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POWER ONE INC

FORM 10-Q
(Quarterly Report)

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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 April 3, 2011

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

For the transition period from to

Commission File Number 0-29454

POWER-ONE, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or Organization)	**77-0420182** (I.R.S. Employer Identification Number)
740 Calle Plano, Camarillo, California (Address of principal executive offices)	**93012** (Zip Code)

Registrant's telephone number, including area code: **(805) 987-8741**

Not Applicable
(Former name or former address, if changed since last report)

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

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

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

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

As of May 5, 2011, 103,630,082 shares of the Registrant's $0.001 par value common stock were outstanding.

POWER-ONE, INC.
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PART I—FINANCIAL INFORMATION

Item 1—Consolidated Condensed Financial Statements

POWER-ONE, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(In thousands, except per share data, unaudited)

	Three Months Ended	
	April 3, 2011	April 4, 2010
NET SALES	$ 244,543	$ 152,377
COST OF GOODS SOLD	160,285	106,649
GROSS PROFIT	84,258	45,728
EXPENSES:		
Selling, general and administrative	21,085	14,974
Research and development	11,296	8,378
Amortization of intangible assets	442	377
Restructuring costs	—	929
Litigation	235	—
Total expenses	33,058	24,658
INCOME FROM OPERATIONS	51,200	21,070
INTEREST AND OTHER INCOME (EXPENSE):		
Interest income	483	—
Interest expense	(1,387)	(2,019)
Loss on extinguishment of debt	—	(5,658)
Other income (expense), net	(2,213)	800
Total interest and other income (expense), net	(3,117)	(6,877)
INCOME BEFORE INCOME TAXES	48,083	14,193
PROVISION FOR INCOME TAXES	17,451	9,700
INCOME BEFORE EQUITY IN EARNINGS OF JOINT VENTURE	30,632	4,493
EQUITY IN EARNINGS OF JOINT VENTURE	182	108
NET INCOME	$ 30,814	$ 4,601
PREFERRED STOCK DIVIDEND AND ACCRETION	866	851
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 29,948	$ 3,750
BASIC EARNINGS PER SHARE	$ 0.25	$ 0.04
DILUTED EARNINGS PER SHARE	$ 0.20	$ 0.04
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	103,791	88,300
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	140,920	95,562

See notes to unaudited consolidated condensed financial statements.

POWER-ONE, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except per share data, unaudited)

	April 3, 2011	January 2, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 243,570	$ 227,907
Accounts receivable:		
Trade, less allowance for doubtful accounts: $8,495 at April 3, 2011; $5,876 at January 2, 2011	227,827	262,546
Other	6,179	7,980
Inventories	185,079	152,286
Prepaid expenses and other current assets	20,944	21,671
Total current assets	683,599	672,390
PROPERTY AND EQUIPMENT, net of depreciation and amortization: $77,554 at April 3, 2011; $72,879 at January 2, 2011	73,109	63,325
OTHER INTANGIBLE ASSETS, net	18,524	18,802
OTHER ASSETS	9,470	7,295
TOTAL	$ 784,702	$ 761,812
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 168,000	$ 213,096
Restructuring reserve	303	549
Long-term debt, current portion	110	103
Income tax payable	126,455	103,739
Other accrued expenses	59,848	67,339
Total current liabilities	354,716	384,826
LONG-TERM DEBT, net of current portion	35,952	35,911
OTHER LONG-TERM LIABILITIES	46,200	39,445
Total liabilities	436,868	460,182
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE CONVERTIBLE PREFERRED STOCK par value $0.001; 23.625 series A redeemable convertible preferred stock issued and outstanding at April 3, 2011 and January 2, 2011; liquidation preference $1,000 per share plus accumulated dividends	19,873	19,597
STOCKHOLDERS' EQUITY		
Common stock, par value $0.001; 300,000 shares authorized; 103,567 and 103,975 shares issued and outstanding at April 3, 2011 and January 2, 2011 respectively	104	104
Additional paid-in capital	625,878	629,687
Accumulated other comprehensive income	60,343	41,420
Accumulated deficit	(358,364)	(389,178)
Total stockholders' equity	327,961	282,033
TOTAL	$ 784,702	$ 761,812

See notes to unaudited consolidated condensed financial statements.

POWER-ONE, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

	Three Months Ended	
	April 3, 2011	April 4, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 30,814	$ 4,601
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,017	4,967
Undistributed earnings of joint venture	(182)	(108)
Change in fair value of derivative liability	—	(150)
Stock compensation	2,426	874
Exchange (gain) loss	1,887	(1,273)
Net loss on debt extinguishment	—	5,658
Net loss on disposal of property and equipment	294	—
Changes in operating assets and liabilities:		
Accounts receivable, net	46,475	(4,950)
Inventories	(25,996)	(5,932)
Prepaid expenses and other current assets	1,997	(737)
Accounts payable	(52,392)	15,914
Income tax payable	16,139	9,245
Other accrued expenses	(6,069)	(449)
Restructuring reserve	(246)	(220)
Other liabilities	2,355	1,509
Net cash provided by operating activities	21,519	28,949
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property & equipment	(10,699)	(4,186)
Other assets	(172)	(549)
Net cash used in investing activities	(10,871)	(4,735)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of borrowings on bank credit facilities	—	(486)
Repayments of borrowings on long-term debt	—	(10,218)
Payment of debt issue costs	(1,908)	—
Repurchases of common stock	(5,213)	—
Issuance of common stock	370	—
Cash paid to satisfy nonvested share related employee tax withholding obligations	(527)	(48)
Dividends paid	(591)	(1,181)
Net cash used in financing activities	(7,869)	(11,933)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	12,884	(720)
INCREASE IN CASH AND CASH EQUIVALENTS	15,663	11,561
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	227,907	89,553
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 243,570	$ 101,114
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 467	$ 828
Income taxes	$ 564	$ 90

See notes to unaudited consolidated condensed financial statements.

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the quarters ended April 3, 2011 and April 4, 2010, the Company recorded approximately $0.2 million and $0.1 million, respectively, in "Equity in earnings of joint venture" in the consolidated condensed statements of operations related to the Company's share in the earnings from the joint venture for which it holds a minority interest.

During the quarter ended April 4, 2010, the company paid $10.0 million plus accrued interest to repurchase and extinguish $4.5 million of its 8% Senior Secured Convertible Notes, and recorded a net loss of $5.7 million related to the extinguishment of debt in its consolidated condensed statements of operations.

During the quarters ended April 3, 2011 and April 4, 2010, an additional $2.0 million and $0.9 million, respectively, of property and equipment had been purchased but not yet paid.

See notes to unaudited consolidated condensed financial statements.

POWER-ONE, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, unaudited)

	Three Months Ended	
	April 3, 2011	April 4, 2010
NET INCOME	$ 30,814	$ 4,601
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment	18,923	(5,120)
COMPREHENSIVE INCOME (LOSS)	$ 49,737	$ (519)

See notes to unaudited consolidated condensed financial statements.

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1—BASIS OF PRESENTATION

These statements should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended January 2, 2011. The operating results for the period ended April 3, 2011 are not necessarily indicative of the results that will be achieved for the full fiscal year ending January 1, 2012 or for future periods.

The accompanying consolidated condensed financial statements have been prepared without audit and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of financial position and the results of operations for the interim periods. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, inventory valuation, restructuring costs, goodwill and intangible asset valuation, impairment costs, depreciation and amortization, sales returns and discounts, warranty costs, derivative valuation, uncertain tax positions and the recoverability of deferred tax assets, stock compensation, business combinations, contingencies and the fair value of assets and liabilities disclosed. Actual results and outcomes may differ from management's estimates and assumptions. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such SEC rules and regulations.

The balance sheet at January 2, 2011 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The accompanying interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Power-One, Inc.'s ("the Company") Form 10-K for the year ended January 2, 2011.

The Company's reporting period coincides with the 52- to 53-week period ending on the Sunday closest to December 31, and its fiscal quarters are the 13- to 14-week periods ending on the Sunday nearest to March 31, June 30, September 30 and December 31. The three-month periods ended April 3, 2011 and April 4, 2010 were 13-week periods.

NOTE 2—CHANGES TO SIGNIFICANT ACCOUNTING POLICIES AND RELATED DISCLOSURES

Recent Pronouncements and Accounting Changes —In October 2009, the FASB issued ASU No. 2009-13, "Multiple- Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force," ("ASU 2009-13"). This update provides amendments to the criteria of ASC 605, "Revenue Recognition," for separating consideration in multiple- deliverable arrangements. The amendments to this update establish a selling price hierarchy for determining the selling price of a deliverable. This Accounting Standards Update will be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. Alternatively, an entity can elect to adopt this standard on a retrospective basis. The Company adopted the measurement requirements of this guidance prospectively with no impact to the consolidated financial statements.

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 3—FAIR VALUE FINANCIAL INSTRUMENTS

ASC 820, "Fair Value Measurements and Disclosures" establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair values into three levels as follows:

- Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3—Unobservable inputs reflect the Company's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. The Company develops these inputs based on the best information available, including the Company's own data.

The fair value of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their recorded carrying amounts because of their short-term nature.

- The fair value of the Senior Convertible Notes due 2019 was determined by adding the fair value of the notes' conversion feature to the present value of the notes which includes a 10% discount for lack of marketability. The fair value of the notes' conversion feature at April 3, 2011 was determined using the Binomial model, using a stock price of $8.63, an exercise price of $1.35 per share, a volatility factor of 74%, a risk free interest rate of 1.37%, coupon rates of 6%, 8% and 10% and a contractual life of 3.1 years.
- The fair value of the Redeemable Convertible Preferred Stock was determined by adding the fair value of the preferred stock conversion feature to the present value of the preferred stock which includes a 10% discount for lack of marketability. The fair value of the preferred stock conversion feature at April 3, 2011 was determined using the Binomial model, using a stock price of $8.63, an exercise price of $1.35 per share, a volatility factor of 74%, a risk free interest rate of 1.37%, a dividend yield factor of 10% and a contractual life of 3.1 years.
- The fair values of the Company's installment notes were determined using quoted market prices for similar financial instruments.

	April 3, 2011		January 2, 2011	
Description	Fair Value	Carrying Value	Fair Value	Carrying Value
Senior Convertible Notes, due 2019	$ 216.2	$ 36.0	$ 254.4	$ 35.9
Redeemable Convertible Preferred Stock	140.0	19.9	165.5	19.6
Installment notes	0.1	0.1	0.1	0.1

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 4—INVESTMENTS

The Company has an investment in a joint venture in China which is included in other assets on the Company's consolidated condensed balance sheets and is accounted for using the equity method. The carrying value of this investment was $3.3 million and $3.1 million at April 3, 2011 and January 2, 2011, respectively. During the three months ended April 3, 2011 and April 4, 2010, the Company recorded equity in earnings in joint venture of approximately $0.2 million and $0.1 million, respectively, in its consolidated condensed statements of operations. See Note 15.

NOTE 5—INVENTORIES

Inventories consist of the following (in millions):

	April 3, 2011	January 2, 2011
Raw materials	$ 129.0	$ 107.6
Subassemblies-in-process	7.5	6.3
Finished goods	48.6	38.4
	$ 185.1	$ 152.3

The Company looks at historical and projected usage for inventory in determining what is excess and obsolete. The methodology for forecasting demand may be modified depending on specific product lifecycles and local circumstances. Any inventory in excess of this demand is written off. During the quarter ended April 4, 2010 the Company wrote off approximately $2.2 million, respectively, related to excess and obsolete inventory and recorded the charges as costs of goods sold. No amounts were recorded related to excess and obsolete inventory for the quarter ended April 3, 2011.

NOTE 6—INTANGIBLE ASSETS

Intangible assets consist of the following (in millions):

	April 3, 2011			
	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets	Weighted Average Life (In Years)
Non-amortizable intangibles				
Trade name	$ 11.4	$ —	$ 11.4	
Amortizable intangibles				
Product technology	8.1	4.5	3.6	10
Customer relationships	5.8	3.7	2.1	7
Other	6.5	5.1	1.4	17
Subtotal	20.4	13.3	7.1	12
Total	$ 31.8	$ 13.3	$ 18.5	

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 6—INTANGIBLE ASSETS (Continued)

	January 2, 2011			
	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets	Weighted Average Life (In Years)
Non-amortizable intangibles				
Trade name	$ 11.4	$ —	$ 11.4	
Amortizable intangibles				
Product technology	8.0	4.2	3.8	10
Customer relationships	5.5	3.3	2.2	7
Other	6.4	5.0	1.4	17
Subtotal	19.9	12.5	7.4	12
Total	$ 31.3	$ 12.5	$ 18.8	

In accordance with ASC 350, "Intangibles—Goodwill and Other," the Company reviews its indefinite lived intangible assets for impairment annually at the end of each fiscal August, or more often if events or circumstances indicate that impairment may have occurred. In addition to the testing above, which is done on an annual basis, management considers whether certain impairment indicators are present in assessing whether the carrying value of its indefinite lived intangible assets may be impaired.

Total amortization expense for each three months ended April 3, 2011 and April 4, 2010 was $0.5 million. Of the $0.5 million of expense recorded during each of the three months ended April 3, 2011 and April 4, 2010, $0.4 million was recorded as amortization of intangibles and $0.1 million recorded as cost of goods sold.

Estimated amortization expense related to amortizable intangibles for 2011 through 2015 is as follows (in millions):

Year Ending December 31,	Amortization Expense
2011 (nine months)	$ 1.6
2012	1.8
2013	1.7
2014	1.0
2015	1.0
Total	$ 7.1

NOTE 7—CREDIT FACILITIES AND NOTES PAYABLE

On March 29, 2011, the Company entered into a $150 million revolving credit facility (the "Revolving Credit Facility") with Bank of America, N.A. and a syndicate of other lenders. All amounts outstanding on the Revolving Credit Facility will be due on July 31, 2014. Borrowings under the Revolving Credit Facility will bear interest based on the London Interbank Offered Rate ("LIBOR"), plus an applicable margin or the base rate, plus an applicable margin.

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 7—CREDIT FACILITIES AND NOTES PAYABLE (Continued)

The Revolving Credit Facility includes usual and customary covenants for credit facilities of this type, including covenants limiting debt, investments, dividends, transactions with affiliates, liens, mergers, asset sales, and material changes in the business of the Company or its subsidiaries. The Revolving Credit Facility also requires the Company to comply with various financial covenants: a minimum trailing twelve months EBITDA of not less than $150,000,000 as at the end of any fiscal quarter; maintenance of Gross Global Unencumbered Liquidity of not less than the greater of (i) $20,000,000 or (ii) 130% of the aggregate outstanding amounts under the Revolving Credit Facility; and a minimum Fixed Charge Coverage Ratio of not less than 1.50 to 1.00.

In addition to the Revolving credit facility secured in North America, the Company maintains other credit facilities with various banks in North Europe and Asia. The aggregate limit on all credit facilities was approximately $171.7 million at April 3, 2011. The credit facilities bear interest on amounts outstanding at various intervals based on various applicable published market rates. At April 3, 2011, no amounts were outstanding on the credit facilities, and $0.3 million was committed to guarantee letters of credit. After consideration of these commitments, $171.4 million of additional borrowing capacity was available to the Company as of April 3, 2011. The revolving credit agreements, other than the Revolving Credit Facility, do not contain financial covenants, but require the Company's subsidiary to provide certain financial reports to the lenders. The company was in compliance with all debt covenants at April 3, 2011.

NOTE 8—OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following (in millions):

	April 3, 2011	January 2, 2011
Litigation reserve	$ 22.4	$ 22.1
Accrued payroll and related expenses	10.4	9.2
Accrued warranties	8.1	8.1
Accrued bonuses	4.9	16.3
Other accrued expenses	14.1	11.6
	$ 59.9	$ 67.3

NOTE 9—WARRANTIES

The Company offers its customers warranties on products sold based on product type and application. Management reviews and adjusts the warranty accrual based on warranty repair costs and the rate of return. Actual repair costs are charged against the reserve. A tabular presentation of the

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 9—WARRANTIES (Continued)

activity within the warranty accrual account for the three months ended April 3, 2011 and April 4, 2010 is presented below, (in millions):

	April 3, 2011	April 4, 2010
Beginning balance	$ 21.4	$ 4.1
Charges and costs accrued	3.2	1.5
Less repair costs incurred	(0.8)	(0.9)
Change due to foreign currency	1.1	(0.1)
Ending balance	$ 24.9	$ 4.6

As of April 3, 2011, $16.8 million of long-term accrued warranties were included as a component of Other Long-Term Liabilities in the Consolidated Condensed Balance Sheets.

The Company offers its renewable energy customers extended warranty contracts with terms between five and ten years after the base warranty period expires and accounts for such warranty contract in accordance with ASC 605-20-25. Deferred revenue related to such extended warranty contracts was $10.9 million and $8.8 million, as of April 3, 2011 and January 2, 2011, respectively, which were included as part of Other Long-Term Liabilities in the Consolidated Condensed Balance Sheets.

