ING PRIME RATE TRUST
Form POS 8C
June 27, 2008

As filed with the Securities and Exchange Commission on June 27, 2008

Securities Act File No. 333-61831

Investment Company Act File No. 811-05410

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

(Check Appropriate box or boxes)

Registration Statement Under The Securities Act Of 1933	**x**
Pre-Effective Amendment No.	**o**
Post-Effective Amendment No. 20	**x**
and/or	
Registration Statement Under The Investment Company Act Of 1940	**x**
Amendment No. 73	**x**

(Check appropriate box or boxes)

ING PRIME RATE TRUST

(Exact Name of Registrant Specified in Charter)

7337 E. Doubletree Ranch Road
Scottsdale, AZ 85258
(Address of Principal Executive Offices)

Registrant s Telephone Number, Including Area Code: **(800) 992-0180**

Huey P. Falgout, Jr.
ING Investments, LLC
7337 East Doubletree Ranch Road
Scottsdale, AZ 85258
(Name and Address of Agent for Service)

With copies to:
Jeffrey S. Puretz, Esq.
Dechert LLP
1775 I Street, NW
Washington, DC 20006

Approximate Date of Proposed Offering:

As soon as practical after the effective date of this Registration Statement

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. x

It is proposed that this filing will become effective:

x When declared effective pursuant to Section 8(c) of the Securities Act of 1933.

ING PRIME RATE TRUST

(Registrant)

25,000,000 Common Shares

CONTENTS OF REGISTRATION STATEMENT

This Registration Statement consists of the following papers and documents:

* Cover Sheet
* Contents of Registration Statement
* Supplement dated June 30, 2008.
* ING Prime Rate Trust 25,000,000 Common Shares Prospectus dated June 30, 2008.
* ING Prime Rate Trust 5,000,000 and 25,000,000 Common Shares Statement of Additional Information dated June 30, 2008.
* Part C
* Signature Page

ING Prime Rate Trust

(Registrant)

Supplement dated June 30, 2008 to the Registrant s 25,000,000 Common Shares Prospectus dated June 30, 2008

The Prospectus for the Registrant is hereby supplemented with the following information relating to Information Regarding Trading of ING s U.S. Mutual Funds.

Information Regarding Trading of ING s U.S. Mutual Funds

As discussed in earlier supplements, ING Investments, LLC (Investments), the adviser to the ING Funds, has reported to the Boards of Directors/Trustees (the Boards) of the ING Funds that, like many U.S. financial services companies, Investments and certain of its U.S. affiliates have received informal and formal requests for information since September 2003 from various governmental and self-regulatory agencies in connection with investigations related to mutual funds and variable insurance products. Investments has advised the Boards that it and its affiliates have cooperated fully with each request.

In addition to responding to regulatory and governmental requests, Investments reported that management of U.S. affiliates of ING Groep N.V., including Investments (collectively, ING), on their own initiative, have conducted, through independent special counsel and a national accounting firm, an extensive internal review of trading in ING insurance, retirement, and mutual fund products. The goal of this review was to identify any instances of inappropriate trading in those products by third parties or by ING investment professionals and other ING personnel. ING s internal review related to mutual fund trading is now substantially completed. ING has reported that, of the millions of customer relationships that ING maintains, the internal review identified several isolated arrangements allowing third parties to engage in frequent trading of mutual funds within ING s variable insurance and mutual fund products, and identified other circumstances where frequent trading occurred, despite measures taken by ING intended to combat market timing. ING further reported that each of these arrangements has been terminated and fully disclosed to regulators. The results of the internal review were also reported to the independent members of the Boards.

Investments has advised the Boards that most of the identified arrangements were initiated prior to ING s acquisition of the businesses in question in the U.S. Investments further reported that the companies in question did not receive special benefits in return for any of these arrangements, which have all been terminated.

Based on the internal review, Investments has advised the Boards that the identified arrangements do not represent a systemic problem in any of the companies that were involved.

Despite the extensive internal review conducted through independent special counsel and a national accounting firm, there can be no assurance that the instances of inappropriate trading reported to the Boards are the only instances of such trading respecting the ING Funds.

Investments reported to the Boards that ING is committed to conducting its business with the highest standards of ethical conduct with zero tolerance for noncompliance. Accordingly, Investments advised the Boards that ING management was disappointed that its voluntary internal review identified these situations. Viewed in the context of the breadth and magnitude of its U.S. business as a whole, ING management does not believe that ING s acquired companies had systemic ethical or compliance issues in these areas. Nonetheless, Investments reported that given ING s refusal to tolerate any lapses, it has taken the steps noted below, and will continue to seek opportunities to further strengthen the internal controls of its affiliates.

