 for the Company). SFAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 shall be applied prospectively. The Company is currently assessing the potential effect that the adoption of SFAS 160 will have on its Consolidated Financial Statements, but does not expect it to have a material effect.

In December 2007, the FASB issued Statement of Financial Accounting Standard No. 141 (revised 2007), “*Business Combinations*” (“SFAS 141(R)”). The revised standard continues the movement toward the greater use of fair values in financial reporting. SFAS 141(R) will significantly change how business acquisitions are accounted for and will affect financial statements both on the acquisition date and in subsequent periods. SFAS 141(R) is effective for both public and private companies for fiscal years beginning on or after December 15, 2008 (March 29, 2009 for the Company). SFAS 141(R) will be applied prospectively. The Company is currently assessing the potential effect that the adoption of SFAS 141(R) will have on its Consolidated Financial Statements, but does not expect it to have a material effect.

In the first quarter of fiscal 2009, the Company adopted Statement of Financial Accounting Standard No. 157, “*Fair Value Measurements*” (“SFAS 157”) for all financial assets and financial liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value, and enhances fair value measurement disclosure. The adoption of SFAS 157 did not have a significant effect on the Company’s Consolidated Financial Statements, and the resulting fair value calculated under SFAS 157 after adoption did not significantly differ from the fair values that would have been calculated under previous guidance. See Note 2 to the Company’s Consolidated Financial Statements for further discussion.

In February 2008, the FASB issued FSP FAS 157-2 which delayed the effective date of SFAS 157 for all non-financial assets and non-financial liabilities except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The FSP partially defers the effective date of SFAS 157 to fiscal years beginning on or after November 15, 2008 and interim periods within those fiscal years for items within the scope of this FSP (March 29, 2009 for the Company). The Company is currently assessing the potential effect that the adoption of FSP FAS 157-2 will have on its Consolidated Financial Statements.

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*” (“SFAS 159”), which permits entities to elect to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This election is irrevocable. The standard requires that unrealized gains and losses are reported in earnings for items measured using the fair value option. SFAS 159 also requires cash flows from purchases, sales, and maturities of trading securities to be classified based on the nature and purpose for which the securities were

SUPERTEX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(unaudited)

acquired. SFAS 159 became effective for the Company in first quarter of fiscal 2009. The Company did not elect the fair value option for any of its financial assets or liabilities. The Company assessed the nature and the purpose of its investment in trading securities and reclassified purchases of trading securities from operating cash flows to investing cash flows based upon paragraph 16 of SFAS 159. The net cash flows of \$376,000 from trading securities were classified as investing activities for the nine months ended December 27, 2008.

Note 2 – Fair Value

In the first quarter of fiscal year 2009, the Company adopted the provision of SFAS 157 for financial assets and liabilities. SFAS 157 defines fair value, thereby eliminating inconsistencies in guidance found in various prior accounting pronouncements, and enhances disclosures surrounding fair value calculations.

SFAS 157 defines fair value as the price that would be received from selling an asset and paid to transfer a liability 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 it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

SFAS 157 establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 - Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use.

SFAS 157 requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses input that is significant to the fair value calculation, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation. The Company's financial assets and liabilities measured at fair value on a recurring basis include cash equivalents and investment securities, both short-term and long-term.

Included in the Company's long-term investments are auction rate securities (ARS), which are collateralized by student loans. Due to the lack of availability of observable market quotes for the Company's investment portfolio of these ARS, the fair value was estimated based on a discounted cash flow model and included a discount factor for illiquidity of the ARS market. The assumptions used in the discounted cash flow model include estimates for interest rates, timing and amounts of cash flows, liquidity of the underlying security, expected holding periods and contractual terms of the security. In light of the current market condition for ARS, the Company developed different scenarios for the significant inputs used in the discounted cash flow model, including but not limited to liquidity discount from 125 to 150 basis points per year for the current ARS market, and the timing of recovery of the ARS market from two to four years. The estimated fair value of the Company's ARS ranges from \$76,500,000

SUPERTEX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(unaudited)

to \$82,500,000. We believe this estimated range of fair values of our ARS is appropriate taking into consideration historical ARS market data, the possibility of development of a secondary market for ARS, recent market participant behaviors, and public policy implications associated with the student loan based ARS market. We have concluded that the fair value of our ARS was \$79,000,000 at December 27, 2008 net of a temporary impairment of \$9,450,000 to par value.

The Company also considered the quality, amount of collateral, and US government guarantee for the ARS and looked to other marketplace transactions and information received from other third party brokers in order to assess whether the fair value based on the discounted cash flow model was reasonable. The valuation of the Company's investment portfolio is subject to uncertainties that are difficult to predict. Factors that may affect the Company's valuation include changes to credit ratings of the securities as well as the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral values, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity. Significant inputs to the investment valuations are unobservable in the active markets and therefore the Company's ARS are classified as Level 3 in the hierarchy.

The following table summarizes assets measured at fair value on a recurring basis at December 27, 2008, excluding accrued interest (*in thousands*):

| <u>Assets</u> | <u>Fair value measurements</u> | | | |
|------------------------------|--------------------------------|------------------|------------------|-------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Money market funds | \$ - | \$ 45,246 | \$ - | \$ 45,246 |
| Equity mutual funds | 5,930 | - | - | 5,930 |
| Long-term investments in ARS | - | - | 79,000 | 79,000 |
| Total assets at fair value | <u>\$ 5,930</u> | <u>\$ 45,246</u> | <u>\$ 79,000</u> | <u>\$ 130,176</u> |

The following table summarizes the change in fair value of the Company's level 3 assets (*in thousands*):

| <u>Fair value measurements of assets using level 3 inputs</u> | <u>Short-term and long-term investments in ARS</u> |
|--|--|
| Beginning balance at March 29, 2008 | \$ 96,531 |
| Unrealized gain recorded in "Accumulated other comprehensive loss" | 451 |
| Ending balance at June 28, 2008 | 96,982 |
| Redemption of investments in ARS | (11,200) |
| Unrealized loss recorded in "Accumulated other comprehensive loss" | (1,782) |
| Ending balance at September 27, 2008 | 84,000 |
| Redemption of investments in ARS | (950) |
| Unrealized loss recorded in "Accumulated other comprehensive loss" | (4,050) |
| Ending balance at December 27, 2008 | <u>\$ 79,000</u> |

During the nine months ended December 27, 2008, the Company has received \$12,150,000 relating to ARS redeemed at par value. See Note 3 for discussion of the Company's ARS.

Note 3 – Cash and Cash Equivalents and investments

The Company's cash equivalents consist primarily of investments in money market funds.

SUPERTEX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(unaudited)

The Company's portfolio of long-term available-for-sale investments is as follows *(in thousands)*:

| | December 27, 2008 | | | March 29, 2008 | | |
|--|-------------------|---------------------------|-------------------|-------------------|---------------------------|-------------------|
| | Amortized Cost | Net Unrealized Loss | Carrying Value | Amortized Cost | Net Unrealized Loss | Carrying Value |
| Long-term investments: Available-for sale ARS | \$ 88,450 | \$ (9,450) | \$ 79,000 | \$ 100,600 | \$ (4,069) | \$ 96,531 |

The Company's long-term investments in ARS by contractual maturity are as follows *(in thousands)*:

| | December 27, 2008 | March 29, 2008 |
|--|-------------------|----------------|
| Long-term investments: Available-for-sale securities at amortized cost: | | |
| Due after ten years | \$ 88,450 | \$ 100,600 |
| Unrealized loss | (9,450) | (4,069) |
| Total long-term investments, net | \$ 79,000 | \$ 96,531 |

The Company's available-for-sale portfolio as of December 27, 2008 is composed entirely of ARS, which are investments with contractual maturities between 16 and 32 years. They are in the form of auction rate bonds whose interest rates had historically been reset every seven to thirty-five days through an auction process. At the end of each reset period, investors can sell or continue to hold the securities at par. These ARS held by the Company are backed by pools of student loans and are primarily guaranteed by the United States Department of Education. In addition, all the ARS held by the Company are rated by the major independent rating agencies as either AAA or Aaa.

The Company's ARS investments are reported at fair value in accordance with SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities." ARS held by the Company as of December 27, 2008, experienced failed auctions due to sales orders exceeding purchase orders. The Company's auction rate securities are considered illiquid until there is a successful auction or redemption by the issuer. The ARS fair value of \$79,000,000, as of December 27, 2008, was presented as long-term investments. The unrealized loss as of December 27, 2008 was recorded in accumulative other comprehensive loss, net of tax, of \$5,765,000.

The Company has concluded that the decline in fair value of the ARS investments, as of December 27, 2008, is considered to be temporary in part due to the following:

- the decline in market value is due to unusual general market conditions;
- recently, some ARS were redeemed at par value;
- these investments are of high credit quality and a significant portion of them are collateralized and are guaranteed by the US Department of Education;
- there have been no defaults on the ARS held by the Company as of December 27, 2008;

SUPERTEX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(unaudited)

- their AAA or Aaa credit ratings have not been reduced as of December 27, 2008;
- the Company has the intent and ability to hold these investments until the anticipated recovery in market liquidity occurs; and
- the Company received a payment of \$11,200,000 in July 2008 and a payment of \$950,000 in December 2008, representing approximately 86% and 19% of its holding of two ARS, respectively, both of which were redeemed in part at par value.

If uncertainties in the credit and capital markets continue or these markets deteriorate further, the Company may incur additional unrealized losses due to temporary impairment to the par value of its ARS. In addition, the Company may be required to record an impairment charge through the statement of income if the decline in fair value is determined to be other-than-temporary. The Company will continue to monitor its ARS.

Note 4 – Inventories

The Company's inventories consist of high technology semiconductor devices and integrated circuits that are specialized in nature, subject to rapid technological obsolescence, and sold in a highly competitive industry. Inventory balances at the end of each period are adjusted to approximate the lower of cost or market value.