NOTE 10—RESTRUCTURING COSTS

A summary of the restructuring activity during the three months ended April 3, 2011 is as follows (in millions):

	Facilities Closure
Balance at January 2, 2011	$ 0.5
Restructuring charges	—
Applications of reserve	0.2
Balance at April 3, 2011	$ 0.3

During 2009, the company announced and implemented a plan to restructure its global organization in response to ongoing demand uncertainty and to exit its factory in the Dominican Republic. Through implementation of this action, the Company was able to (i) realign global manufacturing and sourcing; (ii) improve operational performance; (iii) increase efficiencies in the supply chain and manufacturing process and (iv) improve the Company's ability to respond to customer requirements in a cost effective manner. With respect to the 2009 restructuring plan, during the quarter ended April 4, 2010, the Company recorded approximately $0.9 million of restructuring charges in accordance with ASC 420 and ASC 712, as applicable. No restructuring charges were recorded during the three months period ended April 3, 2011.

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 10—RESTRUCTURING COSTS (Continued)

In connection with the Dominican Republic facility closure, the Company recorded $1.0 million of inventory charges and $0.8 million of accelerated depreciation as part of cost of goods sold in the consolidated condensed statements of operations for the three months ended April 4, 2010.

At April 3, 2011, $0.3 million of continuing lease obligations related to the 2005 restructuring plan were included in the Company's consolidated condensed balance sheet. All restructuring obligations have been or will be settled with cash.

NOTE 11—LONG-TERM DEBT

Long-term debt consists of the following (in millions):

	April 3, 2011	January 2, 2011
Senior Convertible Notes, due 2019	$ 36.0	$ 35.9
2% Installment notes, due 2011	0.1	0.1
Total long-term debt	36.1	36.0
Less current portion	0.1	0.1
Total long-term debt, less current portion	$ 36.0	$ 35.9

On April 23, 2009, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with Silver Lake Sumeru Fund, L.P. and Silver Lake Technology Investors Sumeru, L.P. (collectively, "Silver Lake Sumeru") pursuant to which Silver Lake Sumeru invested $60 million of new capital in the Company. As a result of the transaction, the Company issued $36.4 million in aggregate principal amount of senior convertible notes due 2019 (the "New Notes). The principal sum of the New Notes is due on May 8, 2019; however, the notes are redeemable at the option of the holder after five years from issuance and annually thereafter. Interest relating to the notes will be paid semi-annually at a rate of 6% per year the first year, 8% the second year and 10% thereafter, beginning November 8, 2009. The New Notes are convertible into Power-One common stock at a conversion price of $1.35. The conversion price is subject to adjustment under certain circumstances. There are no financial covenants relating to the New Notes; however, there are certain restrictions that limit the sale of assets, and the incurrence of liens and debt.

The Company has certain long-term notes payable through fiscal year 2013 held at a European subsidiary. Amounts outstanding at April 3, 2011 and January 2, 2011 related to the installment notes were $0.1 million, bearing interest at 2%. The long-term notes payable agreements require the Company's subsidiary to provide certain financial reports to the lender but do not require compliance with any financial covenants. In addition, this subsidiary has an agreement with a European bank to provide borrowings secured by the subsidiary's land and building over a ten-year period. The initial commitment to lend under this agreement was $9.2 million, with the commitment amount reduced ratably on a quarterly basis beginning March 31, 2004 and ending December 30, 2013. No borrowings were outstanding under this secured note payable agreement at April 3, 2011 or January 2, 2011. The agreement contains financial covenants that require a minimum EBITDA as a percentage of net revenue and a maximum percentage of debt to equity. At April 3, 2011 and January 2, 2011, the Company was in compliance with the debt covenants related to all long-term borrowing arrangements.

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 11—LONG-TERM DEBT (Continued)

Aggregate principal maturities on long-term debt outstanding at April 3, 2011 are as follows (in millions):

Year Ending December 31,	
2011 (nine months)	$ 0.1
2012	—
2013	—
2014	—
2015	—
2016 and thereafter	36.0
Total	$ 36.1

NOTE 12—CONTINGENCIES

SynQor, Inc. v Power-One, Inc, et. al. United States District Court, Eastern District of Texas, Civil Action No. 2:07cv497 TJW/CE. This action was initiated by SynQor, Inc. against the Company and eight other power supply manufacturers on November 13, 2007. The complaint alleges that certain products of the Company infringe certain patents held by SynQor in relation to unregulated bus converters and/or point of load (POL) converters used in intermediate bus architecture power supply systems. The Company filed its answer to the complaint denying infringement of the patents alleged, denying all claims of SynQor for entitlement to damages or other relief, and asserting various affirmative defenses, to include invalidity and unenforceability of the applicable patents. On September 18, 2009, the Court granted SynQor's motion for leave to amend its complaint to add claims for infringement of two new patents issued to SynQor after the lawsuit was initiated. On October 2, 2009 Power-One filed its response to the third amended complaint. The claim construction hearing took place in Marshall, Texas on July 13, 2010. The court issued its Markman ruling on July 26, 2010, substantially adopting Power-One's construction of certain key terms. The parties participated in mediation in September 2010and the case went to trial in December 2010. On December 21, 2010 the jury returned a verdict in favor of SynQor, finding that all of the defendants directly or indirectly infringed all of the claims in the five patents-in-suit and finding Power-One liable for damages in the amount of approximately $25.6 million. The patents-in-suit are United States patents and the decision covers only the sales of infringing products in the United States.

On January 24, 2011, a permanent injunction was entered, enjoining all of the defendants from manufacturing, using, selling and offering for sale in the United States, and/or importing into the United States, certain families of unregulated and semi-regulated bus converters. Although the Company did not believe that the verdict or the injunction would materially impact its Power Solutions business, it joined with the other defendants in filing an emergency motion to stay the injunction and on January 25, 2011 the Court temporarily stayed its injunction until January 28, 2011. On January 31, 2011, Power-One and its co-defendants filed an emergency motion with the United States Court of Appeals for the Federal Circuit, requesting a partial stay of the injunction to permit certain identified customers to continue purchasing the enjoined products for a limited transition period. That day, the Federal Circuit entered a temporary stay order and directed SynQor to file a response by February 4, 2011. On March 2, 2011 the parties were notified that the Appeal had been selected for the Federal

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 12—CONTINGENCIES (Continued)

Circuit's mandatory Appellate Mediation Program, which the parties participated in on March 30, 2011. On April 11, the Federal Circuit entered an order to stay the injunction as to two customers because SynQor does not manufacture a suitable solution for their products and a non-infringing alternative is not currently available, it lifted the stay with respect to three customers and it partially stayed the injunction with respect to one customer. The stay will end at the earliest to occur of (i) final determination of the consolidated appeals; (ii) September 30, 2011 or (iii) provision by SynQor of suitable replacement products. On April 28 th , the District Court issued an Order requiring each defendant to produce international sales data for infringing products during the period from November 1, 2010 through May 1, 2011. A final judgment has not yet been entered by the District Court; however the Company believes that errors were made during the trial and that there is a strong basis for an appeal. The Patents and Trademarks Office is re-examining four of the five patents-in-suit and has issued office actions that preliminarily reject the claims in two of the four patents.

Including interest and other items, the Company believes that its maximum exposure related to this matter is $29.4 million. The Company has accrued $22.4 million representing what it believes to be probable and reasonably estimable based on its discussion with and analysis by counsel of the basis for its appeal.

In addition, the Company is involved in various other claims and legal proceedings which have arisen in the normal course of business. Management does not believe that the outcome of any currently pending claims or legal proceedings in which the Company is involved will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flow.

NOTE 13—STOCK BASED COMPENSATION PLANS

The Company accounts for stock-based awards in accordance with ASC 718, "Compensation—Stock Compensation." The Company has granted stock awards under its 1996 and 2004 stock incentive plans, which generally vest between one and four years from the date of grant.

The fair value of non-vested share units awarded by the Company is measured using the closing fair market value as reported on the NASDAQ Stock Market of the Company's stock on the date the awards are granted. The following table presents the non-vested share unit activity under the Company's stock based compensation plans:

	Three Months Ended	
	April 3, 2011	April 4, 2010
Non-vested share units granted, in millions	0.1	0.1
Weighted average grant date fair value of non-vested share units	$ 10.90	$ 3.69
Stock compensation expense related to non-vested share units, in millions	$ 2.0	$ 0.7

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 13—STOCK BASED COMPENSATION PLANS (Continued)

The fair value of the options and stock appreciation rights granted during the three months ended April 3, 2011 was estimated on the date of grant using the Black-Scholes valuation model, with the assumptions shown below.

	Three Months Ended	
	April 3, 2011	April 4, 2010
Risk-free interest rate	2.8%	N/A
Volatility	79%	N/A
Option life, years	5.7	N/A
Dividend Yield	—	—
Stock options granted, in millions	0.1	—
Weighted-average grant date fair value of stock options granted	$ 7.73	—
Stock compensation expense related to stock options, in millions	$ 0.4	$ 0.2

NOTE 14—EARNINGS PER SHARE (EPS)

Basic and diluted earnings per common share ("EPS") are calculated utilizing the "two-class" method. Under the two-class method, EPS is computed by dividing earnings allocated to common stockholders by the weighted-average number of common shares outstanding for the period. Earnings are allocated to both common shares and participating securities based on the respective number of weighted-average shares outstanding for the period. The Company's convertible preferred stock are participating securities due to their participation rights related to cash dividends declared by the Company. If dividends are distributed to the common stockholders, the Company is required to pay dividends to the holders of the preferred stock and common stock pro-rata on an as converted basis. The weighted average common shares outstanding related to the convertible preferred stock were 17.5 million for the three months ended April 3, 2011 and April 4, 2010.

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 14—EARNINGS PER SHARE (EPS) (Continued)

Components of basic and diluted earnings per share are calculated as follows (in millions, except per share data):

	Three Months Ended	
	April 3, 2011	April 4, 2010
Basic EPS		
Net income attributable to common stockholders	$ 29.9	$ 3.8
Less: undistributed income allocated to participating preferred stockholders	(3.8)	(0.1)
Net income allocated to common stockholders	$ 26.1	$ 3.7
Weighted average common shares outstanding (basic)	103.8	88.3
	$ 0.25	$ 0.04
Diluted EPS		
Net income attributable to common stockholders	$ 29.9	$ 3.8
Add: effect of dilutive convertible debt	1.1	1.8
Less: undistributed income allocated to participating preferred stockholders	(2.9)	(0.1)
Net income attributable to common stockholders	$ 28.1	$ 5.5
Weighted average common shares outstanding (basic)	103.8	88.3
Common shares issuable assuming dilution	37.1	51.3
Weighted average common shares outstanding (diluted)	140.9	139.6
	$ 0.20	$ 0.04

Using the treasury stock method, the weighted average common share equivalents outstanding during each period that were excluded from the computation of diluted earnings per share because the sum of the exercise price for these options and unrecognized compensation expense was greater than the average market price of the Company's shares of common stock during the three months ended April 3, 2011 and April 4, 2010 were 0.3 million and 2.5 million, respectively.

NOTE 15—RELATED PARTIES

The Company maintains minority ownership in a joint venture located in China. The joint venture is accounted for and recorded on the consolidated condensed balance sheet as other assets under the equity method. The Company recorded $0.2 million and $0.1 million during the quarters ended April 3, 2011 and April 4, 2010, respectively, related to the Company's equity share in the earnings of the joint venture.

The joint venture may purchase raw components and other goods from the Company and may sell finished goods to the Company as well as to other third parties. The Company records revenue on sales to the joint venture only when the components and goods are for sales to third parties. When the joint venture purchases components that will be assembled and sold back to the Company, no revenue is

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 15—RELATED PARTIES (Continued)

recorded. The Company also has significant and similar relationships with contract manufacturers. These contract manufacturers may purchase raw components from and sell finished goods back to the Company. No revenue is recognized for these transactions. Revenue is recognized only when the products are for sale to third parties. No revenue was recognized related to the joint venture during the quarters ended April 3, 2011 and April 4, 2010.

The Company paid $2.6 million and $2.1 million for inventory purchased from the joint venture during the quarters ended April 3, 2011 and April 4, 2010, respectively. At April 3, 2011, the Company owed the joint venture approximately $4.5 million.

NOTE 16—SEGMENT INFORMATION

The Company operates as two reportable business segments in accordance with ASC 280, "Segment Reporting." The Company's chief operating decision maker and management personnel review the Company's performance and make resource allocation decisions by reviewing the results of the two business segments separately. Revenue and operating profit is reviewed by the chief operating decision maker; however the Company assets are not divided based on business segment.

The Company is organized into the Renewable Energy Solutions and Power Solutions segments based on the products and services provided. Renewable Energy Solutions offers inverters and accessories for the photovoltaic/solar and wind markets. These inverters convert DC energy from solar panels and wind turbines into AC energy for customer use or for the utility grid. The Power Solutions segment represents the Company's products for AC/DC, DC/DC and digital power conversion, including power conversion products for data centers, such as servers, storage and networking, as well as telecom and industrial power conversion products.

Revenue with respect to operating segments for the quarters ending April 3, 2011 and April 4, 2010 (in millions):

	Three Months Ended	
	April 3, 2011	April 4, 2010
Sales:		
Renewable Energy Solutions	$ 151.6	$ 82.1
Power Solutions	92.9	70.3
Total	$ 244.5	$ 152.4

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 16—SEGMENT INFORMATION (Continued)

Operating Income (Loss) by operating segment for the quarter ending April 3, 2011 and April 4, 2010 (in millions):

	Three Months Ended April 3, 2011	Three Months Ended April 4, 2010
Operating Income (Loss):		
Renewable Energy Solutions	$ 43.4	$ 29.0
Power Solutions	13.9	(3.2)
Total segment operating income	$ 57.3	$ 25.8
Unallocated amounts:		
Restructuring and Asset Impairment	—	(0.9)
Corporate and unallocated	(6.1)	(3.8)
Total	$ 51.2	$ 21.1

Corporate is a non-operating business segment with the main purpose of supporting operations. Restructuring and asset impairment charges and litigation are not allocated to business segment financial statements reviewed by the Company's chief operating decision maker and management personnel.

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

The following management's discussion and analysis should be read in conjunction with our management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended January 2, 2011 filed with the SEC on March 16, 2011, and all of our other filings, including our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report.

This Quarterly Report on Form 10-Q may contain certain statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of various provisions of the Securities Act of 1933 and of the Securities Exchange Act of 1934. These forward-looking statements generally can be identified by use of statements that include phrases such as we "expect," "anticipate," "plan," "intend," "continue," "may," "can," "believe" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. All of these forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from historical results or from those expressed or implied by the relevant forward-looking statement. We discuss these risks and uncertainties in detail in Part I. Item 1A. of our 2010 Form 10-K together with further risks discussed in Part II. Item 1A. Risk Factors of this Form 10-Q.

Introduction

Overview

We are organized into two SBUs, Renewable Energy Solutions and Power Solutions. The SBUs were created during fiscal 2010 to focus on both the products and services we provide and the customers and end markets that we serve.

Renewable Energy Solutions: We offer inverters, management systems, accessories and services for the renewable energy market place that includes both photovoltaic/solar and wind applications. In the renewable energy market, we sell a broad product line of inverters and service offerings that provide our customers with industry-leading efficiency, harvesting power, uptime, reliability, monitoring through software and ease-of-installation. We sell our renewable energy products to distributors/installers, EPCs and OEMs. We are engaged in the design and production of inverters for renewable energy products that convert photovoltaic/solar or wind energy into useable AC power. Our string inverters are used in residential and small commercial applications, while our central inverters are designed for large commercial and utility installations for both the solar and wind markets. These products scale in size from 300 watts up to 2.5 MW. Our product offering also provides our customers with greater control and monitoring of their renewable energy assets using a software-as-a-service (SaaS) platform.

Power Solutions: Our power conversion and power management solutions are used in computer servers, data storage, networking, telecommunications and industrial applications. We sell our power conversion products to OEMs, distributors, and service providers. We are engaged in the design and production of the following power conversion products:

- AC/DC power supplies that convert AC from a primary power source, such as a wall outlet, into a precisely controlled DC voltage. Virtually every electronic device that plugs into an AC wall outlet requires some type of AC/DC power supply, and we provide a broad range of supplies that power a wide variety of OEM equipment;
- DC power systems that are used by communications and Internet service providers to power their equipment, and are used as backup power for large communications infrastructure equipment;

- DC/DC converters that modify an existing DC voltage level to a different DC voltage level to meet the power needs of various subsystems and components within electronic equipment. Our DC/DC converters include high-density and low-density "brick" converters that are generally used to control power on communications printed circuit boards and also include Point-of-Load ("POL") converters that power devices within an Intermediate Bus Architecture as well as in other applications; and

- Additional products that include digital control products for motors and a variety of other application-specific specialty power products.

Recent Pronouncements and Accounting Changes —See Part I. Item 1. Note 2—"CHANGES TO SIGNIFICANT ACCOUNTING POLICIES AND RELATED DISCLOSURES—Recent Pronouncements and Accounting Changes" in the notes to the consolidated condensed financial statements, herein.