- ING has agreed with the ING Funds to indemnify and hold harmless the ING Funds from all damages resulting from wrongful conduct by ING or its employees or from ING s internal investigation, any investigations conducted by any governmental or self-regulatory agencies, litigation or other formal proceedings, including any proceedings by the SEC. Investments reported to the Boards that ING management believes that the total amount of any indemnification obligations will not be material to ING or its U.S. business.

- ING updated its Code of Conduct for employees reinforcing its employees obligation to conduct personal trading activity consistent with the law, disclosed limits, and other requirements.

Other Regulatory Matters.

The New York Attorney General (the NYAG) and other federal and state regulators are also conducting broad inquiries and investigations involving the insurance industry. These initiatives currently focus on, among other things, compensation and other sales incentives; potential conflicts of interest; potential anti-competitive activity; reinsurance; marketing practices (including suitability); specific product types (including group annuities and indexed annuities); fund selection for investment products and brokerage sales; and disclosure. It is likely that the scope of these industry investigations will further broaden before they conclude. ING has received formal and informal requests in connection with such investigations, and is cooperating fully with each request.

Other federal and state regulators could initiate similar actions in this or other areas of ING s businesses. These regulatory initiatives may result in new legislation and regulation that could significantly affect the financial services industry, including businesses in which ING is engaged. In light of these and other developments, ING continuously reviews whether modifications to its business practices are appropriate. At this time, in light of the current regulatory factors, ING U.S. is actively engaged in reviewing whether any modifications in our practices are appropriate for the future.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares, or other adverse consequences to ING Funds.

PLEASE RETAIN THIS SUPPLEMENT FOR FUTURE REFERENCE

Prospectus

Prospectus

June 30, 2008

25,000,000 Common Shares

ING Prime Rate Trust

This Prospectus sets forth concisely the information about ING Prime Rate Trust ("Trust") that a prospective investor ought to know before investing. You should read it carefully before you invest, and keep it for future reference.

The Trust has filed with the U.S. Securities and Exchange Commission ("SEC") a Statement of Additional Information ("SAI") dated June 30, 2008 containing additional information about the Trust. The SAI is incorporated by reference in its entirety into this Prospectus. You may obtain a free copy of the SAI, annual shareholder report and semi-annual shareholder report by contacting the Trust at (800) 992-0180 or by writing to the Trust at 7337 East Doubletree Ranch Road, Scottsdale, Arizona 85258. The Trust's SAI and annual and semi-annual shareholder reports are available, free of charge, on the Trust's website at www.ingfunds.com. The Prospectus, SAI and other information about the Trust are also available on the SEC's website (http://www.sec.gov). The table of contents for the SAI appears on page 32 of this Prospectus.

Common Shares of the Trust trade on the New York Stock Exchange (the "NYSE") under the symbol PPR.

Market fluctuations and general economic conditions can adversely affect the Trust. There is no guarantee that the Trust will achieve its investment objective. Investment in the Trust involves certain risks and special considerations, including risks associated with the Trust's use of leverage. See "Risk Factors and Special Considerations" on pages 5 and 17 for a discussion of any factors that make investment in the Trust speculative or high risk.

Neither the SEC nor any state securities commission has approved or disapproved these securities, or determined that this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

WHAT'S INSIDE

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WHAT YOU PAY TO INVEST

This Prospectus contains a description of ING Prime Rate Trust ("Trust"), including the Trust's investment objective, principal investment strategies and risks.

You'll also find:

What you pay to invest. A list of the fees and expenses you pay both directly and indirectlywhen you invest in the Trust.

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INTRODUCTION TO ING PRIME RATE TRUST

Risk is the potential that your investment will lose money or not earn as much as you hope. All mutual funds have varying degrees of risk, depending upon the securities in which they invest.

This Trust involves certain risks and special considerations, including risks associated with investing in below investment grade assets and risks associated with the Trust's use of borrowing and other leverage strategies. See "Risk Factors and Special Considerations" on pages 5 and 17.

Please read this Prospectus carefully to be sure you understand the principal investment strategies and risks associated with the Trust. You should consult the SAI for a complete list of the principal investment strategies and risks.

If you have any questions about the Trust, please call your investment professional or us at 1-800-992-0180.