Inventories consist of (*in thousands*):

| | December 27, 2008 | March 29, 2008 |
|---|--------------------------|-----------------------|
| Raw materials | \$ 1,099 | \$ 1,075 |
| Work-in-process | 11,318 | 11,463 |
| Finished goods | 2,961 | 2,462 |
| Finished goods at distributors and at hubs on consignment | 1,983 | 2,036 |
| Net Inventories | \$ 17,361 | \$ 17,036 |

The Company wrote down inventory totaling \$1,123,000 and \$1,969,000 for the three and nine months ended December 27, 2008, respectively. For the comparable periods in fiscal 2008, the Company wrote down inventory totaling \$1,235,000 and \$2,085,000, respectively. The Company recorded sales of previously written-down inventory of \$443,000 and \$1,125,000 for the three and nine months ended December 27, 2008, respectively. Such sales were \$287,000 and \$1,065,000 for the three and nine months ended December 29, 2007, respectively.

Due to the uncertainty associated with possible returns and pricing concessions, the Company defers the recognition of revenue on shipments to all distributors, domestic and foreign, and the related costs of sales until the distributors have sold the products to their end-user customers. Sales through the distributors are made primarily under arrangements allowing limited rights of return, limited price protection, and the right of stock rotation on merchandise unsold by distributors. For inventory at OEM hubs, which the Company owns and is included in its inventory at cost, revenue is not recognized until the Company receives a notice from the customer or the customer's hub operator that the products have been drawn from the hubs.

SUPERTEX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(unaudited)

Note 5 - Comprehensive Income

Components of the Company's comprehensive income for the three and nine months ended December 27, 2008 and December 29, 2007, respectively, are as follows (*in thousands*):

| | <u>Three Months Ended</u> | | <u>Nine Months Ended</u> | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | <u>December 27, 2008</u> | <u>December 29, 2007</u> | <u>December 27, 2008</u> | <u>December 29, 2007</u> |
| Net income | \$ 2,612 | \$ 3,677 | \$ 11,601 | \$ 12,651 |
| Unrealized loss on available-for-sale investments | (365) | - | (1,696) | - |
| Comprehensive income | <u>\$ 2,247</u> | <u>\$ 3,677</u> | <u>\$ 9,905</u> | <u>\$ 12,651</u> |

During the third quarter of fiscal 2009, the Company identified an error totaling \$2,106,000, related to the prior period recording of the tax effect of unrealized losses on auction rate securities that was recorded as other comprehensive loss. During the quarter and year ended March 29, 2008 comprehensive income was understated by \$1,587,000; comprehensive income for the quarter ended June 28, 2008 was overstated by \$176,000; and for the quarter ended September 27, 2008 it was understated by \$695,000. The Company assessed the materiality of these errors if they were recorded cumulatively as an adjustment in the quarter ended December 27, 2008, in relation to fiscal 2008; to the quarters ended March 29, 2008, June 28, 2008, September 27, 2008 and December 27, 2008; to the six and nine month periods ended September 27, 2008 and December 27, 2008, respectively; and to its expected full year results of operations for fiscal 2009 and concluded that the errors were not material to the results of operations or financial condition of the Company in any period. The Company therefore recorded the cumulative impact of the correction of these errors as an adjustment to deferred tax assets in the quarter ended December 27, 2008.

Note 6 - Stock-Based Compensation

Effective April 2, 2006, the Company adopted the provisions of SFAS No. 123(R), *Share-Based Payment*. SFAS 123(R) establishes accounting for stock-based awards exchanged for employee services. Accordingly, stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the requisite service period of the employee.

The employee stock-based compensation expense for the three and nine months ended December 27, 2008 was \$695,000 and \$2,039,000, respectively. For the comparable periods in fiscal 2008, the employee stock-based compensation expense was \$535,000 and \$1,695,000, respectively.

During the three and nine months ended December 27, 2008, the Company granted options with an estimated total grant date fair value of \$3,469,000 and \$6,253,000, respectively. For the same periods last fiscal year, the Company granted options with an estimated grant date fair value of \$1,936,000 and \$4,482,000, respectively. As of December 27, 2008, the unrecorded stock-based compensation cost balance related to stock options was \$10,336,000 (net of estimated forfeitures) and will be recognized over an estimated weighted average amortization period of approximately 4.8 years.

Under the Company's 2001 Stock Option Plan ("Option Plan"), a total of 2,000,000 shares of Common Stock are authorized for issuance. Under the Option Plan, options have been typically granted once a quarter (on the first business day of the third month of each quarter) and valued at the fair value of the Company's common stock on the date of grant. Options generally expire seven to ten years from grant date or thirty days after termination of

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service, whichever occurs first. Options are generally exercisable beginning one year from date of grant and generally vest ratably over a five-year period. On August 24, 2006, the Company's board of directors approved a change in grant policy of the Plan to grant only non-statutory stock options to better align the Company's compensation plan to employee incentives and to company objectives. On August 17, 2007, the Company's board of directors approved that all future stock option grants would have a ten-year life, which is within the guidelines of the Option Plan.

The following table summarizes the activities under the Option Plan for the nine months ended December 27, 2008:

| | Available For Grant | Options Outstanding | |
|----------------------------|------------------------|---------------------|------------------------------------|
| | | Number of Shares | Weighted Average Exercise Price |
| Balance, March 29, 2008 | 642,579 | 1,100,365 | \$ 28.09 |
| Granted | (523,100) | 523,100 | 23.45 |
| Exercised | - | (111,600) | 12.91 |
| Canceled | 71,580 | (71,580) | 29.67 |
| Balance, December 27, 2008 | <u>191,059</u> | <u>1,440,285</u> | \$ 27.50 |

The weighted average fair value of options, as determined under SFAS 123R, granted under the Option Plan during the three and nine months ended December 27, 2008 were \$11.54 and \$11.95 per share, compared to \$15.90 and \$17.18 per share, respectively, during the same periods last fiscal year. The total intrinsic value of options exercised (which is the amount by which the stock price exceeded the exercise price of the option on the date of the exercise) during the three and nine months ended December 27, 2008 was \$82,000 and \$1,319,000, compared to \$462,000 and \$1,807,000, respectively, for the same periods last fiscal year. During the three and nine months ended December 27, 2008, the amounts of cash received from employees as a result of employee stock option exercises were \$305,000 and \$1,440,000, respectively. For the same periods last fiscal year, such amounts were \$525,000 and \$1,866,000, respectively.

The options outstanding and exercisable at December 27, 2008, under the Option Plan are in the following exercise price ranges:

| Range of Exercise Prices | Options Outstanding | | | Options Exercisable | |
|-----------------------------|-----------------------|--|---|-----------------------|---|
| | Number Outstanding | Weighted- Average Remaining Contractual Life (Years) | Weighted- Average Exercise Price | Number Outstanding | Weighted- Average Exercise Price |
| \$ 11.30 - \$ 19.99 | 265,475 | 2.26 | \$ 16.92 | 216,355 | \$ 16.84 |
| 20.00 - 29.99 | 602,300 | 9.19 | 23.48 | 34,300 | 25.76 |
| 30.00 - 39.99 | 393,560 | 6.71 | 34.33 | 104,165 | 34.25 |
| 40.00 - 46.92 | 178,950 | 4.88 | 41.75 | 53,750 | 42.00 |
| \$ 11.30 - \$ 46.92 | <u>1,440,285</u> | 6.70 | \$ 27.50 | <u>408,570</u> | \$ 25.33 |

The total intrinsic value of options outstanding and options exercisable as of December 27, 2008 was \$2,397,000 and \$1,365,000, respectively.

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2000 Employee Stock Purchase Plan (“ESPP”). Under the ESPP, eligible employees may elect to withhold up to 20% of their cash compensation to purchase shares of the Company’s common stock at a price equal to 95% of the market value of the stock at the time of purchase, which is at the end of the six-month offering period. An eligible employee may purchase no more than 500 shares during any six-month offering period. For the three months ended December 27, 2008 and December 29, 2007, the amounts of cash received from employees as a result of ESPP purchase were both \$84,000. For the nine months ended December 27, 2008 and December 29, 2007, such amounts were both \$167,000.

Note 7 – Income Taxes

The provision for income taxes for the three and nine months ended December 27, 2008 was \$140,000 at an effective tax rate of 5% and \$3,345,000 at an effective tax rate of 22%, compared to \$1,641,000 at an effective tax rate of 31% and \$5,995,000 at an effective tax rate of 32% for the same periods in the prior fiscal year, respectively. The decrease in the estimated effective tax rate for the three months ended December 27, 2008 as compared to same period in the prior fiscal year is primarily due to the retroactive reinstatement of the federal research and development credit (“R&D credit”), the expiration of tax contingencies, and shifts of income among jurisdictions with different tax rates. The decrease in the effective tax rate for the nine months ended December 27, 2008, as compared to same period in the prior fiscal year, was primarily due to the reinstatement of the federal R&D credit, the expiration of tax contingencies, shifts of income among jurisdictions with different tax rates and a favorable resolution of a prior year tax uncertainty of approximately \$295,000, including interest, recognized by the Company in the first quarter of fiscal 2009.

The income tax provision for such interim periods reflects the Company’s computed estimated annual effective tax rate and differs from the taxes computed at the federal and state statutory rates primarily due to the effect of foreign rate differentials, non-deductible stock-based compensation expense, tax exempt interest income, and research and development tax credits, FASB Interpretation No. 48, “*Accounting for Uncertainty in Income Taxes*” (“FIN 48”) tax contingencies, and the domestic production activities deduction.