We follow accounting standards set by the Financial Accounting Standards Board, ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") that we follow to ensure we consistently report our financial condition, results of operations, and cash flows. We have updated references to GAAP issued by the FASB in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to reflect the guidance in the FASB Accounting Standards Codification ("ASC").

Results of Operations

Consolidated

Net Sales. Net sales increased $92.1 million, or 60.4%, to $244.5 million for the first three months of fiscal 2011 from $152.4 million for the first three months of fiscal 2010. The increase in sales primarily related to the increased demand in the renewable energy market as sales increased in Europe and North America partially offset by some decreases in Asia and Australia. The improved economic conditions in the power market as well as increased shipments due to the fulfillment of past due orders contributed to the increase in revenues in the power solutions segment.

Net sales by business segment were as follows, in millions:

	Three Months Ended			
	April 3, 2011		April 4, 2010	
Renewable Energy Solutions	$ 151.6	62%	$ 82.1	54%
Power Solutions	92.9	38%	70.3	46%
Total	$ 244.5	100%	$ 152.4	100%

Net sales by customer category were as follows, in millions:

	Three Months Ended			
	April 3, 2011		April 4, 2010	
Distributors	$ 111.6	46%	$ 67.0	32%
OEMs	87.7	36%	53.9	56%
EPCs	42.8	17%	30.3	10%
Service providers	2.4	1%	1.2	2%
Total	$ 244.5	100%	$ 152.4	100%

We have redefined our end-markets based on the customers we serve, and have reclassified certain customers. Net sales for the three months ended April 3, 2011 and April 4, 2010, by end-markets under this new classification were as follows:

	Three Months Ended	
	April 3, 2011	April 4, 2010
Renewable Energy	62%	54%
Servers, Storage and Networking	17%	18%
Industrial	14%	21%
Network Power Systems	7%	7%
Total	100%	100%

Gross Profit.

	Three Months Ended	
	April 3, 2011	April 4, 2010
Gross profit, in millions	$ 84.3	$ 45.7
Gross profit margin	34.5%	30.0%

Gross profit for the first three months of fiscal 2011 was $84.3 million compared with a gross profit of $45.7 million in the comparable period in 2010. As a percentage of net sales, gross margin increased to 34.5% for the first three months of fiscal 2011 from a gross margin of 30.0% for the same period in 2010. The increase in gross margin during 2011 primarily related to the increased sales volume of products into the renewable energy market as consolidated net sales increased by 60% during the first three months of 2011 as compared with the same period of 2010. Product mix also improved during the first quarter of 2011 as compared with the same period of 2010 as sales of renewable energy products, which tend to have higher gross margins, increased relative to sales of power products during the quarter.

Selling, General and Administrative Expense. Selling, general and administrative expense increased $6.1 million, or 41%, to $21.1 million for the first quarter of fiscal 2011 from $15.0 million for the same period in 2010. As a percentage of net sales, selling, general and administrative expense decreased to 9% for the first quarter of fiscal 2011 from 10% for the same period in fiscal 2010.

Selling expense increased $2.0 million, or 29%, to $9.0 million for the first quarter of 2011 from $7.0 million for the same period in 2010. The increase in selling expense was primarily related to increased sales bonuses, commissions, and travel associated with the higher revenue levels achieved during the first quarter. In addition, selling expense increased as a result of our investment in the expansion of the sales and service teams to support our initiative to grow market share and revenue.

General and administrative expense increased $4.1 million, or 52%, to $12.1 million for the first quarter of 2011 from $8.0 million for the same period in 2010. The increase in general and administrative expense is primarily a result of an increase in infrastructure to support the revenue growth.

Research and Development. Research and development expense increased by $2.9 million, or 35%, to $11.3 million for the first quarter of fiscal 2011 from $8.4 million in the first quarter of fiscal 2010. As a percentage of net sales, research and development decreased to 5% during the first quarter of 2011 from 6% during the same period of 2010. The increase in research and development spending was

primarily due to our continued investments in new product introductions and expansion of research and development efforts during the first quarter of 2011 as compared with the same period in 2010.

Amortization of Intangible Assets. Amortization of intangible assets was $0.4 million for both quarters ended April 3, 2011 and April 4, 2010.

Restructuring Charge and Asset Impairment. During 2009, we announced and implemented a plan to restructure our global organization in response to ongoing demand uncertainty and to exit our factory in the Dominican Republic. Through implementation of this action, we were able to (i) realign global manufacturing and sourcing; (ii) improve operational performance; (iii) increase efficiencies in the supply chain and manufacturing process and (iv) improve our ability to respond to customer requirements in a cost effective manner. With respect to the 2009 restructuring plan, during the quarter ended April 4, 2010, we recorded approximately $0.9 million of restructuring charges in accordance with ASC 420 and ASC 712, as applicable. No restructuring charges were recorded during the three months period ended April 3, 2011.

In connection with the Dominican Republic facility closure, we recorded $1.0 million of inventory charges and $0.8 million of accelerated depreciation as part of cost of goods sold in the consolidated condensed statements of operations for the three months ended April 4, 2010.

Income from Operations. As a result of the items above, income from operations was $51.2 million for the first quarter of fiscal 2011 compared with income from operations of $21.1 million for the first quarter of fiscal 2010.

Interest Income (Expense), Net. Net interest expense was approximately $0.9 million for the first quarter of fiscal 2011, compared with net interest expense of approximately $2.0 million for the comparable period in 2010.

The net interest expense recorded during the quarter ended April 3, 2011 primarily related to approximately $36 million of senior convertible notes issued May 8, 2009 at an effective interest rate of 10.5%. The net interest expense recorded during the first quarter of 2010 related to an average of approximately $34 million of 8% senior secured convertible notes, carrying an effective interest rate of approximately 9.3%, as well as interest related to approximately $36 million of senior convertible notes issued May 8, 2009 at an effective interest rate of 10.5%, and interest related to credit facilities and long-term debt obligations at certain foreign locations.

Loss on Extinguishment of Debt. Loss on extinguishment of debt was $5.7 million for the first quarter of fiscal 2010. We repurchased $4.5 million in face value of outstanding 8% senior secured convertible notes due 2013 for approximately $10 million during the first quarter of fiscal 2010.

Other Income (Expense), Net. Net other expense was $2.2 million for the first quarter of fiscal 2011 compared with net other income of $0.8 million for the same period in 2010. Included in net other expense for the first quarter of fiscal 2011 were losses on foreign currency transactions of approximately $2.5 million compared with gains on foreign currency transactions of approximately $0.2 million. Our primary foreign currencies are the Euro, the Swiss Franc, the British Pound, and the Chinese RMB. Also included in net other income for the first quarter of fiscal 2010 was approximately $0.2 million of gain due to changes in the market value of the embedded derivatives related to the securities issued to Silver Lake Sumeru.

Provision for Income Taxes. The provision for income taxes was $17.5 million and $9.7 million for the first quarters of fiscal 2011 and 2010, respectively. The provision for income taxes recorded in both periods primarily related to taxes recorded at certain of our profitable European locations.

Our effective tax rate varies significantly from period to period due to the level, mix and seasonality of earnings generated in our various U.S. and foreign jurisdictions. Under ASC 740-270,

"Interim Reporting of Income Taxes," we are required to adjust our effective tax rate for each quarter to be consistent with the estimated annual effective tax rate. Jurisdictions with a projected loss where no tax benefit can be recognized are excluded from the calculation of the estimated annual effective tax rate. Applying the provisions of ASC 740-270 could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections.

Although we record deferred income tax assets in jurisdictions where we generate a loss for income tax purposes, we also record a valuation allowance against these deferred income tax assets when, in management's judgment, it is more likely than not that the deferred tax assets will not be realized. As a result, we may record no tax benefit in jurisdictions where we incur a loss, but record tax expense in jurisdictions where we record taxable income and have no net operating loss (NOL) carryforward. As a result, few meaningful comparisons can be made on our consolidated tax rates between periods.

Equity in earnings of joint venture. During the first quarters of fiscal 2011 and 2010, we recorded approximately $0.2 and $0.1 million, respectively, related to our equity share in the earnings of a joint venture.

Preferred stock dividend and accretion. During the first quarter of fiscal 2011 and 2010 and in connection with the issuance of $23.6 million of redeemable convertible preferred stock to Silver Lake Sumeru, we recorded $0.9 million related to the 10% preferred stock dividend and accretion, of which $0.6 million related to preferred dividends declared and $0.3 million related to the periodic accretions under the interest method.

Renewable Energy Solutions

Results for the Renewable Energy Solutions business segment are as follows, in millions:

	Three Months Ended	
	April 3, 2011	April 4, 2010
Revenue	$ 151.6	$ 82.1
Operating Income	43.4	29.0

During the three months ended April 3, 2011, demand in the renewable energy market continued to increase over levels achieved during the same periods of 2010. The revenue growth in the renewable energy market was driven by increased demand in the overall solar market.

Power Solutions

Results for the Power Solutions business segment are as follows, in millions:

	Three Months Ended	
	April 3, 2011	April 4, 2010
Revenue	$ 92.9	$ 70.3
Operating Income (Loss)	13.9	(3.2)

During the three months ended April 3, 2011, revenue increased by $22.6 million, or 32%, as compared with the same quarter of 2010. The improved economic conditions in the power conversion industry contributed to increased revenue levels during the quarter ended April 3, 2011. Operating profit increased $17.1 million to $13.9 million during the first quarter of fiscal 2011from a loss of $3.2 million during the comparable period in fiscal 2010. The increase in operating profit was primarily

due to increased revenue levels resulting from improved economic conditions as well as higher shipments due to order fulfillment of past due orders, improved factory performance and continued efforts in constraining operating expense.

Liquidity and Capital Resources

Our cash and cash equivalents balance increased to $243.6 million at April 3, 2011 from $227.9 million at January 2, 2011. Our primary sources of cash in the first quarter of fiscal 2011 consisted of $21.5 million of cash generated from operating activities. Our primary uses of cash in the first quarter of fiscal 2011 consisted of $10.7 million for the acquisition of property and equipment, $5.2 million used to repurchase 0.6 million of our common stock, $1.9 million from the payment of debt issue costs related to the credit facility secured in North America during the first quarter of fiscal 2011 and $0.6 million dividends paid related to our redeemable convertible preferred stock.

Cash provided by operating activities of $21.5 million included a decrease in accounts receivable and an increase in income tax payable of $46.5 million and $16.1 million, respectively, partially offset by decreases in accounts payable and other accrued expenses of $52.3 million and $6.1 million respectively and increases in inventory of $26.0 million. We expect significant impacts to our cash position during Q2 2011 due to cash disbursements of over $100 million to be made in connection with Italian income taxes due.

The aggregate limit on all credit facilities was approximately $171.7 million at April 3, 2011. The credit facilities bear interest on amounts outstanding at various intervals based on various applicable published market rates. At April 3, 2011, no amounts were outstanding on the credit facilities, and $0.3 million was committed to guarantee letters of credit. After consideration of these commitments, $171.4 million of additional borrowing capacity was available to us as of April 3, 2011.

We have certain long-term notes payable in a European subsidiary and amounts outstanding at January 2, 2011, were $0.1 million and bore interest at an interest rate of 2%. The long-term notes payable agreements require our subsidiary to provide certain financial reports to the lender but do not require compliance with any financial covenants.

The company was in compliance with all debt covenants at April 3, 2011.

We currently anticipate that our total capital expenditures for 2011 will be in the range of $50 to $60 million primarily for manufacturing equipment and process improvements, equipment related to research and development and product development, additions and upgrades to our facilities and information technology infrastructure, and other administrative requirements. However, the amount of these anticipated capital expenditures likely will change during the year based on changes in expected revenues, our financial condition and the general economic climate. During the quarter ended April 3, 2011, we spent $10.7 million on capital expenditures.

Based on current plans and business conditions, we believe our existing working capital and borrowing capacity, coupled with the funds that we expect to generate from our operations, will be sufficient to meet our liquidity requirements for the next twelve months. We will continue to evaluate our liquidity position, and when and if necessary explore alternatives to maximize our position and we may determine to raise additional funding through the issuance of equity or incurrence of debt.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases, in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Off-Balance Sheet Arrangements

Below we identify and disclose all of our significant off balance sheet arrangements and related party transactions. We do not utilize special purpose entities or have any known financial relationships with other companies' special purpose entities.

Operating Leases. We enter into operating leases where and when the economic climate is favorable.

Purchase Commitments. We have purchase commitments for materials, supplies, services, and property, plant and equipment as part of the normal course of business. Certain supply contracts may contain penalty provisions for early termination. Based on current expectations, we do not believe that we are reasonably likely to incur any material amount of penalties under these contracts.

Other Contractual Obligations. We do not have material financial guarantees that are reasonably likely to affect liquidity.

Related Parties. We have entered into certain transactions, or have other arrangements with related parties. (See Note 15 to the Consolidated Condensed Financial Statements in Part I, Item I)

Summary of Contractual Obligations and Commitments. A summary of our future contractual payments related to lease obligations and long-term debt is as follows, in millions:

Year Ending December 31,	Operating Leases(1)	Long-Term Debt Obligations	Estimated Interest Obligations(2)	Preferred Stock Dividend	Total
2011 (nine months)	$ 3.7	$ 0.1	$ 3.4	$ 1.8	$ 9.0
2012	4.0	—	3.7	2.4	10.1
2013	3.7	—	3.6	2.4	9.7
2014	3.1	—	3.6	0.6	7.3
2015	1.5	—	3.6	—	5.1
2016 and thereafter	0.6	36.4	12.2	—	49.2
Total	$ 16.6	$ 36.5	$ 30.1	$ 7.2	$ 90.4

(1) Our restructuring reserve at April 3, 2011 includes approximately $0.3 million relating to the above operating lease commitments. The Company intends to seek sub-leases for unused facilities.

(2) We calculated estimated interest payments for long-term debt as follows: for fixed-rate term debt, we calculated interest based on the applicable rates and payment dates; for variable-rate term debt, we calculated interest based on the most recent applicable interest rates in effect.

Item 3—Quantitative and Qualitative Disclosures About Market Risk

Market risks relating to our operations result primarily from changes in interest rates on outstanding financial debt instruments and changes in foreign currency exchange rates.

Debt. Our exposure to interest rate risk results from financial debt instruments that we enter. We may also enter into derivative financial instrument transactions, such as swaps, in order to manage or reduce our exposure to interest rate changes related to our indebtedness. However, under no circumstances do we enter into derivative or other financial instrument transactions for speculative purposes. We are exposed to cash flow risk due to changes in market interest rates related to our outstanding debt. For example, in Europe our variable long term debt bears interest on borrowings outstanding at various time intervals and is based on the Euro Interbank Offered Rate (EURIBOR). Our principal risk with respect to our variable long-term debt is to changes in this market rate.

The table below presents principal cash flows and related weighted average interest rates for our long-term debt obligations at April 3, 2011 by expected maturity dates. The information is presented in U.S. dollar equivalents, our reporting currency, and parenthetically in Eurodollar, where applicable. Additionally, the U.S. dollar equivalent carrying value of Eurodollars denominated debt is sensitive to foreign currency exchange rates. However, a 10% change in the U.S. dollar exchange rate against these currencies would not be expected to have a significant effect on our future earnings.

	Expected Maturity Date							
	2011	2012	2013	2014	2015	Thereafter	Total	Fair Value
	(Amounts in millions, except for percentages)							
Long-term Debt:								
Fixed Rate Sr. Convertible Notes Due 2019(USD)	$ —	$ —	$ —	$ —	$ —	$ 36.4	$ 36.4	$ 216.2
Average Interest Rate						10.5%	10.5%	
Fixed Rate (EUR 0.2)	$ 0.1	$ —	$ —	$ —	$ —	$ —	$ 0.1	$ 0.1
Average Interest Rate	2.0%						2.0%	

Foreign Currency. A significant portion of our business operations are conducted in various countries in Europe and Asia. As a result, we have a certain degree of market risk with respect to our cash flows due to changes in foreign currency exchange rates when transactions are denominated in currencies other than our functional currency, including inter-company transactions. Historically, we have not actively engaged in substantial exchange rate hedging activities, and at April 3, 2011, we had not entered into any significant foreign exchange contracts.

Item 4—Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported within the required time periods.

As of April 3, 2011, we had carried out an evaluation of our disclosure controls and procedures under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer of the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), are effective in that they are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. We review our disclosure controls and procedures on an ongoing basis and may from time to time make changes aimed at enhancing their effectiveness and to ensure that they evolve with our business.

There have been no changes in our internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), during the quarter ended April 3, 2011 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as codified in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended from time to time. The forward-looking statements include comments and predictions regarding future events and our future results that are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expect," "anticipate," "estimate," "plan," "intend," "continue," "may," "can," "believe" and similar expressions reflecting something other than historical fact are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Any statements which refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Forward-looking statements are not guarantees, but rather are predictions of and make certain assumptions regarding anticipated future results. Achievement of actual results is dependent upon and will involve a variety of risks and uncertainties that could cause actual results to differ materially from assumptions and predictions.