This Prospectus is designed to help you make an informed decision about making an investment in the Trust. Please read it carefully and retain it for future reference.

Who should invest in the Trust?

THE TRUST MAY BE A SUITABLE INVESTMENT IF YOU:

are seeking a high level of current income; and

are willing to accept the risks associated with an investment in a leveraged portfolio consisting primarily of senior loans that are typically below investment grade credit quality.

DESCRIPTION OF THE TRUST

The Trust is a diversified, closed-end management investment company that seeks to provide investors with as high a level of current income as is consistent with the preservation of capital. The Trust seeks to achieve this objective by investing in a professionally managed portfolio comprised primarily of senior loans, an investment typically not available directly to individual investors.

Since the senior loans in the Trust's portfolio typically are below investment grade credit quality and the portfolio is leveraged, the Trust has speculative characteristics. The Trust cannot guarantee that it will achieve its investment objective.

Common Shares of the Trust trade on the New York Stock Exchange ("NYSE") under the symbol PPR.

The Trust's investment adviser is ING Investments, LLC. The Trust's sub-adviser is ING Investment Management Co.

If you have any questions, please call 1-800-992-0180.

PROSPECTUS SYNOPSIS

The following synopsis is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Prospectus.

DESCRIPTION OF THE TRUST

The Trust	The Trust is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended ("1940 Act"). It was organized as a Massachusetts business trust on December 2, 1987. As of June 16, 2008, the Trust's net asset value ("NAV") per Common Share was $6.52.
NYSE Listed	As of June 16, 2008, the Trust had 145,094,493 Common Shares outstanding, which are traded on the NYSE under the symbol PPR. At that date, the last reported sales price of a Common Share of the Trust was $5.83.
Investment Objective	To provide investors with as high a level of current income as is consistent with the preservation of capital. There is no assurance that the Trust will achieve its investment objective.
Adviser/Sub-Adviser	The Trust's investment adviser is ING Investments, LLC ("ING Investments" or "Adviser"), an Arizona limited liability company. As of March 31, 2008, ING Investments managed approximately $49.7 billion in assets. The Adviser is an indirect, wholly-owned subsidiary of ING Groep N.V. ("ING Groep") (NYSE: ING). ING Groep is one of the largest financial services organizations in the world with approximately 120,000 employees. Based in Amsterdam, ING Groep offers an array of banking, insurance and asset management services to both individual and institutional investors. The Adviser receives an annual fee, payable monthly, in an amount equal to 0.80% of the Trust's average daily gross asset value, minus the sum of the Trust's accrued and unpaid dividends on any outstanding preferred shares and accrued liabilities (other than liabilities for the principal amount of any borrowings incurred, commercial paper or notes issued by the Trust and the liquidation preference of any outstanding preferred shares) ("Managed Assets"). This definition includes the assets acquired through the Trust's use of leverage. ING Investment Management Co. ("ING IM" or "Sub-Adviser") serves as sub-adviser to the Trust. See "Investment Management and Other Service Providers Sub-Adviser" on page 25. ING IM is an affiliate of the Adviser.
Distributions	Income dividends on Common Shares accrue and are declared and paid monthly. Income dividends may be distributed in cash or reinvested in additional full and fractional shares of the Trust through the Trust's Shareholder Investment Program.
Principal Investment Strategies	The Trust seeks to achieve its investment objective by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in U.S. dollar denominated floating rate secured senior loans ("Senior Loans"). The Trust will provide shareholders with at least 60 days' prior notice of any change in this investment policy. Under normal circumstances, the Trust invests at least 80% of its assets in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and that are domiciled in the United States or in U.S. territories or possessions or Canada. The Senior Loans in which the Trust invests either hold the most senior position in the capital structure of the borrower or hold an equal ranking with other senior debt or have characteristics that the Adviser or Sub-Adviser believes justifies treatment as senior debt. These Senior Loans are typically below investment grade quality. The Trust typically makes its investments in Senior Loans by purchasing a portion of the overall loan, *i.e.*, the Trust becomes one of a number of lenders investing in the loan. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps, and total return swaps as long as the reference obligation for any such instrument is a Senior Loan. Investments through the use of such derivative instruments involve counterparty risk, *i.e.*, the risk that the party from which such instrument is purchased will not perform as agreed.

The Trust seeks to minimize such counterparty risk by purchasing such investments from large, well established and highly rated counterparties.