During the nine months ended December 27, 2008, the liability for uncertain income tax positions less accrued interest and penalties increased from \$3,941,000 to \$3,999,000. This increase was primarily due to current period recurring FIN48 accruals partially offset by a settlement of an Internal Revenue Service (“IRS”) examination of the Company’s fiscal 2004 income tax return. Of the total \$3,999,000 of unrecognized tax benefits, \$2,637,000 represents the amount that, if recognized, would favorably affect the Company’s effective income tax rate in any future period. The Company cannot conclude on the range of cash payments that will be made within the next twelve months associated with its uncertain tax positions.

The Company records interest and penalties related to unrecognized tax benefits in income tax expense. On December 27, 2008, the Company had approximately \$232,000 accrued for estimated interest and \$401,000 for estimated penalties related to uncertain tax positions. For the nine months ended December 27, 2008, the Company recorded estimated interest of \$96,000 and estimated penalties of \$25,000.

Included in the balance of income tax benefits, accrued interest and accrued penalties on December 27, 2008 were approximately \$461,000 related to tax positions for which it is reasonably possible that the statute of limitations will expire in various jurisdictions within the next twelve months.

The "Emergency Economic Stabilization Act of 2008," which contains the "Tax Extenders and Alternative Minimum Tax Relief Act of 2008", was signed into law on October 3, 2008. Under the Act, the federal research credit was retroactively extended for amounts paid or incurred after December 31, 2007 and before January 1,

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2010. The effects of the change in the tax law were recognized in the third fiscal quarter, which is the quarter in which the law was enacted.

The California 2008-2009 Budget Bill (“AB 1452”), enacted on September 30, 2008, resulted in two temporary changes to the Company's projected 2008 California income tax. First, the bill suspends the use of Net Operating Loss (“NOL”) carryovers for two years, fiscal years 2009 and 2010. Second, the bill limits the use of R&D credit carryovers to no more than 50% of the tax liability before credits. The Company does not expect this change in the California law will result in a significant impact on its provision for income taxes for fiscal year 2009.

The Company and its subsidiaries are subject to taxation in various jurisdictions, including federal, state and foreign. The Company's federal and state income tax returns are generally not subject to examination by taxing authorities for fiscal years before 2003.

Note 8 - Net Income per Share

Basic earnings per share (“EPS”) is computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares that may be issued through stock options and ESPP only, since the Company does not have warrants or other convertible securities outstanding. A reconciliation of the numerator and denominator of basic and diluted earnings per share is provided as follows (*in thousands, except per share amounts*):

| | Three Months Ended | | Nine Months Ended | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | December 27, 2008 | December 29, 2007 | December 27, 2008 | December 29, 2007 |
| BASIC: | | | | |
| Net income | \$ 2,612 | \$ 3,677 | \$ 11,601 | \$ 12,651 |
| Weighted average shares outstanding for the period | 12,854 | 13,685 | 12,824 | 13,700 |
| Net income per share | \$ 0.20 | \$ 0.27 | \$ 0.90 | \$ 0.92 |
| DILUTED: | | | | |
| Net income | \$ 2,612 | \$ 3,677 | \$ 11,601 | \$ 12,651 |
| Weighted average shares outstanding for the period | 12,854 | 13,685 | 12,824 | 13,700 |
| Effect of dilutive securities: stock options and ESPP | 71 | 227 | 99 | 229 |
| Total | 12,925 | 13,912 | 12,923 | 13,929 |
| Net income per share | \$ 0.20 | \$ 0.26 | \$ 0.90 | \$ 0.91 |

Options to purchase 972,964 shares of the Company's common stock at an average price of \$33.99 per share, and 839,816 shares at an average price of \$33.33 per share for the three and nine months ended December 27, 2008, respectively, were outstanding but were not included in the computation of diluted earnings per share because their effect would have been anti-dilutive.

For the three and nine months ended December 29, 2007, options to purchase 555,539 shares of the Company's

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common stock at an average price of \$37.08 per share, and 516,778 shares at an average price of \$38.07 per share, respectively, were not included in the computation of diluted earnings per share because their effect would have been anti-dilutive.

Note 9 – Commitments and Contingencies

Indemnification

As is customary in the Company's industry, the Company has agreed to defend certain customers, distributors, suppliers, and subcontractors against certain claims, which third parties may assert that its products allegedly infringe certain of their intellectual property rights, including patents, trademarks, trade secrets, or copyrights. The Company has agreed to pay certain amounts of any resulting damage awards and typically has the option to replace any infringing product with non-infringing product. The terms of these indemnification obligations are generally perpetual from the effective date of the agreement. In certain cases, there are limits on and exceptions to the Company's potential liability for indemnification relating to intellectual property infringement claims. The Company cannot estimate the amount of potential future payments, if any, that it might be required to make as a result of these agreements. To date, the Company has not paid any damage awards nor has it been required to defend any claims related to its indemnification obligations, and accordingly, it has not accrued any amounts for indemnification obligations. However, there can be no assurance that the Company will not have any financial exposure under those indemnification obligations in the future.

Legal Proceedings

From time to time the Company is subject to possible claims or assessments from third parties arising in the normal course of business. Management has reviewed such possible claims and assessments with the Company's legal counsel and believes that it is unlikely that they will result in any material adverse effect on the Company's financial condition, results of operations or cash flow. The Company is not currently involved in any legal proceeding that it believes will materially and adversely affect its business or financial condition.

Product Return Reserve

The Company's policy is to replace defective products at its own expense for a period of 90 days from date of shipment. This period may be extended in certain cases. This liability is limited to replacement of the product, freight and delivery costs or refund or credit of the purchase price. On certain occasions, the Company may pay for rework. The Company usually provides a replaced/reworked product at resale value rather than a refund or credit to meet the warranty obligations. This policy is necessary to protect the Company's distributors, to improve customer satisfaction, and for competitive reasons. Additionally, it is the custom in Japan and Europe to provide this benefit.

The Company records a reduction to revenue for estimated product returns, including warranty related returns, in the same period as the related revenues are recorded. These estimates are based on historical experience, analyses of outstanding Return Material Authorization and Allowance Authorization data and any other form of notification received of pending returns. Actual warranty charges are treated as sales returns. Neither historical warranty charges nor the accrual for warranty costs is material for any periods presented.

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The reductions to revenue for estimated product returns for the three and nine months ended December 27, 2008 and December 29, 2007 are as follows (*in thousands*):

| <u>Description</u> | <u>Balance at Beginning of Period</u> | <u>Charge⁽¹⁾</u> | <u>Deductions and Other⁽²⁾</u> | <u>Balance at End of Period</u> |
|--------------------------------------|---|-----------------------------|---|---|
| Three months ended December 27, 2008 | | | | |
| Allowance for sales returns | \$ 403 | \$ 195 | \$ (193) | \$ 405 |
| Three months ended December 29, 2007 | | | | |
| Allowance for sales returns | \$ 144 | \$ 476 | \$ (228) | \$ 392 |
| Nine months ended December 27, 2008 | | | | |
| Allowance for sales returns | \$ 483 | \$ 563 | \$ (641) | \$ 405 |
| Nine months ended December 29, 2007 | | | | |
| Allowance for sales returns | \$ 199 | \$ 989 | \$ (796) | \$ 392 |

⁽¹⁾ Allowances for sales returns are recorded as a reduction of revenue.

⁽²⁾ Represents payments and other amounts charged to the allowance for sales returns.

While the Company's sales returns are historically within the expectations and the allowance established, it cannot guarantee that it will continue to experience the same return rates that it has had in the past. Any significant increase in product failure rates and the resulting sales returns could have a material adverse effect on the operating results for the period or periods in which such returns materialize.

Operating Lease Obligations

The Company's future minimum lease payments and sublease income under non-cancelable operating leases at December 27, 2008 are as follows (*in thousands*):

| <u>Payment Due by Year</u> | <u>Operating Lease</u> | <u>Estimated Sublease Income</u> |
|----------------------------|------------------------|----------------------------------|
| Less than 1 year | \$ 1,157 | \$ 17 |
| 2 years | 1,044 | - |
| 3 years | 359 | - |
| | <u>\$ 2,560</u> | <u>\$ 17</u> |

The Company leases facilities under non-cancelable lease agreements expiring at various times through September 2011. Rental expense net of sublease income for the three and nine months ended December 27, 2008 amounted to \$307,000 and \$859,000, respectively. For the same periods of last fiscal year, such expenses were \$233,000 and \$693,000, respectively.

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Note 10 – Common Stock Repurchase

There were no shares repurchased during the three and nine months ended December 27, 2008. Share repurchase activity for the three and nine months ended December 29, 2007 is as follows:

| | Three Months Ended | | Nine Months Ended | |
|------------------------------|----------------------|----------------------|----------------------|----------------------|
| | December 27, 2008 | December 29, 2007 | December 27, 2008 | December 29, 2007 |
| Number of shares repurchased | - | 212,560 | - | 317,360 |
| Cost of shares repurchased | - | \$ 7,379,000 | - | \$ 10,628,000 |
| Average price per share | - | \$ 34.71 | - | \$ 33.49 |

Since the inception of the repurchase program in 1992 through December 27, 2008, the Company has repurchased a total of 2,344,000 shares of common stock for an aggregate cost of \$36,551,000. Upon their repurchase, shares are restored to the status of authorized but un-issued shares. As of December 27, 2008, a total of 556,000 shares remained authorized for repurchase under the program.

Note 11 – Segment Information

The Company operates in one business segment comprising the design, development, manufacturing and marketing of high voltage semiconductor devices including analog and mixed signal integrated circuits. The Company's principal markets are in Asia, the United States, and Europe. The Company's chief operating decision maker, who is currently the Company's Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance.