Such risks and uncertainties include, but are not limited to, the risk that the market for the sale of certain products and services may not develop as expected; the impact of competitive products or technologies and competitive pricing pressures; the ability to secure sufficient quantities of components within the time frame necessary to meet our customers' requirements; increases in raw material costs; the ability to resolve contract manufacturer supply chain constraints that have caused an inability to deliver product on time; inventory increases tied to component acquisitions or end product build up based on forecasts that do not materialize in part or in full; delays or cancellations of new product designs by customers; the difficulty of efficiently managing the company's cost structure for capital expenditures, materials and overhead, as well as operating expenses such as wages and benefits due to the vertical integration of the company's manufacturing processes; the ability to achieve and execute upon planned movements of the location of manufacturing of selected products, specifically the achievement of projected manufacturing realignment to, and increase in manufacturing utilization and output in, our China facilities; the ability to implement our plans to improve our operational efficiency; potential business disruptions, including labor unrest, work stoppages, or other short or longer term labor disruptions; the existence or enactment of adverse U.S. and foreign government regulation; the risk that the development of products and services may not proceed as planned; general adverse domestic and international economic conditions including interest rate and currency exchange rate fluctuations; costs involved (i.e. the total amount, and/or the amount incurred in any given quarter) due to attacks and challenges to, or assertions by us of, our intellectual property rights; the ability to attract and retain key personnel; the ability to manage our international operations and currency exchange rate fluctuations relating to transactions or accounts conducted or maintained in currencies other than U.S. dollars; the ability to capture customers in new markets that we are pursuing; market fluctuations or volatility that could cause the trading price of our common stock to decline; and changes in the regulatory environment in which our business operates. Persons reading this Quarterly Report on Form 10-Q are cautioned that such forward-looking statements are only predictions, and actual events or results may differ materially and adversely. In evaluating such statements, readers should specifically consider the various factors which could cause actual events or results to differ materially and adversely from those indicated by such forward-looking statements. For a detailed description of such factors, see "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended January 2, 2011. We undertake no obligation to modify or revise any forward-looking statement to take into account or otherwise reflect subsequent events or circumstances arising after the date that the forward-looking statement was made.

PART II—OTHER INFORMATION

Item 1—Legal Proceedings

SynQor, Inc. v Power-One, Inc, et. al. United States District Court, Eastern District of Texas, Civil Action No. 2:07cv497 TJW/CE. This action was initiated by SynQor, Inc. against the Company and eight other power supply manufacturers on November 13, 2007. The complaint alleges that certain products of the Company infringe certain patents held by SynQor in relation to unregulated bus converters and/or point of load (POL) converters used in intermediate bus architecture power supply systems. The Company filed its answer to the complaint denying infringement of the patents alleged, denying all claims of SynQor for entitlement to damages or other relief, and asserting various affirmative defenses, to include invalidity and unenforceability of the applicable patents. On September 18, 2009, the Court granted SynQor's motion for leave to amend its complaint to add claims for infringement of two new patents issued to SynQor after the lawsuit was initiated. On October 2, 2009 Power-One filed its response to the third amended complaint. The claim construction hearing took place in Marshall, Texas on July 13, 2010. The court issued its Markman ruling on July 26, 2010, substantially adopting Power-One's construction of certain key terms. The parties participated in mediation in September 2010and the case went to trial in December 2010. On December 21, 2010 the jury returned a verdict in favor of SynQor, finding that all of the defendants directly or indirectly infringed all of the claims in the five patents-in-suit and finding Power-One liable for damages in the amount of approximately $25.6 million. The patents-in-suit are United States patents and the decision covers only the sales of infringing products in the United States.

On January 24, 2011, a permanent injunction was entered, enjoining all of the defendants from manufacturing, using, selling and offering for sale in the United States, and/or importing into the United States, certain families of unregulated and semi-regulated bus converters. Although the Company did not believe that the verdict or the injunction would materially impact its Power Solutions business, it joined with the other defendants in filing an emergency motion to stay the injunction and on January 25, 2011 the Court temporarily stayed its injunction until January 28, 2011. On January 31, 2011, Power-One and its co-defendants filed an emergency motion with the United States Court of Appeals for the Federal Circuit, requesting a partial stay of the injunction to permit certain identified customers to continue purchasing the enjoined products for a limited transition period. That day, the Federal Circuit entered a temporary stay order and directed SynQor to file a response by February 4, 2011. On March 2, 2011 the parties were notified that the Appeal had been selected for the Federal Circuit's mandatory Appellate Mediation Program, which the parties participated in on March 30, 2011. On April 11, the Federal Circuit entered an order to stay the injunction as to two customers because SynQor does not manufacture a suitable solution for their products and a non-infringing alternative is not currently available, it lifted the stay with respect to three customers and it partially stayed the injunction with respect to one customer. The stay will end at the earliest to occur of (i) final determination of the consolidated appeals; (ii) September 30, 2011 or (iii) provision by SynQor of suitable replacement products. On April 28 th , the District Court issued an Order requiring each defendant to produce international sales data for infringing products during the period from November 1, 2010 through May 1, 2011. A final judgment has not yet been entered by the District Court; however the Company believes that errors were made during the trial and that there is a strong basis for an appeal. The Patents and Trademarks Office is re-examining four of the five patents-in-suit and has issued office actions that preliminarily reject the claims in two of the four patents.

Including interest and other items, the Company believes that its maximum exposure related to this matter is $29.4 million. The Company has accrued $22.4 million representing what it believes to be probable and reasonably estimable based on its discussion with and analysis by counsel of the basis for its appeal.

In addition, the Company is involved in various other claims and legal proceedings which have arisen in the normal course of business. Management does not believe that the outcome of any currently pending claims or legal proceedings in which the Company is involved will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flow.

Item 1A—Risk Factors

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended January 2, 2011.

Item 6—Exhibits

(a) Exhibits	
10.1(a)	Credit Agreement dated as of March 29, 2011, among Bank of America, N.A., in its capacity as sole administrative and collateral agent, as issuing lender, as swingline lender and as a lender, Merrill Lynch, Pierce, Fenner & Smith, as the arranger.
10.2	Amended and Restated Power-One, Inc., 2004 Stock Incentive Plan Eligible Director Non-Qualified Stock Option Agreement
10.3	Amended and Restated Power-One, Inc., 2004 Stock Incentive Plan Eligible Director Stock Unit Award Agreement
10.4	Power-One, Inc. 2004 Stock Incentive Plan Employee Stock Appreciation Right Agreement
10.5	Power-One, Inc. 2004 Stock Incentive Plan Performance Stock Unit Award Agreement
10.6	Amended and Restated Power-One, Inc., 2004 Stock Incentive Plan as amended and restated effective February 1, 2011
31.1	Rule 13a-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of Sarbanes-Oxley Act of 2002

(a) Previously filed as an exhibit to the Current Report on Form 8-K dated and filed on March 29, 2011

SIGNATURES

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

Dated: May 10, 2011

POWER-ONE, INC.

By: /s/ GARY R. LARSEN

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

Exhibit 10.2

AMENDED AND RESTATED

POWER-ONE, INC.
2004 STOCK INCENTIVE PLAN

ELIGIBLE DIRECTOR
NONQUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT dated as of the [•] between Power-One, Inc., a Delaware corporation (the "Corporation"), and [•] (the "Director").

W I T N E S S E T H

WHEREAS, the Corporation has adopted and the stockholders of the Corporation have approved the Power-One, Inc. Amended and Restated 2004 Stock Incentive Plan, (the "Plan").

WHEREAS, pursuant to authority granted to the Administrator of the Plan, the Corporation has granted an option (the "Option") to the Director upon the terms and conditions evidenced hereby, as required by the Plan, which Option is not an incentive stock option within the meaning of Section 422 of the Code.

NOW, THEREFORE, in consideration of the services rendered and to be rendered by the Director, the Corporation and the Director agree to the terms and conditions set forth herein as required by the terms of the Plan.

1. Option Grant . This Agreement evidences the grant to the Director, as of [•] (the "Option Date"), of an Option to purchase an aggregate of [•] shares of Common Stock under the Plan, subject to the terms and conditions and to adjustment as set forth herein or in the Plan.

2. Exercise Price . The Option entitles the Director to purchase (subject to the terms of Sections 3 through 5 below and to the extent exercisable) all or any part of the Option shares at a price per share of $[•], which amount represents the Fair Market Value of the shares on the Option Date.

3. Option Exercisability and Term . Subject to applicable provisions in Section 7 of the Plan regarding possible adjustments and/or acceleration of options granted under the Plan, and subject to the terms of this Section 3, the Option shall become exercisable on the earlier of (i) the first anniversary of the Option Date or (ii) one day prior to the next Annual Meeting of Stockholders following the date of grant. The Option shall terminate [•], unless earlier terminated in accordance with the terms of the Plan. Notwithstanding anything herein to the contrary, the vesting of the Option shall fully accelerate upon the occurrence of any merger, combination, consolidation, or other reorganization; any exchange of Common Stock or other securities of the Corporation; a

sale of all or substantially all the business, stock or assets of the Corporation; a dissolution of the Corporation; or any other event in which the Corporation does not survive (or does not survive as a public company in respect of its Common Stock).

4. Service and Effect of Termination of Service . The Director agrees to serve as a director in accordance with the provisions of the Corporation's Certificate of Incorporation, bylaws and applicable law. If the Director's services as a member of the Board shall terminate, this Option shall terminate at the times and to the extent set forth in Section 6 of the Plan.

5. General Terms . The Option and this Agreement are subject to, and the Corporation and the Director agree to be bound by, the provisions of the Plan that apply to the Option. Such provisions are incorporated herein by this reference. The Director acknowledges receiving a copy of the Plan and reading its applicable provisions. Capitalized terms not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

POWER-ONE, INC.
(a Delaware corporation)

By: _____

Tina D. McKnight
(Print Name)

Title: General Counsel & Secretary

Optionee Director

_____
(Signature)

_____
(Print Name)

_____
(Address)

_____
(City, State, Zip Code)

Exhibit 10.3

AMENDED AND RESTATED

POWER-ONE, INC.
2004 STOCK INCENTIVE PLAN

ELIGIBLE DIRECTOR
STOCK UNIT AWARD AGREEMENT

THIS STOCK UNIT AWARD AGREEMENT (this "Agreement") is dated as of [•] by and between Power-One, Inc., a Delaware corporation (the "Corporation") and [•] (the "Director").

W I T N E S S E T H

WHEREAS, pursuant to the Power-One, Inc. Amended and Restated 2004 Stock Incentive Plan (the "Plan"), the Corporation has granted to the Director effective as of the date hereof (the "Award Date"), a credit of stock units under the Plan (the "Stock Unit Award" or "Award"), upon the terms and conditions set forth herein and in the Plan.

NOW THEREFORE, in consideration of services rendered and to be rendered by the Director, and the mutual promises made herein and the mutual benefits to be derived therefrom, the parties agree as follows:

1. ***Defined Terms .*** Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

2. ***Grant .*** Subject to the terms of this Agreement, the Corporation hereby grants to the Director a Stock Unit Award with respect to an aggregate of [•] stock units (subject to adjustment as provided in Section 7.1 of the Plan) (the "Stock Units"). As used herein, the term "stock unit" shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Corporation's Common Stock (subject to adjustment as provided in Section 7.1 of the Plan) solely for purposes of the Plan and this Agreement. The Stock Units shall be used solely as a device for the determination of the payment to eventually be made to the Director if such Stock Units vest pursuant to Section 3. The Stock Units shall not be treated as property or as a trust fund of any kind.

3. ***Vesting*** . Subject to Sections 8 and 9 below, the Award shall vest and become nonforfeitable with respect to one hundred percent (100%) of the total number of Stock Units (subject to adjustment under Section 7.1 of the Plan) on the earlier to occur of (i) the first anniversary of the date of this Award, or (ii) one day prior to the date of the next Annual Meeting of Stockholders following the date of this Award.

4. ***Continuance of Service .*** The vesting schedule requires continued service through the applicable vesting date as a condition to the vesting under the Award and the rights and benefits under this Agreement. Partial service, even if substantial, during the vesting period will not entitle the Director to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of services as provided in Section 8 below or under the Plan.

Nothing contained in this Agreement or the Plan constitutes a service commitment by the Corporation, affects the Director's status as a Director who serves pursuant to election by the stockholders of the Corporation, confers upon the Director any right to remain in service to the Corporation or any Subsidiary, interferes in any way with the right of the stockholders at any time to replace Director by election of other director(s), or affects the right of the Corporation to increase or decrease the Director's other compensation or benefits. Nothing in this paragraph, however, is intended to adversely affect any independent contractual right of the Director without his consent thereto.

5. Dividend and Voting Rights.

(a) ***Limitations on Rights Associated with Units .*** The Director shall have no rights as a stockholder of the Corporation, no dividend rights (except as expressly provided in Section 5(b) with

respect to Dividend Equivalent Rights) and no voting rights, with respect to the Stock Units and any shares of Common Stock underlying or issuable in respect of such Stock Units until such shares of Common Stock are actually issued to and held of record by the Director. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the stock certificate.

(b) ***Dividend Equivalent Rights Distributions .*** As of any date that the Corporation pays a cash dividend on its Common Stock, the Corporation shall pay Director an amount equal to the per share cash dividend paid by the Corporation on its Common Stock on such date multiplied by the number of Stock Units remaining subject to this Award as of the related dividend payment record date. No such payment shall be made with respect to any Stock Units which, as of such record date, have either been paid pursuant to Section 7 or terminated pursuant to Section 8.

6. ***Restrictions on Transfer .*** Neither the Stock Unit Award, nor any interest therein or amount or shares payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation, or (b) transfers by will or the laws of descent and distribution.

7. ***Timing and Manner of Payment of Stock Units .*** On or as soon as administratively practical following the vesting of the total Award per Section 3 above, the Corporation shall deliver to the Director a number of shares of Common Stock equal to the number of Stock Units subject to this Award that vest on the applicable vesting date, unless such Stock Units terminate prior to the given vesting date pursuant to Section 8 and in any event subject to Section 9. The Director shall have no further rights with respect to any Stock Units that are so paid or that are terminated pursuant to Section 8.

8. ***Effect of Termination of Service.*** Except as provided in Sections 7.2 or 7.3 of the Plan, the Director's Stock Units shall terminate to the extent such units have not become vested prior to the date the Director ceases to serve as a director of the Corporation, regardless of the reason for the termination of the Director's service to the Corporation, whether with or without cause, voluntarily or involuntarily. If any Stock Units are terminated hereunder, such unvested Stock Units shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Company and without any other action by the Director, or the Director's Beneficiary or Personal Representative, as the case may be.

9. ***Adjustments Upon Specified Events; Acceleration Upon a Corporate Transaction .*** Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.1 of the Plan, the Committee shall make adjustments if appropriate in the number of Stock Units and the number and kind of securities that may be issued in respect of the Stock Unit Award. Notwithstanding anything herein to the contrary, the vesting of the Stock Units shall fully accelerate upon the occurrence of any merger, combination, consolidation, or other reorganization; any exchange of Common Stock or other securities of the Corporation; a sale of all or substantially all the business, stock or assets of the Corporation; a dissolution of the Corporation; or any other event in which the Corporation does not survive (or does not survive as a public company in respect of its Common Stock).

10. ***Tax Withholding.*** Upon any payment of dividend equivalents and/or the distribution of shares of the Common Stock in respect of the Stock Units, the Corporation shall have the right at its option to (a) require the Director to pay or provide for payment in cash of the amount of any taxes that the Corporation may be required to withhold with respect to such payment and/or distribution, or (b) deduct from any amount payable to the Director the amount of any taxes which the Corporation or the Subsidiary may be required to withhold with respect to such payment and/or distribution. In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Award Agreement, the Committee may, in its sole discretion, direct the Corporation to reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares, valued at their then Fair Market Value, to satisfy such withholding obligation.

11. ***Notices.*** Any notice to be given under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Director at the Director's last address reflected on the Corporation's records, or at such other address as either party

may hereafter designate in writing to the other. Any such notice shall be given only when received, but if the Director is no longer serving as a director of the Company, shall be deemed to have been duly given by the Corporation when enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government.

12. ***Plan.*** The Award and all rights of the Director under this Agreement are subject to, and the Director agrees to be bound by, all of the terms and conditions of the provisions of the Plan, incorporated herein by reference. In the event of a conflict or inconsistency between the terms and conditions of this Agreement and of the Plan, the terms and conditions of the Plan shall govern. The Director agrees to be bound by the terms of the Plan and this Agreement. The Director acknowledges having read and understanding the Plan, the Prospectus for the Plan, and this Agreement. Unless otherwise expressly provided in other sections of this Agreement, provisions of the Plan that confer discretionary authority on the Committee do not (and shall not be deemed to) create any rights in the Director unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Committee so conferred by appropriate action of the Committee under the Plan *after* the date hereof.