PROSPECTUS SYNOPSIS

Other Investment Strategies and Policies	Assets not invested in Senior Loans may be invested in unsecured loans, subordinated loans, tranches of floating rate asset-backed securities, including structured notes, short-term debt securities, and equities acquired in connection with investments in loans. See "Investment Objective and Policies" on page 13. Loans in which the Trust invests typically have multiple reset periods at the same time, with each reset period applicable to a designated portfolio of the loan. The maximum duration of an interest rate reset on any loan in which the Trust may invest is one year. In order to achieve overall reset balance, the Trust will ordinarily maintain a dollar-weighted average time until the next interest rate adjustment on its loans of 90 days or less. Normally at least 80% of the Trust's portfolio will be invested in Senior Loans with maturities of one to ten years. The maximum maturity on any loan in which the Trust may invest is ten years. To seek to increase the yield on the Common Shares, the Trust may engage in lending its portfolio securities. Such lending will be fully secured by investment grade collateral held by an independent agent. The Fund may invest up to 20% of its total assets, measured at the time of investment, in a combination of one or more of the following types of investments: loans to borrowers organized outside the United States and in U.S. territories and possessions or Canada, unsecured floating rate loans, notes and other debt instruments; floating rate subordinated loans; tranches of floating rate asset-backed securities, short-term debt securities; and equity securities incidental to investment in loans. See "Investment Objective and Policies" on page 13. The Trust may engage in executing repurchase and reverse repurchase agreements.
Leverage	To seek to increase the yield on the Common Shares, the Trust employs financial leverage by borrowing money and issuing preferred shares. The timing and terms of leverage will be determined by the Trust's Board of Trustees ("Board") in consultation with the Adviser or Sub-Adviser. See "Risk Factors and Special Considerations Leverage" on page 18.
Borrowings	Under the 1940 Act, the Trust may borrow up to an amount equal to $33^1/_3$% of its total assets (including the proceeds of the borrowings) less all liabilities other than borrowings. The Trust's obligations to holders of its debt are senior to its ability to pay dividends on, or repurchase, Common Shares and preferred shares, or to pay holders of Common Shares and preferred shares in the event of liquidation.

PROSPECTUS SYNOPSIS

Preferred Shares	Under the 1940 Act, the Trust may issue preferred shares so long as immediately after any issuance of preferred shares the value of the Trust's total assets (less all Trust liabilities and indebtedness that is not senior indebtedness) is at least twice the amount of the Trust's senior indebtedness plus the involuntary liquidation preference of all outstanding shares. The Trust is authorized to issue an unlimited number of shares of a class of preferred stock in one or more series. In November 2000, the Trust issued 3,600 shares each of Series M, T, W, Th and F Auction Rate Cumulative Preferred Shares, $0.01 par value, $25,000 liquidation preference per share, for a total issuance of $450 million ("Preferred Shares"). The Trust's obligations to holders of the Preferred Shares are senior to its ability to pay dividends on, or repurchase, Common Shares, or to pay holders of Common Shares in the event of liquidation. The 1940 Act also requires that the holders of the Preferred Shares, voting as a separate class, have the right to: elect at least two trustees at all times; and elect a majority of the trustees at any time when dividends on any series of Preferred Shares are unpaid for two full years. In each case, the holders of Common Shares voting separately as a class will elect the remaining trustees. Since early February 2008, the Trust has not received hold orders and purchase requests for its Preferred Shares during their weekly auctions that equaled the full amount of such shares. As a result, under the terms of the Preferred Shares, the amount sold by each selling shareholder was reduced pro rata or to zero. In addition, the dividend rate on such preferred shares, which is normally set by means of a Dutch auction procedure, automatically reset to the maximum rate permitted under the Preferred Shares program. That maximum rate is 150% of the applicable commercial paper base rate on the day of the auction. It is unclear whether the dividend rate for the Preferred Shares will be set by means of an auction again in the future. On June 9, 2008, the Trust announced the approval by the Board of Trustees of a partial redemption of its outstanding Preferred Shares. The Trust expects to redeem approximately $225 million of the $450 million of its outstanding Preferred Shares. The Preferred Shares are expected to be redeemed using proceeds available through the Trust's existing bank loan facility. Redemption costs and the on-going costs of obtaining leverage through a bank loan facility may reduce returns to Common Shares and may be higher than the costs of leverage obtained through the Preferred Shares. The Trust and the Board of Trustees will continue to closely monitor the situation and evaluate potential options to restore liquidity to and/or provide additional refinancing options for this market in the context of regulatory guidelines, as well as the economic and tax implications for both its Common and Preferred shareholders.
Diversification	The Trust maintains a diversified investment portfolio, an investment strategy which seeks to limit exposure to any one issuer or industry. As a diversified investment company, the Trust may not make investments in any one issuer (other than the U.S. government) if, immediately after such purchase or acquisition, more than 5% of the value of the Trust's total assets would be invested in such issuer, or the Trust would own more than 25% of any outstanding issue. The Trust will consider a borrower on a loan, including a loan participation, to be the issuer of that loan. In addition, with respect to a loan under which the Trust does not have privity with the borrower or would not have a direct cause of action against the borrower in the event of the failure of the borrower to pay scheduled principal or interest, the Trust will also separately meet the foregoing requirements and consider each interpositioned bank (a lender from which the Trust acquires a loan) to be an issuer of the loan. This investment strategy is a fundamental policy that may not be changed without shareholder approval. With respect to no more than 25% of its total assets, the Trust may make investments that are not subject to the foregoing restrictions.
Concentration	In addition, a maximum of 25% of the Trust's total assets, measured at the time of investment, may be invested in any one industry. This investment strategy is also a fundamental policy that may not be changed without shareholder approval.