Below is a summary of sales by major geographic area (*in thousands*):

| | Three Months Ended | | Nine Months Ended | |
|------------------------|----------------------|----------------------|----------------------|----------------------|
| | December 27, 2008 | December 29, 2007 | December 27, 2008 | December 29, 2007 |
| Net Sales | | | | |
| United States | \$ 7,105 | \$ 7,266 | \$ 23,019 | \$ 22,070 |
| Asia (excluding China) | 4,457 | 4,808 | 17,865 | 17,032 |
| China | 4,195 | 5,402 | 13,907 | 15,292 |
| Europe | 1,557 | 2,376 | 8,296 | 7,881 |
| Other | 282 | 295 | 713 | 663 |
| Net Sales | \$ 17,596 | \$ 20,147 | \$ 63,800 | \$ 62,938 |

Net property, plant and equipment by country are as follows (*in thousands*):

| Country | December 27, 2008 | March 29, 2008 |
|---------------|-------------------|----------------|
| United States | \$ 7,583 | \$ 8,334 |
| Hong Kong | 1,659 | 1,582 |
| | \$ 9,242 | \$ 9,916 |

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Note 12 – Significant Customers

The Company sells its products to OEMs through its direct sales and marketing personnel, and through its independent sales representative and distributors. Revenue from sales to distributors and its related cost of sales are recognized upon resale to end-user customers.

For the three months ended December 27, 2008, a major medical instrumentation company accounted for approximately 14% of net sales. For the three months ended December 29, 2007, the same medical instrument company and a communications company accounted for approximately 12% and 16% of sales, respectively. Nearly all of the sales to the medical instrumentation company were through distributors and contract manufacturers. For the nine months ended December 27, 2008, the same major medical instrumentation company accounted for approximately 14% of net sales. For the nine months ended December 29, 2007, the same major medical instrumentation company and the same communications company each accounted for approximately 14% of net sales. There were no other customers that the Company believes accounted for more than 10% of the Company's net sales for the three or nine months ended December 27, 2008 or December 29, 2007.

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

The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and related Notes thereto contained elsewhere in this Report. The information contained in this quarterly report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our common stock. You are urged to carefully review and consider the various disclosures we made in this Report and in other reports filed with the SEC, including the annual report on Form 10-K for the year-ended March 29, 2008.

Cautionary Statement Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements. These forward-looking statements are not historical facts, and are based on current expectations, estimates, and projections about our industry, our beliefs, our assumptions, and our goals and objectives. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," and "estimates" and variations of these words and similar expressions, are intended to identify forward-looking statements. Examples of the kinds of forward-looking statements in this report include statements regarding the following (1) our belief that sales of our high voltage analog switches and multiplexers, high voltage pulsers, high-speed MOSFET drivers, and high voltage MOSFETs to this market will continue to increase if and when the overall market recovers and as the medical ultrasound market continues to expand globally; (2) our expectation that we will introduce more new integrated pulser ICs as well as ultrasound receiver blocks; (3) our belief that custom and standard high voltage pulsers and analog switches and multiplexers will contribute to our revenue growth if and when the market recovers; (4) our expectation that there will be a sequential quarterly decrease in sales in EL inverter ICs and printer ICs due to overall weak demand; (5) our expectation that sales of our LED driver ICs for general lighting applications will resume growth if and when the overall economy recovers; and our expectation that sales of LED driver ICs for the LED backlighting unit (BLU) for LCD TVs will begin to ramp in the fourth quarter of fiscal 2009 and will grow in fiscal 2010; (6) our expectation that backlighting module prices are expected to drop to a level competitive with CCFL BLU prices; (7) our current growth strategy to successfully transition our new products, and continuously and successfully introduce and market new technology and innovative products that meet our customers' requirements; (8) our expectation that R&D expenses as a percentage of net sales may fluctuate; (9) our expectation that our tax rate will be moderately higher in the fourth quarter of fiscal 2009; (10) our expectation that we will spend approximately \$2,200,000 for capital acquisitions in fiscal 2009; (11) our belief that we have substantial production capacity in place to handle our projected business in fiscal 2009; (12) our belief that existing cash, cash equivalents together with cash flow from operations, will be sufficient to meet our liquidity and capital requirements through the next twelve months; (13) our belief that the estimated range of fair values of our ARS is appropriate; that the credit risk of our auction rate securities is very low; that we will receive the principal associated with these auction-rate securities; that the auction failures will not materially affect our ability to fund our working capital needs, capital expenditures, or other business requirements; and that declines in our ARS fair values are temporary; (14) our belief that our exposure to foreign currency risk is relatively small; and (15) our belief that it is unlikely that any legal claims will result in a material adverse effect on our financial position, results of operations or cash flows.

These statements are only predictions, are not guarantees of future performance, and are subject to risks, uncertainties, and other factors, some of which are beyond our control and are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties include material adverse changes in the demand for our customer's products in which the Company's products are used; that competition to supply semiconductor devices in the markets in which the Company competes increases and causes price erosion; that demand does not materialize and increase for recently released customer products incorporating the Company's products; that we have delays in developing and releasing into production our planned new products, that there could be unexpected manufacturing issues as production ramps up; that the demand for the Company's products or results of its product development changes such that it would be unwise not to decrease research and development; that the IRS will determine that more US

income was realized than the Company claimed or that fewer expenses were allowable; that some of the Company's equipment will be unexpectedly damaged or become obsolete, thereby requiring replacement; and that the credit crisis will not further affect our auction rate securities; as well as those described in "Factors Which May Affect Operating Results" under Item 1A of Part I, "Risk Factors" in the Company's annual report of Form 10-K for the fiscal year ended March 29, 2008. The information included in this Form 10-Q is provided as of the filing date with the SEC and future events or circumstances could differ significantly from the forward-looking statements included herein. Accordingly, the readers are cautioned not to place undue reliance on such statements. Except as required by law, the Company undertakes no obligation to update any forward-looking statement as a result of new information, future events, or otherwise.

Critical Accounting Policies

Our critical accounting policies are those that both (1) are most important to the portrayal of the financial condition and results of operations and (2) require management's most difficult, subjective, or complex judgments, often requiring estimates about matters that are inherently uncertain. There have been no material changes from the methodology applied by management for critical accounting estimates previously disclosed in our fiscal 2008 Annual Report on Form 10-K.

Overview

We design, develop, manufacture, and market integrated circuits (ICs), including analog and mixed signal devices utilizing state-of-the-art high voltage DMOS, HVCMOS and HVBiCMOS analog and mixed signal technologies. We supply standard and custom high voltage interface products primarily for use in the imaging, medical electronics, telecommunications (telecom), LED driver ICs, and industrial/other markets. We also supply custom integrated circuits for our customers using customer-owned designs and mask toolings with our process technologies.

Results of Operations

Net Sales

We operate in one business segment comprising the design, development, manufacturing and marketing of high voltage semiconductor devices including analog and mixed signal ICs and specialty metal-oxide-field-effect-transistors (MOSFETs) . We have a broad customer base, which in some cases manufacture electronic end products and equipment spanning multiple markets. As such, the assignment of revenue to the aforementioned markets requires the use of estimates, judgment, and extrapolation. Actual results may differ slightly from those reported here.

Net sales for the three months ended December 27, 2008 were \$17,596,000, a 13% decrease compared to \$20,147,000 for the same period of the prior fiscal year. This year-over-year decrease in net sales resulted primarily from the current weak global economy affecting nearly all of our markets, one of our customers of EL inverter ICs for cell phones losing market share, and reduced shipments to telecom due to lower demand for driver ICs for a military radio application. Net sales decreased 25% from \$23,453,000 when compared to the quarter ended September 27, 2008, primarily due to the weak global economy affecting nearly all of our target markets. However, sales of LED backlighting drivers increased, as demand increased from a tier-one flat screen TV OEM due to ramping of a new line of LCD TVs.

Net sales for the nine months ended December 27, 2008 were \$63,800,000, a 1% increase compared to \$62,938,000 for the same period of fiscal 2008. This resulted from increases during the first half of fiscal 2009 in sales of our medical electronics products, custom processing services and industrial products. This was partially offset by

reductions in our sales in most markets due to the weak global economy and reductions in EL driver ICs, due to reduced demand from a communications customer for legacy products, while our new multi-segment EL driver ICs sales increased.

The table below shows our estimate of the breakdown of net sales to customers by end market for the three and nine months ended December 27, 2008, December 29, 2007, and the three months ended September 27, 2008, as well as year-over-year and quarterly sequential percentage changes (*in thousands except percentages*):

| Net Sales | Three Months Ended | | | | Year-Over-Year Change | Nine Months Ended | | Year-Over-Year Change |
|---------------------|--------------------|--------------------|-------------------|-------------------|-----------------------|-------------------|-------------------|-----------------------|
| | December 27, 2008 | September 27, 2008 | December 29, 2007 | Sequential Change | | December 27, 2008 | December 29, 2007 | |
| Medical Electronics | \$ 7,527 | \$ 9,912 | \$ 7,590 | -24% | -1% | \$ 26,967 | \$ 23,790 | 13% |
| Imaging | 4,649 | 6,514 | 6,804 | -29% | -32% | 17,470 | 20,413 | -14% |
| Industrial/Other | 3,299 | 4,189 | 2,867 | -21% | 15% | 10,386 | 9,760 | 6% |
| Telecom | 1,215 | 2,101 | 2,380 | -42% | -49% | 5,981 | 6,103 | -2% |
| LED Lighting | 906 | 737 | 506 | 23% | 79% | 2,996 | 2,872 | 4% |
| Net Sales | <u>\$ 17,596</u> | <u>\$ 23,453</u> | <u>\$ 20,147</u> | -25% | -13% | <u>\$ 63,800</u> | <u>\$ 62,938</u> | 1% |

| Net Sales | Three Months Ended | | | Nine Months Ended | |
|---------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| | December 27, 2008 | September 27, 2008 | December 29, 2007 | December 27, 2008 | December 29, 2007 |
| Medical Electronics | 43% | 42% | 38% | 42% | 38% |
| Imaging | 26% | 28% | 34% | 28% | 32% |
| Industrial/Other | 19% | 18% | 14% | 16% | 15% |
| Telecom | 7% | 9% | 12% | 9% | 10% |
| LED Lighting | 5% | 3% | 2% | 5% | 5% |
| Net Sales | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

Our medical electronics product family accounted for the largest sales of all of our five focus markets for the three and nine months ended December 27, 2008 and December 29, 2007, and for the three months ended September 27, 2008. Sales to the medical electronics market for the three months ended December 27, 2008 were \$7,527,000, which were essentially flat with the same period of the prior fiscal year. Sales to the medical electronics market decreased 24% sequentially due the weak global economy, normal seasonal decline in demand for our analog switches, high voltage pulser circuits and chipsets, and reduced custom processing services.