13. ***Entire Agreement.*** This Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Award Agreement may be amended pursuant to Section 8.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Director hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

14. ***Limitation on Director's Rights.*** Participation in this Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. The Director shall have only the rights of a general unsecured creditor of the Corporation (or applicable Subsidiary) with respect to amounts credited and benefits payable in cash, if any, with respect to the Stock Units, and rights no greater than the right to receive the Common Stock (or equivalent value) as a general unsecured creditor with respect to Stock Units, as and when payable thereunder.

15. ***Counterparts .*** This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

16. ***Section Headings .*** The section headings of this Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

17. ***Governing Law.*** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed on its behalf by a duly authorized officer and the Director has hereunto set his or her hand as of the date and year first above written.

POWER-ONE, INC.,
a Delaware corporation

By: _____

Print Name: _____

Its: _____

DIRECTOR

_____
Signature

_____
Print Name

Exhibit 10.4

POWER-ONE, INC.
AMENDED AND RESTATED
2004 STOCK INCENTIVE PLAN

EMPLOYEE STOCK APPRECIATION RIGHT AGREEMENT

THIS AGREEMENT, dated as of **[•], 2011** (the **"Agreement"**), between Power One, Inc., a Delaware corporation (the **"Company"**), and (**"Employee"**).

R E C I T A L

WHEREAS, pursuant to the Power-One Inc., Amended and Restated 2004 Stock Incentive Plan (the **"Plan"**), the Company has granted to Employee effective as of **[•], 2011** (the **"Award Date**), an award of stock appreciation rights ("SARs") with respect to **[•]** Shares upon the terms and conditions set forth herein and in the Plan.

NOW, THEREFORE , in consideration of the mutual promises and covenants made herein and the mutual benefits to be derived herefrom, the parties agree as follows:

1. **Defined Terms .** Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

2. **Grant of SARs .** This Agreement evidences the Company's grant to Employee of SARs, on the terms and conditions set forth herein and in the Plan, with respect to **[•]** Shares with a base price (the " **Base Price** ") of **$[•]** per share. The SARs will expire on the tenth anniversary of the date of this Agreement (the **"Expiration Date"**).

3. **Consideration to the Company .** In consideration of the granting of the SARs by the Company, Employee agrees to render faithful and efficient services to the Company, with such duties and responsibilities as the Company shall from time to time prescribe. Nothing contained in this Agreement or in any other documents related to the Plan shall confer upon Employee any right to continue in the employ of the Company or constitute any contract of employment, or interfere in any way with the right of the Company to reduce such person's compensation or other benefits or to terminate the employment of Employee, with or without Cause.

4. **Exercisability of SARs .** Except as earlier permitted by or pursuant to Section 7 of the Plan or by resolution of the Committee adopted after the date hereof, the SARs shall become exercisable in installments as to one-third (33.33%) of the total number of Shares set forth in paragraph 2 hereof (subject to adjustment) on each of the first, second, and third anniversaries of the Award Date.

5. **Continuing Right to Purchase Cumulatively .** If Employee does not exercise all or any part of the SARs to which Employee is entitled on the vesting date, Employee has the right cumulatively thereafter to exercise the SARs not so exercised and such right shall continue until the SARs terminate or expire. The SARs shall only be exercisable in respect of whole Shares, and fractional Share interests shall be disregarded. At least 100 SARs must be exercised at one time unless the number exercised is the total number at the time exercise.

6. **Method of Exercise of SARs and Settlement of SARs .**

(a) The SARs shall be exercisable by the delivery to the Secretary of the Corporation (or such other person as the Administrator may require pursuant to such administrative exercise procedures as the Administrator may implement from time to time) of: (i) a written notice stating the number of SARs to be exercised or by the completion of such other administrative exercise procedures as

the Administrator may require from time to time; (ii) any written statements or agreements required pursuant to Section 8.1 of the Plan; and (iii) satisfaction of the tax withholding provisions of Section 8.5 of the Plan.

(b) Upon the exercise of the SARs and the attendant surrender of an exercisable portion of the SARs, Employee will be entitled to receive payment in cash of an amount (subject to the tax withholding provisions of Section 6(a), above) determined by multiplying: (i) the difference (but not less than zero) obtained by subtracting the Base Price of the SARs being exercised from the per-share Fair Market Value of the Common Stock as of the date of exercise, by the number of SARs being exercised. The Employee shall have no further rights with respect to any SARs that are paid or that terminate pursuant to the terms of this Agreement.

7. **Termination of Employment .** The SARs and all other rights hereunder, to the extent not exercised, will terminate and become null and void upon Employee's termination of employment, except that:

(a) if Employee terminates for any reason other than death, Disability or for Cause, Employee has 90 days after the date of termination to exercise the SARs to the extent the SARs were exercisable on the date of termination;

(b) if Employee is terminated for Cause, the SARs shall lapse immediately upon Employee's termination of employment;

(c) if Employee terminates as a result of a Disability, or if Employee suffers a Disability within 90 days of a termination of employment under subsection (a) above, Employee or Employee's personal representative may exercise the SARs, to the extent the SARs were exercisable on the date of Employee's termination of employment, within a period of 180 days from the date of Disability (or, if earlier, termination of employment);

(d) if Employee dies while in the employ of the Company, or within 90 days after a termination described in subsection (a) or (c) of this Section 7, then Employee's beneficiary may exercise the SARs, to the extent the SARs were exercisable on the date of Employee's termination of employment, within a period of 180 days after the date of Employee's death (or, if earlier, Employee's termination of employment);

provided, however, that in no event may the SARs be exercised by anyone under this Section 7 or otherwise after the Expiration Date. In other words, in no event may the SARs be exercised by anyone under this Section 7 or otherwise after the Expiration Date.

8. **Termination of SARs Under Certain Events .** As permitted by Section 7.2 of the Plan, the Administrator retains the right to terminate the SARs to the extent not previously exercised upon an event or transaction in which the Company does not survive.

9. **Non-Transferability of SARs .** The SARs and any other rights of Employee under this Agreement or the Plan are nontransferable.

10. **Assignments .** This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assignees. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either party without the prior written consent of the other.

11. **Notices .** Any notice to be given under the terms of this Agreement shall be in writing and addressed to the Company at its principal office to the attention of the Secretary, and to Employee at the address given beneath Employee's signature hereto, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed

envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government.

12. **Plan .** The SARs and all rights of Employee under this Agreement are subject to, and Employee agrees to be bound by, all of the terms and conditions of the provisions of the Plan, incorporated herein by this reference, to the extent such provisions are applicable to stock appreciation rights. In the event of a conflict or inconsistency between the terms and conditions of this Agreement and of the Plan, the terms and conditions of the Plan shall govern. Employee acknowledges receipt of a copy of the Plan and agrees to be bound by the terms thereof. Unless otherwise expressly provided in other paragraphs of this Agreement, provisions of the Plan that confer discretionary authority on the Administrator do not (and shall not be deemed to) create any rights in Employee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Administrator so conferred by appropriate action of the Administrator under the Plan after the date hereof.

13. **Definitions**

(a) "Cause" means a determination by the Committee that the Participant: (a) has committed a material breach of the Participant's duties and responsibilities (other than as a result of incapacity due to a total disability); or (b) has been convicted of a felony, or entered a plea of guilty or nolo contendere with respect to such a crime; or (c) has violated any fiduciary duty or duty of loyalty owed to the Company; or (d) has been generally incompetent or grossly negligent in the discharge of the Participant's duties and responsibilities; or (e) has violated in any material respect any of the Company's established employment policies in effect from time to time.

IN WITNESS WHEREOF , the Company has caused this Agreement to be executed on its behalf by a duly authorized officer and Employee has hereunto set his or her hand.

THE COMPANY”

Power One, Inc.

_____

By: Tina D. McKnight
Title: Secretary & General Counsel

“THE EMPLOYEE”

Accepted By: _____

Date Accepted On: _____

_____

Address

_____

_____

Exhibit 10.5

POWER-ONE, INC.
AMENDED AND RESTATED
2004 STOCK INCENTIVE PLAN
PERFORMANCE STOCK UNIT AWARD AGREEMENT

THIS PERFORMANCE STOCK UNIT AWARD AGREEMENT (this "Agreement") is dated as of [•] by and between Power-One, Inc., a Delaware corporation (the "Corporation") and [•] (the "Employee").

W I T N E S S E T H

WHEREAS, pursuant to the Power-One, Inc. Amended and Restated 2004 Stock Incentive Plan (the "Plan"), the Corporation has granted to the Employee effective as of the date hereof (the "Award Date"), a credit of stock units under the Plan, upon the terms and conditions set forth herein and in the Plan.

NOW THEREFORE, in consideration of services rendered and to be rendered by the Employee, and the mutual promises made herein and the mutual benefits to be derived therefrom, the parties agree as follows:

1. ***Defined Terms .*** Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

2. ***Grant .*** Subject to the terms of this Agreement, the Corporation hereby grants to the Employee a Stock Unit Award pursuant to which the Employee is eligible to earn a target number of [•] stock units (subject to adjustment as provided in Section 7.1 of the Plan) (the "Stock Unit Award" or "Award"). As used herein, the term "Stock Unit" shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Corporation's Common Stock (subject to adjustment as provided in Section 7.1 of the Plan) solely for purposes of the Plan and this Agreement. The Stock Units shall be used solely as a device for the determination of the payment to eventually be made to the Employee if such Stock Units vest pursuant to Section 3. The Stock Units shall not be treated as property or as a trust fund of any kind.

3. ***Vesting .*** Subject to Sections 8 and 9 below, the Award shall vest and become nonforfeitable in accordance with Appendix A , attached hereto.

4. ***Continuance of Employment .*** The vesting schedule requires continued employment or service through the vesting date as a condition to the vesting of the Award and the rights and benefits under this Agreement. Partial employment or service, even if substantial, during any vesting period will not entitle the Employee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 8 below or under the Plan.

Nothing contained in this Agreement or the Plan constitutes an employment or service commitment by the Corporation, affects the Employee's status as an employee at will who is subject to termination without cause, confers upon the Employee any right to remain employed by or in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or services, or affects the right of the Corporation or any Subsidiary to increase or decrease the Employee's other compensation or benefits. Nothing in this paragraph, however, is intended to adversely affect any independent contractual right of the Employee without his consent thereto.

5. ***Limitations on Rights Associated with Units .*** The Employee shall have no rights as a stockholder of the Corporation, no dividend rights and no voting rights, with respect to the Stock Units and any shares of Common Stock underlying or issuable in respect of such Stock Units until such shares of Common Stock are actually issued to and held of record by the Employee. No adjustments will be made for

dividends or other rights of a holder for which the record date is prior to the date of issuance of the stock certificate.

6. ***Restrictions on Transfer .*** Neither the Stock Unit Award, nor any interest therein or amount or shares payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation, or (b) transfers by will or the laws of descent and distribution.

7. ***Timing and Manner of Payment of Stock Units .*** Subject to Sections 8 and 9, if the Award vests, pursuant to Section 3, above, on or as soon as administratively practical following the vesting date, the Corporation shall deliver to the Employee a number of shares of Common Stock (or cash equivalents) equal to the number of Stock Units subject to this Award that vested. The Employee shall have no further rights with respect to any Stock Units that are so paid or that are terminated pursuant to Section 8.

8. ***Effect of Termination of Employment .*** Except as provided in Sections 7.2 or 7.3 of the Plan, the Employee's Stock Units shall terminate to the extent such units have not become vested prior to the date the Employee is no longer employed by the Corporation or one of its Subsidiaries, regardless of the reason for the termination of the Employee's employment by the Corporation or a Subsidiary, whether with or without cause, voluntarily or involuntarily. If the Employee is employed by a Subsidiary and that entity ceases to be a Subsidiary, such event shall be deemed to be a termination of employment of the Employee for purposes of this Award Agreement, unless the Employee otherwise continues to be employed by the Corporation or another of its Subsidiaries following such event. If any Stock Units are terminated hereunder, such unvested, termination Stock Units shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Company and without any other action by the Employee, or the Employee's Beneficiary or Personal Representative, as the case may be.

9. ***Adjustments Upon Specified Events; Acceleration Upon a Corporate Transaction .*** Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.1 of the Plan, the Committee shall make adjustments if appropriate in the number of Stock Units and the number and kind of securities that may be issued in respect of the Stock Unit Award. Notwithstanding anything herein to the contrary, upon the occurrence of any merger, combination, consolidation, or other reorganization; any exchange of Common Stock or other securities of the Corporation; a sale of all or substantially all the business, stock or assets of the Corporation; a dissolution of the Corporation; or any other event in which the Corporation does not survive (or does not survive as a public company in respect of its Common Stock), the Stock Unit Award shall vest in accordance with Appendix A .

10. ***Tax Withholding .*** Upon the distribution of shares of the Common Stock (or cash equivalents) in respect of the Stock Units, the Corporation (or the Subsidiary last employing the Employee) shall have the right at its option to (a) require the Employee to pay or provide for payment in cash of the amount of any taxes that the Corporation or the Subsidiary may be required to withhold with respect to such payment and/or distribution, or (b) deduct from any amount payable to the Employee the amount of any taxes which the Corporation or the Subsidiary may be required to withhold with respect to such payment and/or distribution. In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Award Agreement, the Committee may, in its sole discretion, direct the Corporation or the Subsidiary to reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares, valued at their then Fair Market Value, to satisfy such withholding obligation.

11. ***Notices .*** Any notice to be given under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Employee at the Employee's last address reflected on the Corporation's records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be given only when received, but if the Employee is no longer an employee of the Company, shall be deemed to have been duly given by the Corporation when enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government.

12. ***Plan .*** The Award and all rights of the Employee under this Agreement are subject to, and the Employee agrees to be bound by, all of the terms and conditions of the provisions of the Plan, incorporated herein by reference. In the event of a conflict or inconsistency between the terms and conditions of this Agreement and of the Plan, the terms and conditions of the Plan shall govern. The Employee agrees to be bound by the terms of the Plan and this Agreement. The Employee acknowledges having read and understanding the Plan, the Prospectus for the Plan, and this Agreement. Unless otherwise expressly provided in other sections of this Agreement, provisions of the Plan that confer discretionary authority on the Committee do not (and shall not be deemed to) create any rights in the Employee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Committee so conferred by appropriate action of the Committee under the Plan *after* the date hereof.

13. ***Entire Agreement .*** This Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Award Agreement may be amended pursuant to Section 8.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Employee hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

14. ***Limitation on Employee's Rights .*** Participation in this Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. The Employee shall have only the rights of a general unsecured creditor of the Corporation (or applicable Subsidiary) with respect to amounts credited and benefits payable in cash, if any, with respect to the Stock Units, and rights no greater than the right to receive the Common Stock (or equivalent value) as a general unsecured creditor with respect to Stock Units, as and when payable thereunder.

15. ***Counterparts .*** This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

16. ***Section Headings .*** The section headings of this Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

17. ***Governing Law .*** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed on its behalf by a duly authorized officer and the Employee has hereunto set his or her hand as of the date and year first above written.

POWER-ONE, INC., **a Delaware corporation**	**EMPLOYEE**
By: _____	_____ *Signature*
Print Name: _____	
Its: _____	_____ *Print Name*

Appendix A

1. ***Standard Vesting Provisions .*** Subject to the Employee's continued employment or service with the Corporation or one of its Subsidiaries until the end of the Performance Period, as defined below (the "vesting date"), and subject to Section 2, below, the Stock Units shall vest, based on the Corporation's performance measured over the 3-year period beginning on the Award Date and ending on the third anniversary of the Award Date (the "Performance Period") as follows:

(a) ***Payout Calculation*** . For every full percentage point that the Corporate Total Stockholder Return exceeds the SUNIDX Total Stockholder Return, the Employee shall earn 5% of the Target Stock Units, up to a maximum of 150% of the Target Stock Units.

(b) ***Definitions*** . The following definitions shall apply for purposes of the Agreement and this Appendix:

(i) ***Corporate Total Stockholder Return*** . The "Corporate Total Stockholder Return" shall be the percentage increase between the Initial Average Corporate Stock Price and the Final Average Corporate Stock Price. The Company's Stock Price shall also be adjusted to reflect the reinvestment of any dividends issued by the Company during the Performance Period or during the 60 trading days used to calculate the Initial Average Corporate Stock Price. For purposes of this calculation, such reinvestment is assumed to occur on the applicable ex-dividend date.

(ii) ***Initial Average Corporate Stock Price .*** The "Initial Average Corporate Stock Price" shall be the average closing stock price for the Corporation's Common Stock for the 60 trading days prior to the Award Date.

(iii) ***Initial Average SUNIDX Value .*** The "Initial Average SUNIDX Value" shall be the average closing index value for the MAC Global Solar Energy Index for the 60 trading days in which the U.S. securities markets are open prior to the Award Date.

(iv) ***Final Average Corporate Stock Price*** . The "Final Average Corporate Stock Price" shall be the average closing stock price for the Corporation's Common Stock for the 60 trading days prior to the last day in the Performance Period.