PROSPECTUS SYNOPSIS

Plan of Distribution	The Common Shares are offered by the Trust through the Trust's Shareholder Investment Program. The Shareholder Investment Program allows participating shareholders to reinvest all dividends in additional shares of the Trust, and also allows participants to purchase additional Common Shares through optional cash investments in amounts ranging from a minimum of $100 to a maximum of $100,000 per month. The Trust and ING Funds Distributor, LLC ("ING Funds Distributor") reserve the right to reject any purchase order. Please note that cash, travelers checks, third-party checks, money orders and checks drawn on non-U.S. banks (even if payment may be effected through a U.S. bank) generally will not be accepted. Common Shares may be issued by the Trust under the Shareholder Investment Program only if the Trust's Common Shares are trading at a premium to NAV. If the Trust's Common Shares are trading at a discount to NAV, Common Shares purchased under the Shareholder Investment Program will be purchased on the open market. See "Plan of Distribution" on pages 23 and 24. Shareholders may elect to participate in the Shareholder Investment Program by telephoning the Trust or submitting a completed Participation Form to DST Systems, Inc. ("DST"). Common Shares also may be offered pursuant to privately negotiated transactions between the Trust or ING Funds Distributor and individual investors. Common Shares of the Trust issued in connection with privately negotiated transactions will be issued at the greater of (i) NAV per Common Share of the Trust's Common Shares or (ii) at a discount ranging from 0% to 5% of the average daily market price of the Trust's Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. See "Plan of Distribution" on pages 23 and 24.
Administrator	The Trust's administrator is ING Funds Services, LLC ("Administrator"). The Administrator is an affiliate of the Adviser. The Administrator receives an annual fee, payable monthly, in a maximum amount equal to 0.25% of the Trust's Managed Assets.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Credit Risk on Senior Loans	The Trust invests a substantial portion of its assets in below investment grade Senior Loans and other below investment grade assets. Below investment grade loans involve a greater risk that borrowers may not make timely payment of the interest and principal due on their loans. They also involve a greater risk that the value of such loans could decline significantly. If borrowers do not make timely payments of the interest due on their loans, the yield on the Trust's Common Shares will decrease. If borrowers do not make timely payment of the principal due on their loans, or if the value of such loans decreases, the Trust's NAV will decrease.
Interest Rate Risk	Changes in short-term market interest rates will directly affect the yield on the Trust's Common Shares. If short-term market interest rates fall, the yield on the Trust's Common Shares will also fall. To the extent that the interest rate spreads on loans in the Trust's portfolio experience a general decline, the yield on the Trust's Common Shares will fall and the value of the Trust's assets may decrease, which will cause the Trust's NAV to decrease. Conversely, when short-term market interest rates rise, because of the lag between changes in such short-term rates and the resetting of the floating rates on assets in the Trust's portfolio, the impact of rising rates will be delayed to the extent of such lag.
Discount from NAV	As with any security, the market value of the Common Shares may increase or decrease from the amount that you paid for the Common Shares. The Trust's Common Shares may trade at a discount to NAV. This is a risk separate and distinct from the risk that the Trust's NAV per Common Share may decrease.

If you have any questions, please call 1-800-992-0180.