For the nine months ended December 27, 2008, our medical electronics sales were \$26,967,000, an increase of \$3,177,000, or 13%, compared to the same period in the prior fiscal year. The year-over-year increase in the net sales is due to higher demand in the first half of fiscal 2009 reflected in strong shipments of our high voltage pulser circuits and chipsets, and our analog switches and multiplexers.

In recent years, the medical ultrasound systems market has experienced significant growth in the transportable and hand-carried units. These high-performance, portable, low-cost systems are also accelerating the proliferation of ultrasound imaging applications in the medical disciplines other than the traditional clinical prenatal applications, such as cardiovascular and organ scans. Geographically, our market has expanded as well, as China, Korea and India are designing and producing medical ultrasound imaging machines. We believe that sales of our high voltage analog switches and multiplexers, high voltage pulsers, high-speed MOSFET drivers, and high voltage MOSFETs to this market will continue to increase if and when the overall market recovers and as the medical ultrasound

market continues to expand globally. We are heavily investing in product development for this market and we expect to introduce more new integrated pulser ICs as well as ultrasound receiver building blocks. Custom and standard high voltage pulsers and analog switches and multiplexers are projected to contribute to our revenue growth if and when the market recovers.

Sales in the imaging market for the three and nine months ended December 27, 2008 were \$4,649,000 and \$17,470,000, a decrease of 32% and 14%, respectively, when compared to the same periods in the last fiscal year. These sales decreases were due to a decline in shipments of our legacy EL inverter ICs due to reduced demand for these products from a handset customer as that customer's products continued to lose market share. The year-to-date decrease was partially offset by the production ramp-up in the first half of fiscal 2009 of our multi-segment EL inverter ICs to two cell phone customers. Sales for the three months ended December 27, 2008, when compared to the prior fiscal quarter, were 29% lower due primarily to a decline in shipments of our EL inverter ICs for cell phones, as one of our customers lost market share. We expect a sequential quarterly decrease in sales of EL inverter ICs and printer ICs primarily due to overall weak demand.

Sales in the industrial and other markets for the three and nine months ended December 27, 2008 were \$3,299,000 and \$10,386,000, respectively, or increases of 15% and 6%, respectively, as compared with the same periods of the prior fiscal year, primarily due to increased shipments of a driver for automatic test equipment. Sales in the third fiscal quarter were lower by \$890,000 sequentially, primarily due to a reduction in demand for that product.

Sales to the telecom market decreased 49% during the three months ended December 27, 2008 to \$1,215,000 compared to the same period a year ago and decreased 42% sequentially. These year-over-year and sequential decreases were due to the weak global economy, lower shipments of driver ICs for a military radio application and reduced demand for high voltage MEMS driver ICs for optical-to-optical switching applications.

For the nine months ended December 27, 2008, sales to the telecom market decreased \$122,000, or 2%, to \$5,981,000 compared to the same period of last fiscal year.

Sales of LED driver ICs for lighting and backlighting were \$906,000 for the three months ended December 27, 2008 compared to \$506,000 for the same period last year and \$737,000 for the prior quarter. The quarterly year-over-year and sequential increases in sales were primarily due to increased shipments of our high voltage LED driver ICs for backlighting a new line of LCD TVs going into volume production at a tier-one OEM.

For the nine months ended December 27, 2008, sales to the LED lighting and backlighting market were \$2,996,000 compared to \$2,872,000 for the same period of last fiscal year, as sales of LED drivers for general lighting were significantly higher during this period of fiscal 2009, while sales of LED driver ICs for the LED backlighting unit (BLU) for LCD TVs were lower. This was due to the sales trend during the first half of fiscal 2009 compared to the prior year, as sales of LED drivers for general lighting applications were significantly higher, while sales of LED driver ICs for the LED backlighting unit (BLU) for LCD TVs declined steeply. However, in the third quarter of fiscal 2009, sales of LED driver ICs for backlighting LCD TVs resumed growth and demand for LED drivers for general lighting reduced slightly. We expect that sales of our driver ICs for general lighting applications will resume growth if and when the overall economy recovers. We also expect that sales of LED driver ICs for the LED backlighting unit (BLU) for LCD TVs will begin to ramp in the fourth quarter of fiscal 2009 and will grow in fiscal 2010 when LED BLU prices are expected to drop to a level competitive with CCFL BLU prices, while the LED BLU offers far superior contrast ratio and power consumption.

Our current growth strategy relies on our ability to continuously and successfully introduce and market new technology and innovative products that meet our customers' requirements.

Our principal markets are in Asia, the United States, and Europe. Sales by geography as well as year-over-year and sequential percentage changes were as follows, where international sales include sales to the U.S. based customers if the products are delivered to their contract manufacturers outside the U.S. (*in thousands except percentages*):

| | Three Months Ended | | | | Year-Over-Year Change | Nine Months Ended | | Year-Over-Year Change |
|------------------------|--------------------|--------------------|-------------------|-------------------|-----------------------|-------------------|-------------------|-----------------------|
| | December 27, 2008 | September 27, 2008 | December 29, 2007 | Sequential Change | | December 27, 2008 | December 29, 2007 | |
| Net Sales | | | | | | | | |
| United States | \$ 7,105 | \$ 8,214 | \$ 7,266 | -14% | -2% | \$ 23,019 | \$ 22,070 | 4% |
| Asia (excluding China) | 4,457 | 6,086 | 4,808 | -27% | -7% | 17,865 | 17,032 | 5% |
| China | 4,195 | 5,352 | 5,402 | -22% | -22% | 13,907 | 15,292 | -9% |
| Europe | 1,557 | 3,544 | 2,376 | -56% | -34% | 8,296 | 7,881 | 5% |
| Other | 282 | 257 | 295 | 10% | -4% | 713 | 663 | 8% |
| Net Sales | <u>\$ 17,596</u> | <u>\$ 23,453</u> | <u>\$ 20,147</u> | -25% | -13% | <u>\$ 63,800</u> | <u>\$ 62,938</u> | 1% |
| International Sales | \$ 10,491 | \$ 15,239 | \$ 12,881 | -31% | -19% | \$ 40,781 | \$ 40,868 | 0% |
| Domestic Sales | 7,105 | 8,214 | 7,266 | -14% | -2% | 23,019 | 22,070 | 4% |
| Net Sales | <u>\$ 17,596</u> | <u>\$ 23,453</u> | <u>\$ 20,147</u> | -25% | -13% | <u>\$ 63,800</u> | <u>\$ 62,938</u> | 1% |

Net sales to international customers for the three months ended December 27, 2008 were \$10,491,000 or 60% of net sales as compared to \$12,881,000, or 64% of net sales for the same period of the prior fiscal year and \$15,239,000 or 65% for the three months ended September 27, 2008. Sales to international customers for the three months ended December 27, 2008 decreased 19% compared to the same period last year and decreased 31% sequentially, primarily due to the weak global economy and reduced demand for EL inverter ICs.

For the nine months ended December 27, 2008, net sales to international customers were \$40,781,000 or 64% of net sales, as compared to \$40,868,000 or 65% of net sales for the same period of the prior fiscal year.

Net sales to domestic customers for the three months ended December 27, 2008 decreased 2% compared to the same period of the prior fiscal year and 14% sequentially. The sequential decrease in domestic sales is primarily due to lower custom processing services. For the nine months ended December 27, 2008, net sales to domestic customers increased 4% compared to the same period of the prior fiscal year.

Our assets are primarily located in the United States.

Cost of Sales and Gross Profit

Gross profit represents net sales less cost of sales. Cost of sales includes the cost of raw silicon wafers; the costs associated with assembly, packaging, test, quality assurance and product yields; the cost of personnel, facilities and depreciation on equipment for manufacturing and its support; and charges for excess or obsolete inventory.

| <i>(in thousands except percentages)</i> | Three Months Ended | | | Nine Months Ended | |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 27, 2008 | September 27, 2008 | December 29, 2007 | December 27, 2008 | December 29, 2007 |
| Gross Margin Percentage | 54% | 57% | 56% | 56% | 59% |
| <i>Included in Gross Margin Percentage Above</i> | | | | | |
| Gross Margin Benefit from Sale of Previously Written Down Inventory | \$ 443 | \$ 356 | \$ 287 | \$ 1,125 | \$ 1,065 |
| Percentage of Net Sales | 3% | 2% | 1% | 2% | 2% |

Gross profit for the quarter ended December 27, 2008 was \$9,520,000, compared to \$11,232,000 for the same period of fiscal 2008, and \$13,289,000 for the prior quarter. The year-over-year quarterly decrease in gross profit was primarily attributable to decreased sales. The \$3,769,000 sequential decrease in gross profit resulted primarily from reduced sales, unfavorable product mix, and increased charges for inventory excess and obsolescence. For the nine months ended December 27, 2008, gross profit was \$35,560,000 compared to \$36,927,000 for the same period of last fiscal year. The decrease in gross profit was primarily attributable to lower use of fab capacity for research and development wafer processing and reduction in average selling prices on certain products.