(v) ***Final Average SUNIDX Value*** . The "Final Average SUNIDX Value" shall be the average closing index value for the MAC Global Solar Energy Index for the 60 trading days in which the U.S. securities markets are open prior to the last day in the Performance Period.

(vi) ***SUNIDX Total Stockholder Return*** . The "SUNIDX Total Stockholder Return" shall be the percentage increase between the Initial Average SUNIDX Value and the Final Average SUNIDX Value.

(vii) ***Target Stock Units*** . Subject to the terms of the Agreement, including the provisions regarding adjustments, the target number of Stock Units subject to the Award shall be the number of target Stock Units set forth in Section 2 of the Agreement.

2. ***Acceleration Upon a Corporate Transaction .*** By accepting this award, the Employee agrees that upon the occurrence of any merger, combination, consolidation, or other reorganization; any exchange of all or substantially all of the Common Stock of the Corporation; a sale of all or substantially all the business, stock or assets of the Corporation; a dissolution of the Corporation; or any other event in which the Corporation does not survive (or does not survive as a public company in respect of its Common Stock) (a "Corporate Transaction"), the following treatment shall apply irrespective of the provisions of any existing individual or other agreement in place with the Employee.

The Performance Period shall be deemed to end upon the closing of the Corporate Transaction for purposes of determining the Corporate Total Stockholder Return and the SUNIDX Total Stockholder Return. The Number of Restricted Stock Units that will be deemed earned (Earned RSUs) will be calculated in accordance with the Payout Calculation described in Section 1(a) of this Appendix A, except that the Corporate Total Stockholder Return shall be calculated based on the Fair Market Value of a share

of the Company's common stock on the date the Corporate Transaction closes instead of the Final Average Corporate Stock Price.

At the time the Corporate Transaction closes, the Employee shall vest in a pro-rata number of the Earned RSUs as determined based on the number of whole months of the Performance Period completed as of the consummation of the Corporate Transaction. The remainder of the Earned RSUs will not be treated as vested, but instead will be subject to continued vesting over the remainder of the Performance Period, with the remainder of the Earned RSUs becoming vested ratably on the first day of each month until the end of the Performance Period. If the Employee terminates his or her service prior to the end of the Performance Period, unless the following sentence applies, any unvested Earned RSUs will be forfeited. If following a Corporate Transaction, the Grantee's service is terminated by the Company (or its successor) without Cause, or the Grantee terminates his or her service for Good Reason, the vesting of any unvested Earned RSUs shall be accelerated in full. Notwithstanding the inapplicability of the terms of any individual or other agreement with respect to this award, for purposes of this provision the meaning of the word "Cause" and the word "Good Reason" shall have the meanings for those words set forth in an individual agreement between the Employee and the Company.

Exhibit 10.6

AMENDED AND RESTATED
POWER-ONE, INC.
2004 STOCK INCENTIVE PLAN
(as amended and restated effective February 1, 2011)

1. PURPOSE OF PLAN

The purpose of the Power-One, Inc. 2004 Stock Incentive Plan (this " **Plan** ") of Power-One, Inc., a Delaware corporation (the " **Corporation** "), is to promote the success of the Corporation and to increase stockholder value by providing an additional means through the grant of awards to attract, motivate, retain and reward selected employees and other eligible persons.

2. ELIGIBILITY

The Administrator (as such term is defined in Section 3.1) may grant awards under this Plan only to those persons that the Administrator determines to be Eligible Persons. An " **Eligible Person** " is any person who is either: (a) an officer (whether or not a director) or employee of the Corporation or one of its Subsidiaries; (b) a director of the Corporation or one of its Subsidiaries; or (c) an individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Corporation or one of its Subsidiaries in a capital-raising transaction or as a market maker or promoter of the Corporation's or one of its Subsidiary's securities) to the Corporation or one of its Subsidiaries and who is selected to participate in this Plan by the Administrator; provided, however, that a person who is otherwise an Eligible Person under clause (c) above may participate in this Plan only if such participation would not adversely affect either the Corporation's eligibility to use Form S-8 to register under the Securities Act of 1933, as amended (the " **Securities Act** "), the offering and sale of shares issuable under this Plan by the Corporation or the Corporation's compliance with any other applicable laws. An Eligible Person who has been granted an award (a "participant") may, if otherwise eligible, be granted additional awards if the Administrator shall so determine. As used herein, " **Subsidiary** " means any corporation or other entity a majority of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Corporation; and " **Board** " means the Board of Directors of the Corporation.

3. PLAN ADMINISTRATION

3.1. ***The Administrator*** . This Plan shall be administered by and all awards under this Plan shall be authorized by the Administrator. The " **Administrator** " means the Board or one or more committees appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of this Plan. Any such committee shall be comprised solely of one or more directors or such number of directors as may be required under applicable law. A committee may delegate some or all of its authority to another committee so constituted. The Board or a committee comprised solely of directors may also delegate, to the extent permitted by Section 157(c) of the Delaware General Corporation Law and any other applicable law, to one or more officers of the Corporation, its powers under this Plan (a) to designate the officers and employees of the Corporation and its Subsidiaries who will receive grants of awards under this Plan, and (b) to determine the number of shares subject to, and the other terms and conditions of, such awards. The Board may delegate different levels of authority to different committees with administrative and grant authority under this Plan. Unless otherwise provided in the Bylaws of the Corporation or the applicable charter of any Administrator: (a) a majority of the members of the acting Administrator shall constitute a quorum, and (b) the vote of a majority of the members present assuming the presence of a quorum or the unanimous written consent of the members of the Administrator shall constitute action by the acting Administrator.

With respect to awards intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the " **Code** "), this Plan shall be administered by a committee consisting solely of two or more outside directors (as this requirement is applied under Section 162(m) of the Code); provided, however, that the failure to satisfy such requirement shall not affect the validity of the action of any committee otherwise duly authorized and acting in the matter. Award grants, and transactions in or involving awards, intended to be exempt under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the " **Exchange Act** "), must be duly and timely authorized by the Board or a committee consisting solely of two or more non-employee directors (as this requirement is applied under Rule 16b-3 promulgated under the Exchange Act). To the extent required by any applicable listing agency, this Plan shall be administered by a committee composed entirely of independent directors (within the meaning of the applicable listing agency).

3.2. ***Powers of the Administrator*** . Subject to the express provisions of this Plan, the Administrator is authorized and empowered to do all things necessary or desirable in connection with the authorization of awards and the administration of this Plan (in the case of a committee or delegation to one or more officers, within the authority delegated to that committee or person(s)), including, without limitation, the authority to:

(a) determine eligibility and, from among those persons determined to be eligible, the particular Eligible Persons who will receive an award under this Plan;

(b) grant awards to Eligible Persons, determine the price at which securities will be offered or awarded and the number of securities to be offered or awarded to any of such persons, determine the other specific terms and conditions of such awards consistent with the express limits of this Plan, establish the installments (if any) in which such awards shall become exercisable or shall vest (which may include, without limitation, performance and/or time-based schedules), or determine that no delayed exercisability or vesting is required, establish any applicable performance targets, and establish the events of termination or reversion of such awards;

(c) approve the forms of award agreements (which need not be identical either as to type of award or among participants);

(d) construe and interpret this Plan and any agreements defining the rights and obligations of the Corporation, it Subsidiaries, and participants under this Plan, further define the terms used in this Plan, and prescribe, amend and rescind rules and regulations relating to the administration of this Plan or the awards granted under this Plan;

(e) cancel, modify, or waive the Corporation's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding awards, subject to any required consent under Section 8.6.5 or Section 8.6.6;

(f) accelerate or extend the vesting or exercisability or extend the term of any or all such outstanding awards (in the case of options or stock appreciation rights, within the maximum ten-year term of such awards) in such circumstances as the Administrator may deem appropriate (including, without limitation, in connection with a termination of employment or services or other events of a personal nature) subject to any required consent under Section 8.6.5;

(g) subject to Section 8.6.6, adjust the number of shares of Common Stock subject to any award, adjust the price of any or all outstanding awards or otherwise change previously imposed terms and conditions, in such circumstances as the Administrator may deem appropriate, in each case subject to Sections 4 and 8.6;

(h) determine the date of grant of an award, which may be a designated date after but not before the date of the Administrator's action (unless otherwise designated by the Administrator, the date of grant of an award shall be the date upon which the Administrator took the action granting an award);

(i) determine whether, and the extent to which, adjustments are required pursuant to Section 7 hereof and authorize the termination, conversion, substitution or succession of awards upon the occurrence of an event of the type described in Section 7;

(j) acquire or settle (subject to Sections 7 and 8.6) rights under awards in cash, stock of equivalent value, or other consideration; and

(k) determine the fair market value of the Common Stock or awards under this Plan from time to time and/or the manner in which such value will be determined.

3.3. ***Binding Determinations*** . Any action taken by, or inaction of, the Corporation, any Subsidiary, or the Administrator relating or pursuant to this Plan and within its authority hereunder or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. Neither the Board nor any Board committee, nor any member thereof or person acting at the direction thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with this Plan (or any award made under this Plan), and all such persons shall be entitled to indemnification and reimbursement by the Corporation in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors and officers liability insurance coverage that may be in effect from time to time.

3.4. ***Reliance on Experts*** . In making any determination or in taking or not taking any action under this Plan, the Board or a committee, as the case may be, may obtain and may rely upon the advice of experts, including employees and professional advisors to the Corporation. No director, officer or agent of the Corporation or any of its Subsidiaries shall be liable for any such action or determination taken or made or omitted in good faith.

3.5. ***Delegation*** . The Administrator may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Corporation or any of its Subsidiaries or to third parties.

4. SHARES OF COMMON STOCK SUBJECT TO THE PLAN; SHARE LIMITS

4.1. ***Shares Available*** . Subject to the provisions of Section 7.1, the capital stock that may be delivered under this Plan shall be shares of the Corporation's authorized but unissued Common Stock and any shares of its Common Stock held as treasury shares. For purposes of this Plan, " **Common Stock** " shall mean the common stock of the Corporation and such other securities or property as may become the subject of awards under this Plan, or may become subject to such awards, pursuant to an adjustment made under Section 7.1.

4.2. ***Share Limits*** . The maximum number of shares of Common Stock that may be delivered pursuant to awards granted to Eligible Persons under this Plan (the " **Share Limit** ") is 19,250,000 shares. The following limits also apply with respect to awards granted under this Plan:

(a) The maximum number of shares of Common Stock that may be delivered pursuant to options qualified as incentive stock options granted under this Plan is 1,000,000 shares.

(b) The maximum number of shares of Common Stock subject to those options and stock appreciation rights that are granted during any calendar year to any individual under this Plan is 1,500,000 shares.

(c) The maximum number of shares of Common Stock subject to all awards that are granted during any calendar year to any individual under this Plan is 1,500,000 shares.

(d) The maximum number of shares of Common Stock that may be delivered pursuant to awards granted under this Plan, other than those described in the next sentence, is 10,875,000 shares. The limit set forth in this Section 4.2 (d) does not apply to shares delivered in respect of stock option grants and shares delivered in respect of stock appreciation right grants.

(e) The maximum number of shares of Common Stock subject to all awards that are granted during any calendar year to any non-employee director under this Plan is 62,500 shares. For this purpose, a "non-employee director" is a member of the Board who is not an officer or employee of the Corporation or one of its Subsidiaries.

(f) Additional limits with respect to Performance-Based Awards are set forth in Section 5.2.3.

Each of the foregoing numerical limits is subject to adjustment as contemplated by Section 4.3, Section 7.1, and Section 8.10.

4.3. ***Awards Settled in Cash, Reissue of Awards and Shares*** . To the extent that an award granted under this Plan is settled in cash or a form other than shares of Common Stock, the shares that would have been delivered had there been no such cash or other settlement shall not be counted against the shares available for issuance under this Plan. In the event that shares of Common Stock are delivered in respect of a dividend equivalent right granted under this Plan, only the actual number of shares delivered with respect to the award shall be counted against the share limits of this Plan. To the extent that shares of Common Stock are delivered pursuant to the exercise of a stock appreciation right or stock option granted under this Plan, the number of underlying shares as to which the exercise related shall be counted against the applicable share limits under Section 4.2, as opposed to only counting the shares actually issued. (For purposes of clarity, if a stock appreciation right relates to 100,000 shares and is exercised at a time when the payment due to the participant is 15,000 shares, 100,000 shares shall be charged against the applicable share limits under Section 4.2 with respect to such exercise.) Except as set forth in this Section 4.3, shares that are subject to or underlie awards granted under this Plan which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under this Plan shall again be available for subsequent awards under this Plan. Shares that are exchanged by a participant or withheld by the Corporation as full or partial payment in connection with any award

under this Plan, as well as any shares exchanged by a participant or withheld by the Corporation or one of its Subsidiaries to satisfy the tax withholding obligations related to any award, shall not be available for subsequent awards under this Plan. In addition, any shares that are repurchased by the Company using the proceeds received by the Company in connection with the exercise of a stock option shall not be available for subsequent awards under this Plan. Refer to Section 8.10 for application of the foregoing share limits with respect to assumed awards. The foregoing adjustments to the share limits of this Plan are subject to any applicable limitations under Section 162(m) of the Code with respect to awards intended as performance-based compensation thereunder.

4.4. ***Reservation of Shares; No Fractional Shares; Minimum Issue*** . The Corporation shall at all times reserve a number of shares of Common Stock sufficient to cover the Corporation's obligations and contingent obligations to deliver shares with respect to awards then outstanding under this Plan (exclusive of any dividend equivalent obligations to the extent the Corporation has the right to settle such rights in cash). No fractional shares shall be delivered under this Plan. The Administrator may pay cash in lieu of any fractional shares in settlements of awards under this Plan. No fewer than 100 shares may be purchased on exercise of any award (or, in the case of stock appreciation or purchase rights, no fewer than 100 rights may be exercised at any one time) unless the total number purchased or exercised is the total number at the time available for purchase or exercise under the award.

5. AWARDS

5.1. ***Type and Form of Awards*** . The Administrator shall determine the type or types of award(s) to be made to each selected Eligible Person. Awards may be granted singly, in combination or in tandem. Awards also may be made in combination or in tandem with, in replacement of, as alternatives to, or as the payment form for grants or rights under any other employee or compensation plan of the Corporation or one of its Subsidiaries. The types of awards that may be granted under this Plan are:

5.1.1. ***Stock Options*** . A stock option is the grant of a right to purchase a specified number of shares of Common Stock during a specified period as determined by the Administrator. An option may be intended as an incentive stock option within the meaning of Section 422 of the Code (an " **ISO** ") or a nonqualified stock option (an option not intended to be an ISO). The award agreement for an option will indicate if the option is intended as an ISO, otherwise it will be deemed to be a nonqualified stock option. The maximum term of each option (ISO or nonqualified) shall be ten (10) years. The per share exercise price for each option shall be not less than 100% of the fair market value of a share of Common Stock on the date of grant of the option. When an option is exercised, the exercise price for the shares to be purchased shall be paid in full in cash or such other method permitted by the Administrator consistent with Section 5.5.

5.1.2. ***Additional Rules Applicable to ISOs*** . To the extent that the aggregate fair market value (determined at the time of grant of the applicable option) of stock with respect to which ISOs first become exercisable by a participant in any calendar year exceeds $100,000, taking into account both Common Stock subject to ISOs under this Plan and stock subject to ISOs under all other plans of the Corporation or one of its Subsidiaries (or any parent or predecessor corporation to the extent required by and within the meaning of Section 422 of the Code and the regulations promulgated thereunder), such options shall be treated as nonqualified stock options. In reducing the number of options treated as ISOs to meet the $100,000 limit, the most recently granted options shall be reduced first. To the extent a reduction of simultaneously granted options is necessary to meet the $100,000 limit, the Administrator may, in the manner

and to the extent permitted by law, designate which shares of Common Stock are to be treated as shares acquired pursuant to the exercise of an ISO. ISOs may only be granted to employees of the Corporation or one of its subsidiaries (for this purpose, the term "subsidiary" is used as defined in Section 424(f) of the Code, which generally requires an unbroken chain of ownership of at least 50% of the total combined voting power of all classes of stock of each subsidiary in the chain beginning with the Corporation and ending with the subsidiary in question). There shall be imposed in any award agreement relating to ISOs such other terms and conditions as from time to time are required in order that the option be an "incentive stock option" as that term is defined in Section 422 of the Code. No ISO may be granted to any person who, at the time the option is granted, owns (or is deemed to own under Section 424(d) of the Code) shares of outstanding Common Stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation, unless the exercise price of such option is at least 110% of the fair market value of the stock subject to the option and such option by its terms is not exercisable after the expiration of five years from the date such option is granted.

5.1.3. ***Stock Appreciation Rights*** . A stock appreciation right or " **SAR** " is a right to receive a payment, in cash and/or Common Stock, equal to the excess of the fair market value of a specified number of shares of Common Stock on the date the SAR is exercised over the fair market value of a share of Common Stock on the date the SAR was granted (the "base price") as set forth in the applicable award agreement. The maximum term of an SAR shall be ten (10) years. The Administrator may grant limited SARs which are exercisable only upon a change in control or other specified event and may be payable based on the spread between the base price of the SAR and the fair market value of a share of Common Stock during a specified period or at a specified time within a specified period before, after or including the date of such event.