PROSPECTUS SYNOPSIS

Leverage	The Trust's use of leverage through borrowings and the issuance of Preferred Shares can adversely affect the yield on the Trust's Common Shares. To the extent that the Trust is unable to invest the proceeds from the use of leverage in assets which pay interest at a rate which exceeds the rate paid on the leverage, the yield on the Trust's Common Shares will decrease. In addition, in the event of a general market decline in the value of assets such as those in which the Trust invests, the effect of that decline will be magnified in the Trust because of the additional assets purchased with the proceeds of the leverage. As of June 16, 2008, the Trust had $592 million of total leverage, including $142 million of borrowings under two credit facilities and $450 million Preferred Shares (issued and outstanding).
Limited Secondary Market For Loans	Because of the limited secondary market for loans, the Trust may be limited in its ability to sell loans in its portfolio in a timely fashion and/or at a favorable price.
Demand For Loans	An increase in demand for loans may adversely affect the rate of interest payable on new loans acquired by the Trust, and it may also increase the price of loans in the secondary market. A decrease in the demand for loans may adversely affect the price of loans in the Trust's portfolio, which could cause the Trust's NAV to decline.
Impact of Shareholder Investment Program and Privately Negotiated Transactions	The issuance of Common Shares through the Shareholder Investment Program and/or through privately negotiated transactions may have an adverse effect on prices in the secondary market for the Trust's Common Shares by increasing the number of Common Shares available for sale. In addition, the Common Shares may be issued at a discount to the market price for such Common Shares, which may put downward pressure on the market price for Common Shares of the Trust.
Investment in Foreign Borrowers	The Trust may hold a portion of its assets in short-term interest bearing instruments. Moreover, in periods when, in the opinion of the Adviser or Sub-Adviser, a temporary defensive position is appropriate, up to 100% of the Trust's assets may be held in cash or short-term interest bearing instruments. The Trust may not achieve its investment objective when pursuing a temporary defensive position. The Trust may invest up to 20% of its total assets, measured at the time of investment, in loans, secured or unsecured, to borrowers that are organized or located in countries outside the United States and U.S. territories and possessions or Canada. The Trust may invest up to 15% of its total assets, measured at the time of investment, in investments denominated in the Organization for Economic Co-operation and Development ("OECD") currencies (including the Euro), other than the U.S. dollar. The Trust will engage in currency exchange transactions to seek to hedge, as closely as practicable, 100% of the economic impact to the Trust arising from foreign currency fluctuations. The Trust may not be entirely successful in implementing this hedging strategy, resulting in the Trust being adversely affected by foreign currency fluctuations. Investment in foreign borrowers involves special risks, including that foreign borrowers may be subject to: less rigorous regulatory, accounting and reporting requirements than U.S. borrowers; differing legal systems and laws relating to creditors' rights; the potential inability to enforce legal judgments; economic adversity that would result if the value of the borrower's non-U.S. dollar denominated revenues and assets were to fall because of fluctuations in currency values; and the potential for political, social and economic adversity in the foreign borrower's country.

WHAT YOU PAY TO INVEST TRUST EXPENSES

The cost you pay to invest in the Trust includes the expenses incurred by the Trust. In accordance with SEC requirements, the table below shows the expenses of the Trust, including interest expense on borrowings, as a percentage of the average net assets of the Trust, and not as a percentage of gross assets or Managed Assets. By showing expenses as a percentage of net assets, expenses are not expressed as a percentage of all of the assets that are invested for the Trust. The Table below assumes that the Trust has issued $450 million of Preferred Shares and has borrowed an amount equal to 25% of its Managed Assets. For information about the Trust's expense ratios if the Trust had not borrowed or issued Preferred Shares, see "Risk Factors and Special Considerations Annual Expenses Without Borrowings or Preferred Shares."

Shareholder Transaction Expenses	
Shareholder Investment Program Fees	NONE
Privately Negotiated Transactions Maximum Sales Load on Your Investment (as a percentage of offering price)	3.00%
Annual Expenses (as a percentage of net assets attributable to Common Shares)	
Management and Administrative Fees[1]	2.01%
Interest Expense on Borrowed Funds	2.74%
Other Operating Expenses[2]	0.31%
Total Annual Expenses[3]	5.06%

[1] Pursuant to the Investment Advisory Agreement with the Trust, ING Investments is paid a fee of 0.80% of the Trust's Managed Assets. Pursuant to its Administration Agreement with the Trust, the Trust's Administrator is paid a fee of 0.25% of the Trust's Managed Assets. See "Investment Management and Other Service Providers The Administrator."