Gross margin, which is gross profit as a percent of net sales, was 54% for the three months ended December 27, 2008 compared to 56% for the same period of the prior fiscal year and 57% for the prior quarter. The year-over-year quarterly decrease in gross margin was primarily attributable to reduced absorption of factory costs during the period and by a decline in average selling prices on certain products. The sequential decline in gross margin was primarily due to unfavorable product mix and increased charges for inventory excess and obsolescence. For the nine months ended December 27, 2008, gross margin was 56% compared to 59% for the same period of the prior fiscal year. The decrease in gross margin was primarily due to lower use of fab capacity for research and development wafer processing and reduction in average selling prices on certain products.

We wrote down inventory totaling \$1,123,000 and \$1,969,000 for the three and nine months ended December 27, 2008, respectively. For the comparable periods in fiscal 2008, we wrote down inventory totaling \$1,235,000 and \$2,085,000, respectively. We recorded revenue from sales of previously written-down inventory of \$443,000 and \$1,125,000 for the three and nine months ended December 27, 2008, respectively. Such amounts were \$287,000 and \$1,065,000 for the three and nine months ended December 29, 2007, respectively.

Research and Development (R&D) Expenses

| <i>(in thousands except percentages)</i> | Three Months Ended | | | | Year-Over-Year Change | Nine Months Ended | | Year-Over-Year Change |
|---|----------------------|-----------------------|----------------------|----------------------|--------------------------|----------------------|----------------------|--------------------------|
| | December 27, 2008 | September 27, 2008 | December 29, 2007 | Sequential Change | | December 27, 2008 | December 29, 2007 | |
| R&D Expenses | \$ 3,467 | \$ 3,802 | \$ 3,358 | -9% | 3% | \$ 11,306 | \$ 10,981 | 3% |
| Percentage of Net Sales | 20% | 16% | 17% | | | 18% | 17% | |

R&D expenses include payroll and benefits, processing costs, and depreciation. We also expense prototype wafers and mask sets related to new product development as R&D expenses until such new products are released to production.

Expenditures for R&D were \$3,467,000 for the three months ended December 27, 2008, as compared to \$3,358,000 and \$3,802,000 for the three months ended December 29, 2007 and September 27, 2008, respectively. The net increase of \$109,000 for the third fiscal quarter compared to the same period in the prior year primarily resulted from an increase in payroll expense partially offset by a reduction in benefits resulting from a decline in fair value of our Supplemental Employee Retirement Plan (“SERP”). Compared to the prior quarter, R&D expenses were \$335,000 lower due to a reduction in payroll and benefits of \$356,000 primarily resulting from a decline in fair value of our SERP.

For the nine months ended December 27, 2008, R&D expenses increased \$325,000 to \$11,306,000, compared to \$10,981,000 for the same period of the prior fiscal year. The increase was due to higher payroll expense of \$1,316,000, partially offset by a reduction in usage of fab services for wafer processing development of \$931,000.

Some aspects of our R&D efforts require significant short-term expenditures. As such, timing of such expenditures may cause fluctuations in our R&D expenses. In general, we have increased R&D activities in order to meet current and future new product requirements of our customers and markets. R&D expenses as a percentage of net sales may fluctuate from quarter to quarter.

Selling, General and Administrative (SG&A) Expenses

| <i>(in thousands except percentages)</i> | Three Months Ended | | | | Year-Over-Year Change | Nine Months Ended | | Year-Over-Year Change |
|---|---------------------------|---------------------------|--------------------------|--------------------------|------------------------------|--------------------------|--------------------------|------------------------------|
| | December 27, 2008 | September 27, 2008 | December 29, 2007 | Sequential Change | | December 27, 2008 | December 29, 2007 | |
| SG&A Expenses | \$ 3,157 | \$ 3,900 | \$ 3,888 | -19% | -19% | \$ 10,853 | \$ 11,726 | -7% |
| Percentage of Net Sales | 18% | 17% | 19% | | | 17% | 19% | |

SG&A expenses consist primarily of employee related expenses, commissions to sales representatives, occupancy expenses including expenses associated with our regional sales offices, cost of advertising and publications, and outside professional services such as legal, auditing and tax.

SG&A expenses for the three months ended December 27, 2008 were \$3,157,000, a decrease of \$731,000 when compared to \$3,888,000 for the same period last year. The year-over-year decrease is primarily due to lower payroll and benefit expenses of \$314,000, lower commissions of \$217,000, and lower bad debt expense of \$158,000. SG&A expenses decreased \$743,000 from \$3,900,000 when compared to the prior quarter. The sequential decrease was primarily due to lower benefit expense of \$424,000 resulting from a decline in fair value of SERP, lower professional service expense of \$192,000, and lower commission expense of \$100,000.

SG&A expenses for the first nine months of fiscal 2009 were \$10,853,000, a reduction of \$873,000 from \$11,726,000 for the same period of last fiscal year. This decrease was due to a reduction in payroll and benefit expenses of \$535,000 resulting primarily from a decline in fair value of our SERP, a reduction in commissions and salesman incentives of \$490,000, a reduction in bad debt expense of \$172,000, and a reduction in travel and entertainment expenses of \$108,000, partially offset by higher tax and other consulting expenses of \$424,000.

Interest Income and Other Income, Net

| <i>(in thousands except percentages)</i> | Three Months Ended | | | | Year-Over-Year Change | Nine Months Ended | | Year-Over-Year Change |
|---|--------------------|--------------------|-------------------|-------------------|-----------------------|-------------------|-------------------|-----------------------|
| | December 27, 2008 | September 27, 2008 | December 29, 2007 | Sequential Change | | December 27, 2008 | December 29, 2007 | |
| Interest Income and Other Income (Expense), Net | \$ (144) | \$ 714 | \$ 1,332 | -120% | -111% | \$ 1,545 | \$ 4,426 | -65% |
| Percentage of Net Sales | -1% | 3% | 7% | | | 2% | 7% | |

Interest income, which consists primarily of interest income from our cash, cash equivalents and short-term and long-term investments, was \$881,000 and \$2,763,000 for the three and nine months ended December 27, 2008, respectively, compared to \$1,664,000 and \$4,485,000, respectively, for the same periods of the prior fiscal year. The year-over-year decreases in interest income resulted primarily from lower investment yields. Interest income increased \$40,000 from \$841,000 for the prior quarter. The sequential increase was primarily driven by higher cash and investment balance, partially offset by lower investment yields.

Other expense, net, for the three and nine months ended December 27, 2008 was \$1,025,000 and \$1,218,000, respectively, compared to \$332,000 and \$59,000 for the same periods in the prior fiscal year, respectively, and \$127,000 for the prior quarter. The year-over-year and sequential differences were primarily due to a decline in fair value of investments held by our SERP.

Provision for Income Taxes

The income tax provision for the interim period represents federal, state and foreign taxes and reflects our computed estimated annual effective tax rate. It differs from the taxes computed at the federal and state statutory rates primarily due to the effect of foreign rate differentials, non-deductible stock-based compensation expense, tax exempt interest income, FIN 48 tax contingencies and the domestic production activities deduction.

The provision for income taxes for the three months ended December 27, 2008 was \$140,000 on income before tax of \$2,752,000 at the effective tax rate of 5%, compared to \$1,641,000 on income before tax of \$5,318,000 at the effective tax rate of 31% for the same period in the prior fiscal year, and \$1,752,000 on income before tax of \$6,301,000 at the effective tax rate of 28% for the prior quarter. The provision for income taxes for the nine months ended December 27, 2008 was \$3,345,000 on income before tax of \$14,946,000 at the effective tax rate of 22% compared to \$5,995,000 on income before tax of \$18,646,000 at the effective tax rate of 32%. The year-over-year decreases in the estimated effective tax rate for the three and six months ended December 27, 2008 compared to same periods in the prior fiscal year were primarily due to the retroactive reinstatement of the federal R&D credit, the expiration of tax contingencies, shifts of income among jurisdictions with different tax rates, and a favorable resolution of a prior year tax uncertainty of approximately \$295,000, including interest, recognized by the Company in the first quarter of fiscal 2009. Also, because of the retroactive reinstatement of the R&D credit and the expiration of tax contingencies, the effective tax rate in third quarter of fiscal 2009 was sequentially lower. We estimate our tax rate to be moderately higher in the fourth quarter of fiscal 2009.

The "Emergency Economic Stabilization Act of 2008," which contains the "Tax Extenders and Alternative Minimum Tax Relief Act of 2008", or the 2008 Tax Act, was signed into law on October 3, 2008. Under the 2008 Tax Act, the federal R&D credit was retroactively extended for amounts paid or incurred after December 31, 2007

and before January 1, 2010. The effects of the change in the tax law were recognized in our third fiscal quarter, which is the quarter in which the 2008 Tax Act was enacted.

We maintain liabilities for uncertain tax positions within our income taxes payable account. The determination of the liability amount involves considerable judgment and estimation, and is continuously monitored by management based on the best information available including changes in tax regulations, the outcome of relevant court cases and other information.

Financial Condition

Overview

We ended the third quarter of fiscal 2009 with \$135,685,000 in cash, cash equivalents, short-term and long-term investments. This represents an increase of \$14,425,000 when compared with the amount of \$121,260,000 on March 29, 2008. As of December 27, 2008, working capital was \$75,082,000, an increase of \$28,588,000 from \$46,494,000 as of March 29, 2008. Working capital is defined as current assets less current liabilities. The increase in working capital was primarily the result of cash generated from operations and partial redemptions of our ARS in July and December 2008.