5.1.4. ***Restricted Stock and Restricted Stock Units*** . Restricted Stock and Restricted Stock Units may be granted at any time and from time to time prior to the termination of this Plan to participants as determined by the Administrator. " **Restricted Stock"** is an award or issuance of shares of Common Stock the grant, issuance, retention, vesting and/or transferability of which is subject during specified periods of time to such conditions (including continued employment or performance conditions) and terms as the Administrator deems appropriate. " **Restricted Stock Units"** are awards denominated in units of shares of Common Stock under which the issuance of shares is subject to such conditions (including continued employment or performance conditions) and terms as the Administrator deems appropriate. Unless determined otherwise by the Administrator, each Restricted Stock Unit will be equal to one share of Common Stock.

5.1.5. ***Other Awards*** . The other types of awards that may be granted under this Plan include: (a) dividend equivalents; provided, however, that in no event (i) will dividend equivalents be granted in respect of stock options or stock appreciation rights nor (ii) will dividends equivalents be paid currently to unearned performance-based awards; (b) any similar securities with a value derived from the value of or related to the Common Stock and/or returns thereon; or (c) cash awards granted consistent with Section 5.2 below.

5.2. ***Section 162(m) Performance-Based Awards .*** Without limiting the generality of the foregoing, any of the types of awards listed in Sections 5.1. and 5.1.5 above may be, and options and SARs typically will be, granted as awards intended to satisfy the requirements for "performance-based compensation" within the meaning of Section 162(m) of the Code (" **Performance-Based Awards** "). The grant, vesting, exercisability or payment of Performance-Based Awards may depend on the degree of achievement of one or more performance goals relative to a pre-established targeted level

or level using one or more of the Business Criteria set forth below (on an absolute or relative basis) for the Corporation on a consolidated basis or for one or more of the Corporation's subsidiaries, segments, divisions or business units, or any combination of the foregoing. Options and SARs are not subject to the requirements of Section 5.2.1 and 5.2.3. Any other Performance-Based Award shall be subject to all of the following provisions of this Section 5.2.

5.2.1. ***Class; Administrator .*** The eligible class of persons for Performance-Based Awards under this Section 5.2 shall be officers and employees of the Corporation or one of its Subsidiaries. The Administrator approving Performance-Based Awards or making any certification required pursuant to Section 5.2.4 must be constituted as provided in Section 3.1 for awards that are intended as performance-based compensation under Section 162(m) of the Code.

5.2.2. ***Performance Goals .*** The specific performance goals for Performance-Based Awards (other than Qualifying Options and Qualifying SARs) shall be, on an absolute or relative basis, established based on one or more of the following business criteria (" **Business Criteria** ") as selected by the Administrator in its sole discretion: earnings per share, cash flow (which means cash and cash equivalents derived from either net cash flow from operations or net cash flow from operations, financing and investing activities), total stockholder return, gross revenue, revenue growth, operating income (before or after taxes), net earnings (before or after interest, taxes, depreciation and/or amortization), return on equity or on assets or on net investment, cost containment or reduction, market share, return on capital, kilowatt hours shipped, inventory turns, defective parts per million, results of customer satisfaction surveys, retained earnings, safety record, or environmental compliance, or any combination thereof. These terms are used as applied under generally accepted accounting principles or in the Corporation or one of its Subsidiaries's financial reporting. To qualify awards as performance-based under Section 162(m), the applicable Business Criterion (or Business Criteria, as the case may be) and specific performance goal or goals ("targets") must be established and approved by the Administrator during the first 90 days of the performance period (and, in the case of performance periods of less than one year, in no event more than 25% of the performance period has elapsed) and while performance relating to such target(s) remains substantially uncertain within the meaning of Section 162(m) of the Code. Performance targets shall be adjusted to mitigate the unbudgeted impact of material, unusual or nonrecurring gains and losses, accounting changes or other extraordinary events not foreseen at the time the targets were set unless the Administrator provides otherwise at the time of establishing the targets. The applicable performance measurement period may not be less than three months nor more than 10 years (subject to Section 5.1.4).

5.2.3. ***Form of Payment; Maximum Performance-Based Award .*** Grants or awards under this Section 5.2 may be paid in cash or shares of Common Stock or any combination thereof. The maximum number of shares of Common Stock which may be delivered pursuant to Performance-Based Awards (other than options and SARs, and other than cash awards covered by the following sentence) that are granted to any one participant in any one calendar year shall not exceed 1,500,000 shares, either individually or in the aggregate, subject to adjustment as provided in Section 7.1. In addition, the aggregate amount of compensation to be paid to any one participant in respect of all Performance-Based Awards payable only in cash and not related to shares of Common Stock and granted to that participant in any one calendar year shall not exceed $4,000,000.00. Awards that are cancelled during the year shall not be counted against these limits to the extent permitted by Section 162 (m) of the Code.

5.2.4. ***Certification of Payment .*** Before any Performance-Based Award under this Section 5.2 (other than options and SARs) is paid and to the extent required to qualify the award as performance-based compensation within the meaning of Section 162(m) of the Code, the Administrator must certify in writing that the performance target(s) and any other material terms of the Performance-Based Award were in fact timely satisfied.

5.2.5. ***Reservation of Discretion .*** The Administrator will have the discretion to determine the restrictions or other limitations of the individual awards granted under this Section 5.2 including the authority to reduce awards, payouts or vesting or to pay no awards, in its sole discretion, if the Administrator preserves such authority at the time of grant by language to this effect in its authorizing resolutions or otherwise.

5.2.6. ***Expiration of Grant Authority .*** As required pursuant to Section 162(m) of the Code and the regulations promulgated thereunder, the Administrator's authority to grant new awards that are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code (other than options and SARs) shall terminate upon the first meeting of the Corporation's stockholders that occurs in the fifth year following the most recent year in which the Corporation's stockholders approve this Plan.

5.3. ***Award Agreements*** . Each award shall be evidenced by a written award agreement in the form approved by the Administrator and executed on behalf of the Corporation and, if required by the Administrator, executed by the recipient of the award. The Administrator may authorize any officer of the Corporation (other than the particular award recipient) to execute any or all award agreements on behalf of the Corporation. The award agreement shall set forth the material terms and conditions of the award as established by the Administrator consistent with the express limitations of this Plan.

5.4. ***Deferrals and Settlements*** . Payment of awards may be in the form of cash, Common Stock, other awards or combinations thereof as the Administrator shall determine, and with such restrictions as it may impose. The Administrator may also require or permit participants to elect to defer the issuance of shares or the settlement of awards in cash under such rules and procedures as it may establish under this Plan. The Administrator may also provide that deferred settlements include the payment or crediting of interest or other earnings on the deferral amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in shares. Notwithstanding anything herein to the contrary, in no event will any deferral of the delivery of shares of Common Stock or any other payment with respect to any award be allowed if the Administrator determines, in its sole discretion, that the deferral would result in the imposition of the additional tax under Section 409A(a)(1)(B) of the Code. No award shall provide for deferral of compensation that does not comply with Section 409A of the Code, unless the Administrator, at the time of grant, specifically provides that the award is not intended to comply with Section 409A of the Code. The Corporation shall have no liability to a participant, or any other party, if an award that is intended to be exempt from, or compliant with, Section 409A of the Code is not so exempt or compliant or for any action taken by the Administrator.

5.5. ***Consideration for Common Stock or Awards*** . The purchase price for any award granted under this Plan or the Common Stock to be delivered pursuant to an award, as applicable, may be paid by means of any lawful consideration as determined by the Administrator, including, without limitation, one or a combination of the following methods:

- services rendered by the recipient of such award;

- cash, check payable to the order of the Corporation, or electronic funds transfer;
- notice and third party payment in such manner as may be authorized by the Administrator;
- the delivery of previously owned shares of Common Stock;
- by a reduction in the number of shares otherwise deliverable pursuant to the award; or
- subject to such procedures as the Administrator may adopt, pursuant to a "cashless exercise" with a third party who provides financing for the purposes of (or who otherwise facilitates) the purchase or exercise of awards.

In no event shall any shares newly-issued by the Corporation be issued for less than the minimum lawful consideration for such shares or for consideration other than consideration permitted by applicable state law. Shares of Common Stock used to satisfy the exercise price of an option shall be valued at their fair market value on the date of exercise. The Corporation will not be obligated to deliver any shares unless and until it receives full payment of the exercise or purchase price therefor and any related withholding obligations under Section 8.5 and any other conditions to exercise or purchase have been satisfied. Unless otherwise expressly provided in the applicable award agreement, the Administrator may at any time eliminate or limit a participant's ability to pay the purchase or exercise price of any award or shares by any method other than cash payment to the Corporation.

5.6. ***Definition of Fair Market Value*** . For purposes of this Plan, "fair market value" shall mean, unless otherwise determined or

provided by the Administrator in the circumstances, the last price (in regular trading) for a share of Common Stock as furnished by the National Association of Securities Dealers, Inc. (the " **NASD** ") through the NASDAQ Global Market Reporting System (the " **Global Market** ") for the date in question or, if no sales of Common Stock were reported by the NASD on the Global Market on that date, the last price (in regular trading) for a share of Common Stock as furnished by the NASD through the Global Market for the next preceding day on which sales of Common Stock were reported by the NASD. The Administrator may, however, provide with respect to one or more awards that the fair market value shall equal the last price (in regular trading) for a share of Common Stock as furnished by the NASD through the Global Market on the last trading day preceding the date in question or the average of the high and low trading prices of a share of Common Stock as furnished by the NASD through the Global Market for the date in question or the most recent trading day. If the Common Stock is no longer listed or is no longer actively traded on the Global Market as of the applicable date, the fair market value of the Common Stock shall be the value as reasonably determined by the Administrator for purposes of the award in the circumstances. The Administrator also may adopt a different methodology for determining fair market value with respect to one or more awards if a different methodology is necessary or advisable to secure any intended favorable tax, legal or other treatment for the particular award(s) (for example, and without limitation, the Administrator may provide that fair market value for purposes of one or more awards will be based on an average of closing prices (or the average of high and low daily trading prices) for a specified period preceding the relevant date).

5.7. ***Transfer Restrictions*** .

5.7.1. ***Limitations on Exercise and Transfer*** . Unless otherwise expressly provided in (or pursuant to) this Section 5.7, by applicable law and by the award agreement, as the same may be amended, (a) all awards are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; (b) awards shall be exercised only by the participant; and (c) amounts payable or shares issuable pursuant to any award shall be delivered only to (or for the account of) the participant.

5.7.2. ***Exceptions*** . The Administrator may permit awards to be exercised by and paid to certain persons or entities related to the participant, including but not limited to members of the participant's immediate family, trusts or other entities controlled by or whose beneficiaries or beneficial owners are the participant and/or members of the participant's immediate family, pursuant to such conditions and procedures, including limitations on subsequent transfers, as the Administrator may establish. Consistent with Section 8.1, any permitted transfer shall be subject to the condition that the Administrator receive evidence satisfactory to it that the transfer (a) is being made for essentially donative, estate and/or tax planning purposes on a gratuitous or donative basis and without consideration (other than nominal consideration or in exchange for an interest in a qualified transferee), and (b) will not compromise the Corporation's ability to register shares issuable under this Plan on Form S-8 under the Securities Act. Notwithstanding the foregoing or anything in Section 5.7.3, ISOs and restricted stock awards shall be subject to any and all additional transfer restrictions under the Code to the extent necessary to maintain the intended tax consequences of such awards.

5.7.3. ***Further Exceptions to Limits on Transfer*** . The exercise and transfer restrictions in Section 5.7.1 shall not apply to:

(a) transfers to the Corporation,

(b) the designation of a beneficiary to receive benefits in the event of the participant's death or, if the participant has died, transfers to or exercise by the participant's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution,

(c) subject to any applicable limitations on ISOs, transfers to a family member (or former family member) pursuant to a domestic relations order if approved or ratified by the Administrator,

(d) if the participant has suffered a disability, permitted transfers or exercises on behalf of the participant by his or her legal representative, or

(e) the authorization by the Administrator of "cashless exercise" procedures with third parties who provide financing for the purpose of (or who otherwise facilitate) the exercise of awards consistent with applicable laws and the express authorization of the Administrator.

5.8. ***International Awards*** . One or more awards may be granted to Eligible Persons who provide services to the Corporation or one of its Subsidiaries outside of the United States. Any awards granted to such persons may be granted pursuant to the terms and conditions of any applicable sub-plans, if any, appended to this Plan and approved by the Administrator.

6. EFFECT OF TERMINATION OF SERVICE ON AWARDS

6.1. ***General*** . The Administrator shall establish the effect of a termination of employment or service on the rights and benefits under each award under this Plan and in so doing may make distinctions based upon, inter alia, the cause of termination and type of award. If the participant is not an employee of the Corporation or one of its Subsidiaries and provides other services to the Corporation or one of its Subsidiaries, the Administrator shall be the sole judge for purposes of this Plan (unless a contract or the award otherwise provides) of whether the participant continues to render services to the Corporation or one of its Subsidiaries and the date, if any, upon which such services shall be deemed to have terminated.

6.2. ***Events Not Deemed Terminations of Service*** . Unless the express policy of the Corporation or one of its Subsidiaries, or the Administrator, otherwise provides, the employment relationship shall not be considered terminated in the case of (a) sick leave, (b) military leave, or (c) any other leave of absence authorized by the Corporation or one of its Subsidiaries, or the Administrator; provided that unless reemployment upon the expiration of such leave is guaranteed by contract or law, such leave is for a period of not more than 90 days. In the case of any employee of the Corporation or one of its Subsidiaries on an approved leave of absence, continued vesting of the award while on leave from the employ of the Corporation or one of its Subsidiaries may be suspended until the employee returns to service, unless the Administrator otherwise provides or applicable law otherwise requires. In no event shall an award be exercised after the expiration of the term set forth in the award agreement.

6.3. ***Effect of Change of Subsidiary Status*** . For purposes of this Plan and any award, if an entity ceases to be a Subsidiary of the Corporation a termination of employment or service shall be deemed to have occurred with respect to each Eligible Person in respect of such Subsidiary who does not continue as an Eligible Person in respect of another entity within the Corporation or another Subsidiary that continues as such after giving effect to the transaction or other event giving rise to the change in status.

7. ADJUSTMENTS; ACCELERATION

7.1. ***Adjustments*** . Subject to Section 7.2, upon (or, as may be necessary to effect the adjustment, immediately prior to): any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend) or reverse stock split; any merger, combination, consolidation, or other reorganization; any spin-off, split-up, or similar extraordinary dividend distribution in respect of the Common Stock; or any exchange of Common Stock or other securities of the Corporation, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; then the Administrator shall equitably and proportionately adjust (1) the number and type of shares of Common Stock (or other securities) that thereafter may be made the subject of awards (including the specific share limits, maximums and numbers of shares set forth elsewhere in this Plan), (2) the number, amount and type of shares of Common Stock (or other securities or property) subject to any outstanding awards, (3) the grant, purchase, or exercise price (which term includes the base price of any SAR or similar right) of any outstanding awards, and/or (4) the securities, cash or other property deliverable upon exercise or payment of any outstanding awards, in each case to the extent necessary to preserve (but not increase) the level of incentives intended by this Plan and the then-outstanding awards.

Unless otherwise expressly provided in the applicable award agreement, upon (or, as may be necessary to effect the adjustment, immediately prior to) any event or transaction

described in the preceding paragraph or a sale of all or substantially all of the business or assets of the Corporation as an entirety, the Administrator shall equitably and proportionately adjust the performance standards applicable to any then-outstanding performance-based awards to the extent necessary to preserve (but not increase) the level of incentives intended by this Plan and the then-outstanding performance-based awards.

It is intended that, if possible, any adjustments contemplated by the preceding two paragraphs be made in a manner that satisfies applicable U.S. legal, tax (including, without limitation and as applicable in the circumstances, Section 424 of the Code, Section 409A of the Code and Section 162(m) of the Code) and accounting (so as to not trigger any charge to earnings with respect to such adjustment) requirements.

Without limiting the generality of Section 3.3, any good faith determination by the Administrator as to whether an adjustment is required in the circumstances pursuant to this Section 7.1, and the extent and nature of any such adjustment, shall be conclusive and binding on all persons.