[2] Other Operating Expenses are based on estimated amounts for the current fiscal year, which, in turn, are based on other operating expenses for the fiscal year ended February 29, 2008, and do not include the expenses of borrowing.

[3] If the Total Annual Expenses of the Trust were expressed as a percentage of Managed Assets (assuming the same 25% borrowing), the Total Annual Expense ratio would be 2.65%.

If you have any questions, please call 1-800-992-0180.

WHAT YOU PAY TO INVEST   TRUST EXPENSES

Examples

The following hypothetical Examples show the amount of the expenses that an investor in the Trust would bear on a $1,000 investment that is held for the different time periods in the table. The examples assume that all dividends and other distributions are reinvested at NAV and that the percentage amounts listed under Total Annual Expenses remain the same in the years shown. The tables and the assumption in the hypothetical examples of a 5% annual return are required by regulations of the SEC applicable to all investment companies. The assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Trust's Common Shares. For more complete descriptions of certain of the Trust's costs and expenses, see "Investment Management and Other Service Providers."

Example #1

The following Example applies to shares issued in connection with the Trust's Shareholder Investment Program. This example does not take into account whether such shares are purchased at a discount or a premium to the Trust's NAV.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return and where the Trust has borrowed in an amount equal to 25% of its Managed Assets.	$ 51	$ 155	$ 263	$ 547
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return and where the Trust has not borrowed.	$ 18	$ 57	$ 98	$ 213

Example #2

The following Example applies to shares issued in connection with privately negotiated transactions, which have the maximum front-end sales load of 3%.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return and where the Trust has borrowed in an amount equal to 25% of its Managed Assets.	$ 79	$ 181	$ 285	$ 560
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return and where the Trust has not borrowed.	$ 48	$ 85	$ 125	$ 236

The purpose of each table is to assist you in understanding the various costs and expenses that an investor in the Trust will bear directly or indirectly.

The foregoing Examples should not be considered a representation of future expenses, and actual expenses may be greater or less than those shown.

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FINANCIAL HIGHLIGHTS

Financial Highlights Table

The table below sets forth selected financial information. The financial information for the most recent 5 fiscal years has been derived from the financial statements in the Trust's annual shareholder report dated as of February 29, 2008. The information in the table below has been audited by KPMG LLP, an independent registered public accounting firm. A report of the Trust's independent registered public accounting firm along with the Trust's financial statements for the most recent 5 fiscal years is included in the Trust's annual shareholder report dated as of February 29, 2008. A free copy of the annual shareholder report may be obtained by calling (800) 992-0180.

	Years Ended February 28 or February 29,					
	2008	**2007**	**2006**	**2005**	**2004**	**2003**
Per Share Operating Performance						
Net asset value, beginning of year	$ 7.65	$ 7.59	$ 7.47	$ 7.34	$ 6.73	$ 7.20
Income (loss) from investment operations:						
Net investment income	0.75	0.71	0.57	0.45	0.46	0.50
Net realized and unrealized gain (loss) on investments	(1.57)	0.06	0.12	0.16	0.61	(0.47)
Total from investment operations	(0.82)	0.77	0.69	0.61	1.07	0.03

Derivative assets and liabilities. Our derivative assets and liabilities consist of foreign currency forward exchange contracts involving major currencies and interest rate swaps involving a benchmark interest rate. Since our derivative assets and liabilities are not traded on an exchange, they are

valued using valuation models. Interest rate yield curves and foreign exchange rates are the significant inputs into these valuation models. These inputs are observable in active markets over the terms of the instruments we hold, and accordingly, we classify these valuation techniques as Level 2 in the hierarchy. We consider the effect of our own credit standing and that of our counterparties in our valuations of our derivative financial instruments.

For the three months ended March 29, 2008, information about inputs into the fair value measurements of our assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows (in thousands):

		Fair Value Measurements at Reporting Date Using		
	Total Fair Value and Carrying	**Quoted Prices in Active Markets for Identical**	**Significant Other Observable**	**Significant Unobservable**

Description	Value on Our Balance Sheet	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
Assets:				
Marketable securities	$118,470	$	$118,470	$
Derivative assets	188		188	
Total assets	$118,658	$	$118,658	$
Liabilities:				
Derivative liabilities	$ 36,799	$	$ 36,799	$

Note 10. Debt

Our long-term debt at March 29, 2008 and December 29, 2007 consisted of the following (in thousands):