Liquidity and Capital Resources

In summary, our cash flows were as follows:

| <i>(in thousands)</i> | Nine Months Ended | |
|---|--------------------------|--------------------------|
| | December 27, 2008 | December 29, 2007 |
| Net cash provided by operating activities | \$ 21,218 | \$ 14,925 |
| Net cash provided by (used in) investing activities | 9,971 | (5,241) |
| Net cash provided by (used in) financing activities | 1,664 | (8,357) |
| Net increase in cash and cash equivalents | <u>\$ 32,853</u> | <u>\$ 1,327</u> |

Operating Activities

Net cash provided by operating activities is net income adjusted for certain non-cash items and changes in assets and liabilities. For the nine months ended December 27, 2008, net cash provided by operating activities was \$21,218,000. This increase in cash resulted primarily from net income of \$11,601,000, adjusted for non-cash items of \$8,468,000. Additionally, trade accounts receivable reduced by \$3,031,000 due to a reduction in sales in the third quarter of fiscal 2009 compared to the fourth fiscal quarter of last year, and prepaid expenses and other assets reduced by \$2,352,000 due to a reduction in interest receivable resulting from timing of interest payments received and lower yields, and income taxes receivable reduced due to a settlement of an IRS examination of the Company's fiscal 2004 income tax return. These increases in cash were partially offset by uses of cash resulting from a reduction in trade accounts payable and accrued expenses of \$2,590,000, as accounts payable reduced due to lower production activity and our SERP assets decreased due to a reduction in valuation resulting from the recent economic downturn, and due to increased inventories of \$2,294,000, as the decline in shipments was greater than the decline of wafer fab production during the nine month period ended December 27, 2009.

For the nine months ended December 29, 2007, net cash provided by operating activities was \$14,925,000. This increase in cash was primarily attributable to net income of \$12,651,000, adjusted for non-cash items of \$6,616,000, resulting in part from an inventory reserve established for a discontinued product ramp-up, and from an increase in income taxes payable of \$1,978,000. This was partially offset by an increase in inventories of

\$5,358,000 resulting from an increase in higher valued inventory in our back-end test facility, and due to an increase in trade accounts receivable of \$1,177,000.

Investing Activities

Investing cash flows consist typically of capital expenditures and purchases of short-term and long-term investments, partially offset by sales of short-term investments. Cash provided by investing activities for the nine months ended December 27, 2008 was \$9,971,000. This increase of cash included partial auction rate security redemptions at par value of \$12,150,000, partially offset by capital expenditures of \$1,803,000, such as for adding production testing capacity and for wafer fab equipment upgrades, and by \$540,000 for purchase of trading securities under our SERP during the first three quarters of fiscal 2009.

We expect to spend approximately \$2,200,000 for capital acquisitions in fiscal 2009, of which we have spent \$1,803,000 during the nine months ended December 27, 2008. We believe that we have substantial production capacity in place to handle our projected business in fiscal 2009. Most of our property, plant and equipment, net, of \$9,242,000 are located in the United States. We also believe that existing cash and cash equivalents together with cash flow from operations will be sufficient to meet our liquidity and capital requirements through the next twelve months.

Cash used in investing activities for the nine months ended December 29, 2007 was \$5,241,000, primarily due to the timing of purchases and sales of short-term investments and capital expenditures of \$3,795,000.

Our investment portfolio is primarily comprised of auction rate securities (ARS) and money market funds. As of December 27, 2008, the ARS we held had a par value of \$88,450,000 and had contractual maturities between 16 and 32 years. They are in the form of auction rate bonds backed by a pool of student loans, whose interest rates were reset every seven to thirty-five days through an auction process. At the end of each reset period, investors can sell or continue to hold the securities at par.

Since the fourth quarter of fiscal 2008, the ARS auction market has experienced failures. In general, for each unsuccessful auction, the interest rate moves to a maximum rate defined for each ARS, unless the interest earned reaches the maximum amount stipulated by the prospectus. The principal associated with failed auctions will not be accessible until successful auctions occur, a buyer is found outside of the auction process, the issuers establish a different form of financing to replace these securities, or final payments come due according to contractual maturities ranging from 16 to 32 years. Although no assurance can be given, we expect that we will receive the full principal associated with these auction-rate securities through one of the means described above. We received a payment of \$11,200,000 in July 2008, representing approximately 86% of our holding of one ARS, and another payment of \$950,000 in December 2008, representing 19% of our holding of another ARS, both parts of which were redeemed at par value. We continue to believe that the credit quality of the ARS we hold is high, as they are backed by student loans and are primarily guaranteed by the US Department of Education and continue to be rated by the major independent rating agencies as either AAA or Aaa.

While the recent auction failures will limit our ability to liquidate these investments for some period of time and we have, as a result, reclassified our ARS investments as long-term, we do not believe the auction failures will materially affect our ability to fund our working capital needs, capital expenditures, or other business requirements. As of December 27, 2008, we had approximately \$75,082,000 of working capital, including \$50,755,000 of cash and cash equivalents, and we have generated cash from our operations for the past several years.

As of December 27, 2008, due to the lack of availability of observable market quotes on our investment portfolio of ARS, all of our investments in ARS were classified as Level 3 and the fair value was estimated based on a discounted cash flow model and included a discount factor for illiquidity of the ARS market. This Level 3 fair value of \$79,000,000 represents approximately 61% of total assets measured at fair value. The assumptions used in

the discounted cash flow model include estimates for interest rates, timing and amounts of cash flows, liquidity of the underlying security, expected holding periods and contractual terms of the ARS.

Using this discounted cash flow model, we determined that there was a temporary impairment of \$9,450,000 to par value of our ARS as of December 27, 2008. This unrealized loss reflects the decline in the estimated fair value of these ARS in accordance with SFAS 115. We concluded that the impairment losses were temporary in part due to the following:

- the decline in market value is due to unusual general market conditions;
- recently, some ARS were redeemed at par value;
- these investments are of high credit quality and a significant portion of them are collateralized and are guaranteed by the US Department of Education;
- there have been no defaults on the ARS we held as of December 27, 2008;
- their AAA or Aaa credit ratings have not been reduced as of December 27, 2008;
- we have the intent and ability to hold these investments until the anticipated recovery in market value occurs; and
- we received a payment of \$11,200,000 in July 2008 and a payment of \$950,000 in December 2008, representing approximately 86% and 19% of our holding of two ARS, respectively, both of which were partially redeemed at par value.

Financing Activities

Financing cash flows consist primarily of proceeds from the exercise of stock options under the 1991 and 2001 Plans and sale of stock through the ESPP, reclassification of non-cash excess tax benefit from operating into financing activities as required by SFAS 123R, and of repurchases of stock on the open market. Net cash provided by financing activities for the nine months ended December 27, 2008 was \$1,664,000 primarily due to the proceeds from the exercise of stock options and stock purchases under the ESPP of \$1,607,000 and excess tax benefit of \$57,000 related to stock based compensation.

Net cash used by financing activities for the nine months ended December 29, 2007 was \$8,357,000, which resulted primarily from the repurchase of 317,360 shares of our common stock for \$10,628,000. This was partially offset by proceeds from the exercise of stock options and stock purchases under the ESPP totaling \$2,033,000 and excess tax benefit of \$238,000 related to stock based compensation.

Off-Balance Sheet Arrangements

We do not have nor have we ever had any off-balance sheet arrangements that have, or are likely to have, a current or future material effect on our financial condition, sales, expenses, results of operations, liquidity, capital expenditures, or capital resources.

Contractual Obligations

We purchase products from a variety of suppliers and use several contract assemblers to provide manufacturing services for our products. During the normal course of business, in order to manage manufacturing lead times and

help assure adequate component supply, we enter into agreements with contract assemblers and suppliers that either allow them to procure inventory based upon criteria as defined by us or establish the parameters defining our requirements. In certain instances, these agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to firm orders being placed. Consequently, only a portion of our reported purchase commitments, arising from these agreements, are firm, non-cancelable, and unconditional commitments.

The following table summarizes our significant contractual cash obligations at December 27, 2008, and the effects such obligations are expected to have on our liquidity and cash flow in future periods (*in thousands*):

| <u>Contractual Obligations</u> | <u>Payment Due by Year</u> | | | |
|--|----------------------------|-------------------------|------------------|------------------|
| | <u>Total</u> | <u>Less than 1 Year</u> | <u>1-2 Years</u> | <u>2-3 Years</u> |
| Operating lease obligations ⁽¹⁾ | \$ 2,560 | \$ 1,157 | \$ 1,044 | \$ 359 |
| Purchase obligations | 7,103 | 6,053 | 999 | 51 |
| Total contractual cash obligations | <u>\$ 9,663</u> | <u>\$ 7,210</u> | <u>\$ 2,043</u> | <u>\$ 410</u> |

⁽¹⁾ We lease facilities under non-cancelable lease agreements expiring at various times through September 2011. Rental expense net of sublease income for the three and nine months ended December 27, 2008 amounted to \$307,000 and \$859,000, respectively.

Effective April 1, 2007, we adopted the provisions of FIN 48 (see Note 7). As of December 27, 2008, the liability for uncertain tax positions, net of offsetting tax benefits associated with the correlative effects of potential transfer pricing adjustments, state income taxes, interest deductions, and other receivables was \$2,637,000. As of December 27, 2008, we have accrued \$232,000 of interest and \$401,000 of penalties associated with our uncertain tax positions. We did not include these obligations in the table above as we cannot determine the timing of cash payments that will be made associated with these uncertain tax positions.

Recent Accounting Pronouncements

In October 2008, the Financial Accounting Standards Board (“FASB”) issued FSP SFAS No. 157-3, “*Determining the Fair Value of a Financial Asset When The Market for That Asset Is Not Active*” (“FSP157-3”), to clarify the application of the provision of SFAS 157 in an inactive market and how an entity would determine fair value in an inactive market. FSP 157-3 is effective immediately and applies our December 27, 2008 financial statements. The application of the provisions of FSP 157-3 did not materially affect our results of operations or financial condition, as of and for the period ended December 27, 2008.