7.2. ***Corporate Transactions - Assumption and Termination of Awards*** . Upon the occurrence of any of the following: any merger, combination, consolidation, or other reorganization; any exchange of Common Stock or other securities of the Corporation; a sale of all or substantially all the business, stock or assets of the Corporation; a dissolution of the Corporation; or any other event in which the Corporation does not survive (or does not survive as a public company in respect of its Common Stock); then the Administrator may make provision for a cash payment in settlement of, or for the assumption, substitution or exchange of any or all outstanding share-based awards or the cash, securities or property deliverable to the holder of any or all outstanding share-based awards, based upon, to the extent relevant under the circumstances, the distribution or consideration payable to holders of the Common Stock upon or in respect of such event. Upon the occurrence of any event described in the preceding sentence, then, unless the Administrator has made a provision for the substitution, assumption, exchange or other continuation or settlement of the award or the award would otherwise continue in accordance with its terms in the circumstances: (1) subject to Section 7.4 and unless otherwise provided in the applicable award agreement, each then-outstanding option and SAR shall become fully vested, all shares of restricted stock then outstanding shall fully vest free of restrictions, and each other award granted under this Plan that is then outstanding shall become payable to the holder of such award; and (2) each award shall terminate upon the related event; provided that the holder of an option or SAR shall be given reasonable advance notice of the impending termination and a reasonable opportunity to exercise his or her outstanding vested options and SARs (after giving effect to any accelerated vesting required in the circumstances) in accordance with their terms before the termination of such awards (except that in no case shall more than ten days' notice of the impending termination be required and any acceleration of vesting and any exercise of any portion of an award that is so accelerated may be made contingent upon the actual occurrence of the event).

Without limiting the preceding paragraph, in connection with any event referred to in the preceding paragraph or any change in control event defined in any applicable award agreement, the Administrator may, in its discretion, provide for the accelerated vesting of any award or awards as and to the extent determined by the Administrator in the circumstances.

The Administrator may adopt such valuation methodologies for outstanding awards as it deems reasonable in the event of a cash or property settlement and, in the case of options, SARs or similar rights, but without limitation on other methodologies, may base such

settlement solely upon the excess if any of the per share amount payable upon or in respect of such event over the exercise or base price of the award.

In any of the events referred to in this Section 7.2, the Administrator may take such action contemplated by this Section 7.2 prior to such event (as opposed to on the occurrence of such event) to the extent that the Administrator deems the action necessary to permit the participant to realize the benefits intended to be conveyed with respect to the underlying shares. Without limiting the generality of the foregoing, the Administrator may deem an acceleration to occur immediately prior to the applicable event and/or reinstate the original terms of the award if an event giving rise to an acceleration does not occur.

Without limiting the generality of Section 3.3, any good faith determination by the Administrator pursuant to its authority under this Section 7.2 shall be conclusive and binding on all persons.

7.3. ***Other Acceleration Rules*** . The Administrator may override the provisions of Section 7.2 and/or 7.4 by express provision in the award agreement and may accord any Eligible Person a right to refuse any acceleration, whether pursuant to the award agreement or otherwise, in such circumstances as the Administrator may approve. The portion of any ISO accelerated in connection with an event referred to in Section 7.2 (or such other circumstances as may trigger accelerated vesting of the award) shall remain exercisable as an ISO only to the extent the applicable $100,000 limitation on ISOs is not exceeded. To the extent exceeded, the accelerated portion of the option shall be exercisable as a nonqualified stock option under the Code.

7.4. ***Golden Parachute Limitation*** . Notwithstanding anything else contained in this Section 7 to the contrary, in no event shall any award or payment be accelerated under this Plan to an extent or in a manner so that such award or payment, together with any other compensation and benefits provided to, or for the benefit of, the participant under any other plan or agreement of the Corporation or any of its Subsidiaries, would not be fully deductible by the Corporation or one of its Subsidiaries for federal income tax purposes because of Section 280G of the Code. If a participant would be entitled to benefits or payments hereunder and under any other plan or program that would constitute “parachute payments” as defined in Section 280G of the Code, then the participant may by written notice to the Corporation designate the order in which such parachute payments will be reduced or modified so that the Corporation or one of its Subsidiaries is not denied federal income tax deductions for any “parachute payments” because of Section 280G of the Code. Notwithstanding the foregoing, if a participant is a party to an employment or other agreement with the Corporation or one of its Subsidiaries, or is a participant in a severance program sponsored by the Corporation or one of its Subsidiaries, that contains express provisions regarding Section 280G and/or Section 4999 of the Code (or any similar successor provision), or the applicable award agreement includes such provisions, the Section 280G and/or Section 4999 provisions of such employment or other agreement or plan, as applicable, shall control as to the awards held by that participant (for example, and without limitation, a participant may be a party to an employment agreement with the Corporation or one of its Subsidiaries that provides for a “gross-up” as opposed to a “cut-back” in the event that the Section 280G thresholds are reached or exceeded in connection with a change in control and, in such event, the Section 280G and/or Section 4999 provisions of such employment agreement shall control as to any awards held by that participant).

8. OTHER PROVISIONS

8.1. ***Compliance with Laws*** . This Plan, the granting and vesting of awards under this Plan, the offer, issuance and delivery of shares of Common Stock, the acceptance of promissory notes and/or the payment of money under this Plan or under awards are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law, federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. The person acquiring any securities under this Plan will, if requested by the Corporation or one of its Subsidiaries, provide such assurances and representations to the Corporation or one of its Subsidiaries as the Administrator may deem necessary or desirable to assure compliance with all applicable legal and accounting requirements.

8.2. ***Employment Status*** . No person shall have any claim or rights to be granted an award (or additional awards, as the case may be) under this Plan, subject to any express contractual rights (set forth in a document other than this Plan) to the contrary.

8.3. ***No Employment/Service Contract*** . Nothing contained in this Plan (or in any other documents under this Plan or in any award) shall confer upon any Eligible Person or other participant any right to continue in the employ or other service of the Corporation or one of its Subsidiaries, constitute any contract or agreement of employment or other service or affect an employee's status as an employee at will, nor shall interfere in any way with the right of the Corporation or one of its Subsidiaries to change a person's compensation or other benefits, or to terminate his or her employment or other service, with or without cause. Nothing in this Section 8.3, however, is intended to adversely affect any express independent right of such person under a separate employment or service contract other than an award agreement.

8.4. ***Plan Not Funded*** . Awards payable under this Plan shall be payable in shares or from the general assets of the Corporation, and no special or separate reserve, fund or deposit shall be made to assure payment of such awards. No participant, beneficiary or other person shall have any right, title or interest in any fund or in any specific asset (including shares of Common Stock, except as expressly otherwise provided) of the Corporation or one of its Subsidiaries by reason of any award hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan shall create, or be construed to create, a trust of any kind or a fiduciary relationship between the Corporation or one of its Subsidiaries and any participant, beneficiary or other person. To the extent that a participant, beneficiary or other person acquires a right to receive payment pursuant to any award hereunder, such right shall be no greater than the right of any unsecured general creditor of the Corporation.

8.5. ***Tax Withholding*** . Upon any exercise, vesting, or payment of any award, the Corporation or one of its Subsidiaries shall have the right at its option to:

(a) require the participant (or the participant's personal representative or beneficiary, as the case may be) to pay or provide for payment of at least the minimum amount of any taxes which the Corporation or one of its Subsidiaries may be required to withhold with respect to such award event or payment; or

(b) deduct from any amount otherwise payable in cash to the participant (or the participant's personal representative or beneficiary, as the case may be) the

minimum amount of any taxes which the Corporation or one of its Subsidiaries may be required to withhold with respect to such cash payment.

In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Plan, the Administrator may in its sole discretion (subject to Section 8.1) grant (either at the time of the award or thereafter) to the participant the right to elect, pursuant to such rules and subject to such conditions as the Administrator may establish, to have the Corporation reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares, valued in a consistent manner at their fair market value or at the sales price in accordance with authorized procedures for cashless exercises, necessary to satisfy the minimum applicable withholding obligation on exercise, vesting or payment. In no event shall the shares withheld exceed the minimum whole number of shares required for tax withholding under applicable law. The Corporation may, with the Administrator's approval, accept one or more promissory notes from any Eligible Person in connection with taxes required to be withheld upon the exercise, vesting or payment of any award under this Plan; provided that any such note shall be subject to terms and conditions established by the Administrator and the requirements of applicable law.

8.6. ***Effective Date, Termination and Suspension, Amendments.***

8.6.1. ***Effective Date*** . This Plan is effective as of January 27, 2004, the date of its approval by the Board (the " **Effective Date** "). This Plan shall be submitted for and subject to stockholder approval no later than twelve months after the Effective Date. Unless earlier terminated by the Board, this Plan shall terminate at the close of business on the day before the tenth anniversary of the Effective Date. After the termination of this Plan either upon such stated expiration date or its earlier termination by the Board, no additional awards may be granted under this Plan, but previously granted awards (and the authority of the Administrator with respect thereto, including the authority to amend such awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of this Plan.

8.6.2. ***Board Authorization*** . The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part. No awards may be granted during any period that the Board suspends this Plan.

8.6.3. ***Stockholder Approval*** . To the extent then required by applicable law or any applicable listing agency or required under Sections 162, 422 or 424 of the Code to preserve the intended tax consequences of this Plan, or deemed necessary or advisable by the Board, any amendment to this Plan shall be subject to stockholder approval.

8.6.4. ***Amendments to Awards*** . Without limiting any other express authority of the Administrator under (but subject to) the express limits of this Plan, the Administrator by agreement or resolution may waive conditions of or limitations on awards to participants that the Administrator in the prior exercise of its discretion has imposed, without the consent of a participant, and (subject to the requirements of Sections 3.2 and 8.6.5) may make other changes to the terms and conditions of awards. Any amendment or other action that would constitute a repricing of an award is subject to the limitations set forth in Section 8.6.6.

8.6.5. ***Limitations on Amendments to Plan and Awards*** . No amendment, suspension or termination of this Plan or change of or affecting any outstanding award shall, without written consent of the participant, affect in any manner materially adverse to the participant any rights or benefits of the participant or obligations of the Corporation

under any award granted under this Plan prior to the effective date of such change. Changes, settlements and other actions contemplated by Section 7 shall not be deemed to constitute changes or amendments for purposes of this Section 8.6.

8.6.6. ***No Repricing without Stockholder Approval*** . Other than in connection with a change in the Corporation's capitalization (as described in Section 7), neither the exercise price of an option nor the base price of a stock appreciation right may be reduced without stockholder approval (including canceling previously awarded options and/or stock appreciation rights in exchange for cash, other awards under this Plan or options or stock appreciation rights with an exercise price or base price that is less than the exercise price or base price of the original award).

8.7. ***Privileges of Stock Ownership*** . Except as otherwise expressly authorized by the Administrator or this Plan, a participant shall not be entitled to any privilege of stock ownership as to any shares of Common Stock not actually delivered to and held of record by the participant. No adjustment will be made for dividends or other rights as a stockholder for which a record date is prior to such date of delivery.

8.8. ***Governing Law; Construction; Severability.***

8.8.1. ***Choice of Law*** . This Plan, the awards, all documents evidencing awards and all other related documents shall be governed by, and construed in accordance with the laws of the State of Delaware.

8.8.2. ***Severability*** . If a court of competent jurisdiction holds any provision invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.

8.8.3. ***Plan Construction.***

(a) Rule 16b-3 . It is the intent of the Corporation that the awards and transactions permitted by awards be interpreted in a manner that, in the case of participants who are or may be subject to Section 16 of the Exchange Act, qualify, to the maximum extent compatible with the express terms of the award, for exemption from matching liability under Rule 16b-3 promulgated under the Exchange Act. Notwithstanding the foregoing, the Corporation shall have no liability to any participant for Section 16 consequences of awards or events under awards if an award or event does not so qualify.

(b) Section 162(m) . Awards under Sections 5.1.4 and 5.1.5 to persons described in Section 5.2 that are either granted or become vested, exercisable or payable based on attainment of one or more performance goals related to the Business Criteria, as well as options and SARs granted to persons described in Section 5.2, that are approved by a committee composed solely of two or more outside directors (as this requirement is applied under Section 162(m) of the Code) shall be deemed to be intended as performance-based compensation within the meaning of Section 162 (m) of the Code unless such committee provides otherwise at the time of grant of the award. It is the further intent of the Corporation that (to the extent the Corporation or one of its Subsidiaries or awards under this Plan may be or become subject to limitations on deductibility under Section 162(m) of the Code) any such awards and any other Performance-Based Awards under Section 5.2 that are granted to or held by a person subject to Section 162(m) will qualify as performance-based compensation or otherwise be exempt from deductibility limitations under Section 162 (m).

8.9. ***Captions*** . Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.

8.10. ***Stock-Based Awards in Substitution for Stock Options or Awards Granted by Other Corporation*** . Awards may be granted to Eligible Persons in substitution for or in connection with an assumption of employee stock options, SARs, restricted stock or other stock-based awards granted by other entities to persons who are or who will become Eligible Persons in respect of the Corporation or one of its Subsidiaries, in connection with a distribution, merger or other reorganization by or with the granting entity or an affiliated entity, or the acquisition by the Corporation or one of its Subsidiaries, directly or indirectly, of all or a substantial part of the stock or assets of the employing entity. The awards so granted need not comply with other specific terms of this Plan, provided the awards reflect only adjustments giving effect to the assumption or substitution consistent with the conversion applicable to the Common Stock in the transaction and any change in the issuer of the security. Any shares that are delivered and any awards that are granted by, or become obligations of, the Corporation, as a result of the assumption by the Corporation of, or in substitution for, outstanding awards previously granted by an acquired company (or previously granted by a predecessor employer (or direct or indirect parent thereof) in the case of persons that become employed by the Corporation or one of its Subsidiaries in connection with a business or asset acquisition or similar transaction) shall not be counted against the Share Limit or other limits on the number of shares available for issuance under this Plan.

8.11. ***Non-Exclusivity of Plan*** . Nothing in this Plan shall limit or be deemed to limit the authority of the Board or the Administrator to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.

8.12. ***No Corporate Action Restriction*** . The existence of this Plan, the award agreements and the awards granted hereunder shall not limit, affect or restrict in any way the right or power of the Board or the stockholders of the Corporation to make or authorize: (a) any adjustment, recapitalization, reorganization or other change in the capital structure or business of the Corporation or any subsidiary, (b) any merger, amalgamation, consolidation or change in the ownership of the Corporation or any subsidiary, (c) any issue of bonds, debentures, capital, preferred or prior preference stock ahead of or affecting the capital stock (or the rights thereof) of the Corporation or any subsidiary, (d) any dissolution or liquidation of the Corporation or any subsidiary, (e) any sale or transfer of all or any part of the assets or business of the Corporation or any subsidiary, or (f) any other corporate act or proceeding by the Corporation or any subsidiary. No participant, beneficiary or any other person shall have any claim under any award or award agreement against any member of the Board or the Administrator, or the Corporation or any employees, officers or agents of the Corporation or any subsidiary, as a result of any such action.

8.13. ***Other Company Benefit and Compensation Programs*** . Payments and other benefits received by a participant under an award made pursuant to this Plan shall not be deemed a part of a participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Corporation or any subsidiary, except where the Administrator expressly otherwise provides or authorizes in writing. Awards under this Plan may be made in addition to, in combination with, as alternatives to or in payment of grants, awards or commitments under any other plans or arrangements of the Corporation or its subsidiaries.

8.14. ***Conditions and Restrictions Upon Securities Subject to Awards*** . The Administrator may provide that the shares of Common Stock issued upon exercise of an option or SAR or otherwise subject to or issued under an award shall be subject to such further agreements, restrictions, conditions or limitations as the Administrator in its discretion may specify prior to the exercise of such option or SAR or the grant, vesting or settlement of such award, including without limitation, conditions on vesting or transferability, forfeiture or repurchase provisions and method of payment for the shares of Common Stock issued upon exercise, vesting or settlement of such award (including the actual or constructive surrender of shares already owned by the participant) or payment of taxes arising in connection with an award. Without limiting the foregoing, such restrictions may address the timing and manner of any resales by the participant or other subsequent transfers by the participant of any shares of Common Stock issued under an award, including without limitation (a) restrictions under an insider trading policy or pursuant to applicable law, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by participant and holders of other Corporation equity compensation arrangements, (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers and (d) provisions requiring shares to be sold on the open market or to the Corporation in order to satisfy tax withholding or other obligations.

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Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a) and 15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard J. Thompson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Power-One, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 us by others within those entities, particularly during the period in which this 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 generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 the 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 information; 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.

Date: May 10, 2011

/s/ RICHARD J. THOMPSON

Richard J. Thompson
President and Chief Executive Officer
(Principal Executive Officer)

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Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a) and 15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gary R. Larsen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Power-One, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 us by others within those entities, particularly during the period in which this 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 generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 the 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 information; 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.

Date: May 10, 2011

/s/ GARY R. LARSEN

Gary R. Larsen
Senior Vice President, Finance, and
Chief Financial Officer
(Principal Financial Officer)

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Exhibit 31.2

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Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

We, Richard J. Thompson, President and Chief Executive Officer, and Gary R. Larsen, Senior Vice President, Finance, and Chief Financial Officer of Power-One, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended April 3, 2011, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d), as 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.

Date: May 10, 2011

/s/ RICHARD J. THOMPSON

Richard J. Thompson
President and Chief Executive Officer
(Principal Executive Officer)

/s/ GARY R. LARSEN

Gary R. Larsen
Senior Vice President, Finance, and
Chief Financial Officer
(Principal Financial Officer)

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