In March 2008, the FASB issued FASB Statement No. 161, “*Disclosures about Derivative Instruments and Hedging Activities*” (“SFAS 161”). The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 (March 29, 2009 for us). We are currently assessing the potential impact that the adoption of SFAS 161 will have on our Consolidated Financial Statements, but do not expect it to have a material effect.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (“SFAS 160”). SFAS 160 will change the accounting and reporting for minority interests, which will be re-characterized as non-controlling interests and classified as a component of equity. SFAS 160 is effective for both public and private companies for

fiscal years beginning on or after December 15, 2008 (March 29, 2009 for us). SFAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 shall be applied prospectively. We are currently assessing the potential effect that the adoption of SFAS 160 will have on our Consolidated Financial Statements, but do not expect it to have a material effect.

In December 2007, the FASB issued Statement of Financial Accounting Standard No. 141 (revised 2007), “*Business Combinations*” (“SFAS 141(R)”). The revised standard continues the movement toward the greater use of fair values in financial reporting. SFAS 141(R) will significantly change how business acquisitions are accounted for and will affect financial statements both on the acquisition date and in subsequent periods. SFAS 141(R) is effective for both public and private companies for fiscal years beginning on or after December 15, 2008 (March 29, 2009 for us). SFAS 141(R) will be applied prospectively, meaning in our case it will apply to acquisitions occurring on or after March 29, 2009. We are currently assessing the potential effect that the adoption of SFAS 141(R) will have on our Consolidated Financial Statements, but do not expect it to have a material effect.

In the first quarter of fiscal 2009, we adopted Statement of Financial Accounting Standard No. 157 “Fair Value Measurements” (“SFAS 157”) for all financial assets and financial liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value, and enhances fair value measurement disclosure. The adoption of SFAS 157 did not have a significant effect on our Consolidated Financial Statements, and the resulting fair value calculated under SFAS 157 after adoption did not significantly differ from the fair values that would have been calculated under previous guidance. See Note 2 to the Consolidated Financial Statements for further discussion.

In February 2008, the FASB issued FSP FAS 157-2 which delayed the effective date of SFAS 157 for all non-financial assets and non-financial liabilities except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The FSP partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years for items within the scope of this FSP (March 29, 2009 for us). We are currently assessing the potential effect that the adoption of FSP FAS 157-2 will have on our Consolidated Financial Statements.

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*” (“SFAS 159”), which permits entities to elect to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This election is irrevocable. The standard requires that unrealized gains and losses are reported in earnings for items measured using the fair value option. SFAS 159 also requires cash flows from purchases, sales, and maturities of trading securities to be classified based on the nature and purpose for which the securities were acquired. SFAS 159 became effective for Supertex in first quarter of fiscal 2009. We did not elect the fair value option for any of our financial assets or liabilities. We assessed the nature and the purpose of our investment in trading securities and reclassified purchases of trading securities from operating cash flow to investing cash flow based upon paragraph 16 of SFAS 159. The cash flows of \$376,000 from trading securities were classified as investing activities for the nine months ended December 27, 2008.

Available Information

We file electronically with the SEC our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments, if any, to those reports pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. The SEC maintains an Internet site at <http://www.sec.gov> that contains these reports, proxy and information statements and other information regarding Supertex, Inc. We make available free of charge and through our Internet website at www.supertex.com copies of these reports as soon as reasonably practicable after filing or furnishing the information to the SEC. Copies of such documents may be requested by contacting our Investor Relations department at (408) 222-4295.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are exposed to financial market risks due primarily to changes in interest rates. We do not use derivatives to alter the interest characteristics of the investment securities. We have no holdings of derivative or commodity instruments. Our investment portfolio is primarily comprised of auction rate securities (“ARS”) and money market funds. Investments and cash and cash equivalents generated interest income of \$881,000 and \$2,763,000 in the three and nine months ended December 27, 2008, respectively. Based on our investment and cash and cash equivalent balance as of December 27, 2008, one percentage point change in interest rates would cause change in our quarterly interest income in an amount of approximately \$348,000.

As of December 27, 2008, we had no long-term debt outstanding.

ARS are subject to the risk that the secondary market might fail to provide the liquidity opportunity at the rate reset points. This risk, which we have recently encountered with regard to our ARS, manifests itself in sponsoring broker-dealers withdrawing from the auction process that provides the rate reset and liquidity. We believe the declines in our ARS fair values due to the lack of liquidity to be temporary. Due to this temporary impairment in value of our ARS, we recorded an unrealized loss of \$9,450,000 to par value as of December 27, 2008.

As of December 27, 2008, the ARS we held had a total par value of \$88,450,000 and had contractual maturities between 16 and 32 years. In the three months ended December 27, 2008, we recorded an additional \$4,050,000 decline to par value of our ARS resulting from the recent fluctuation in bond rates.

Our ARS are in the form of auction rate bonds whose interest rates were reset every seven to thirty-five days through an auction process. At the end of each reset period, investors can sell or continue to hold the securities at par. The ARS we hold are backed by student loans and also are primarily guaranteed by the US Department of Education. In addition, all the ARS we hold are rated by the major independent rating agencies as either AAA or Aaa. As a result, we believe the credit risk is very low.

Under the contractual terms, the issuer is obligated to pay penalty rates should an auction fail. In the event we need to access the funds associated with failed auctions, they are not expected to be available until one of the following occurs: a successful auction occurs, the issuer redeems the issue, a buyer is found outside of the auction process or the underlying security has matured.

If the issuer of the ARS is unable to successfully close future auctions or does not redeem the ARS, or the US government fails to support its guaranty of its obligations, we may be required to adjust the carrying value of these ARS and record other-than-temporary impairment charges in future periods, which could materially affect our financial condition. However, we expect that we will receive the principal associated with these ARS through one of the means described above.

Foreign Currency Exchange Risks

We do not hedge any potential risk from any foreign currency exposure. With our operations in Hong Kong, we face exposure to an adverse change in the exchange rate of the Hong Kong dollar. We believe that our exposure is relatively small, thus we do not employ hedging techniques designed to mitigate this foreign currency exposure. Likewise, we could experience unanticipated currency gains or losses. As the level of activity at this operation changes over time, actual currency gains or losses could have an adverse effect to our consolidated financial statements.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures.

Disclosure Controls and Procedures. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, including, without limitation, that such information is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosures.

Limitations on the Effectiveness of Disclosure Controls. In designing and evaluating our disclosure controls and procedures, we recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, we necessarily were required to apply our judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also 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.

Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) as of December 27, 2008, and have determined that they are effective at the reasonable assurance level.

(b) Internal Control over Financial Reporting.

Our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) is designed to provide reasonable assurance regarding the reliability of our financial reporting and preparation of financial statements for external purposes in accordance with GAAP. There were no changes in our internal control over financial reporting that occurred during the third quarter of fiscal 2009 that have materially affected, or are reasonably likely to materially affect such control.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we are subject to possible claims or assessments from third parties arising in the normal course of business. We have reviewed such possible claims and assessments with legal counsel and believe that it is unlikely that they will result in a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

Set forth below is a material addition to the risk factors discussed in our Annual Report on Form 10-K for the year ended March 29, 2008. Otherwise, there have been no material changes to the risk factors disclosed in Item 1A of Part I of our Form 10-K for the fiscal year ended March 29, 2008, filed on June 12, 2008, which risk factors are hereby incorporated by reference.

Adverse and uncertain global economic conditions make forecasting demand difficult and may harm our business.

Unfavorable global economic conditions, including the recession and recent disruptions to the credit and financial markets, could cause consumer and capital spending to continue to slow down, which may decrease demand for our customers' products and hence our products and our revenues would be adversely affected. In addition, during challenging economic times, our customers may face issues gaining timely access to sufficient credit, which may impair the ability of our customers to pay for products they have purchased which could cause us to increase our allowance for doubtful accounts and write-offs of accounts receivable. Furthermore, the uncertainty in when our economy will recover means uncertain demand for our products which make it more difficult to manage inventories so that we can timely respond to our customers if and when their demand for our products increases and may lead to greater write-offs of inventory. In addition, such uncertainty in demand make planning more difficult and subject to error which could impact our decision-making and have a material adverse effect on our business, results of operations, financial condition and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

Exhibit 31.1 & 31.2 - Certification of Chief Executive Officer and of Chief Financial Officer pursuant to Securities and Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 & 32.2 - Certification of Chief Executive Officer and of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

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.

SUPERTEX, INC.

(Registrant)

Dated: February 4, 2009

By: /s/PHILLIP A. KAGEL

Phillip A. Kagel

Vice President, Finance and Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 31.1
Certifications Under Rule 13a-14(a)/15d-14(a)

I, Henry C. Pao, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Supertex, Inc., a California corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and I have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 4, 2009

/s/HENRY C. PAO
Henry C. Pao, Ph.D.
President & Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2
Certifications Under Rule 13a-14(a)/15d-14(a)

I, Phillip A. Kagel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Supertex, Inc., a California corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and I have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 4, 2009

/s/PHILLIP A. KAGEL

Phillip A. Kagel

Vice President, Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1
Statement of Chief Executive Officer under 18 U.S.C. § 1350

I, Henry C. Pao, the chief executive officer of Supertex, Inc., a California corporation (the “Company”), certify pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, that to my knowledge:

- (i) the quarterly report of the Company on Form 10-Q for the period ended December 27, 2008, as filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d), whichever is applicable, of the Securities Exchange Act of 1934, and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Dated: February 4, 2009

/s/HENRY C. PAO
Henry C. Pao, Ph.D.
President & Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2
Statement of Chief Financial Officer under 18 U.S.C. § 1350

I, Phillip A. Kagel, the chief financial officer of Supertex, Inc., a California corporation (the “Company”), certify pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, that to my knowledge:

- (i) the quarterly report of the Company on Form 10-Q for the period ended December 27, 2008, as filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d), whichever is applicable, of the Securities Exchange Act of 1934, and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Dated: February 4, 2009

/s/PHILLIP A. KAGEL
Phillip A. Kagel
Vice President, Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)

The material contained in this Exhibits 32.1 and 32.2 is not deemed “filed” with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.