	March 29, 2008	December 29, 2007
Euro denominated loan, variable interest Euribor plus 1.6%, due 2008 through 2012	$ 72,771	$ 67,761
2.25% loan, due 2006 through 2015	12,812	13,226
0.25% 3.25% loan, due 2007 through 2009	2,917	3,334
Capital lease obligations	7	9
	88,507	84,330
Less unamortized discount	(624)	(638)
Total long-term debt	87,883	83,692
Less current portion	(17,673)	(14,836)
Noncurrent portion	$ 70,210	$ 68,856

We had outstanding borrowings of $24.5 million at December 29, 2007, which we classified as short-term debt. In February 2008, we repaid the full amount of our short-term debt that related to our bridge loan with a consortium of banks led by IKB Deutsche Industriebank AG.

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As of March 29, 2008, we had the following four outstanding commercial commitments in the form of letters of credit and bank guarantees: $0.7 million dated September 2007 for an energy supply agreement; MYR 4.0 million dated October 2007 for Malaysian custom and excise tax ($1.2 million at the balance sheet close rate on March 29, 2008 of $0.31/MYR1.00); MYR 2.2 million dated December 2007 for an energy supply agreement ($0.7 million at the balance sheet close rate on March 29, 2008 of $0.31/MYR1.00); and $1.3 million dated January 2008 for a sales and purchase agreement.

Note 11. Commitments and Contingencies

Product warranties

We offer warranties on our products and record an estimate of the associated liability based on the number of solar modules under warranty at customer locations, our historical experience with warranty claims, our monitoring of field installation sites, our in-house testing of our solar modules and our estimated per-module replacement cost.

Product warranty activity during the three months ended March 29, 2008 and March 31, 2007 was as follows (in thousands):

	Three Months Ended	
	March 29, 2008	March 31, 2007
Product warranty liability, beginning of period	$7,276	$2,764
Accruals for new warranties issued (warranty expense)	1,992	728
Settlements	(8)	(1)
Change in estimate of warranty liability	1	(136)
Product warranty liability, end of period	$9,261	$3,355

Note 12. Share-Based Compensation

We measure share-based compensation cost at the grant date based on the fair value of the award and recognize this cost as an expense over the grant recipients requisite service periods, in accordance with SFAS 123(R). The share-based compensation expense that we recognized in our consolidated statements of operations for the three months ended March 29, 2008 and March 31, 2007 was as follows (in thousands):

	Three Months Ended	
	March 29, 2008	March 31, 2007
Share-based compensation expense included in:		
Cost of sales	$ 2,208	$1,495
Research and development	965	1,158
Selling, general and administrative	7,400	2,868
Production start-up	286	255
Total share-based compensation expense	$10,859	$5,776

The increase in share-based compensation expense was primarily the result of new awards.

The following table presents our share-based compensation expense by type of award for the three months ended March 29, 2008 and March 31, 2007 (in thousands):

	Three Months Ended	
	March 29,	March 31,

	2008	2007
Stock options	$ 5,060	$5,680
Restricted stock units	5,528	
Unrestricted stock	81	102
Net amount absorbed into inventory	190	(6)
Total share-based compensation expense	$10,859	$5,776

Share-based compensation cost capitalized in our inventory was $0.4 million and $0.2 million at March 29, 2008 and March 31, 2007, respectively. As of March 29, 2008, we had $20.6 million of unrecognized share-based compensation cost related to unvested stock option awards, which we expect to recognize as an expense over a weighted-average period of approximately 2 years, and $87.2

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million of unrecognized share-based compensation cost related to unvested restricted stock units, which we expect to recognize as an expense over a weighted-average period of approximately 2 years.

Note 13. Income Taxes

On December 31, 2006, we adopted the provisions of FASB Interpretation No. (FIN) 48, which is an interpretation of SFAS 109, *Accounting for Income Taxes*. Tax law is subject to significant and varied interpretation, so an enterprise may be uncertain whether a tax position that it has taken will ultimately be sustained when it files its tax return. FIN 48 establishes a more-likely-than-not threshold that must be met before a tax benefit can be recognized in the financial statements and, for those benefits that may be recognized, stipulates that enterprises should recognize the largest amount of the tax benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the taxing authority. FIN 48 also addresses changes in judgments about the realizability of tax benefits, accrual of interest and penalties on unrecognized tax benefits, classification of liabilities for unrecognized tax benefits and related financial statement disclosures.

During the three months ended March 29, 2008, we recorded $1.4 million of unrecognized tax benefits that, if recognized, would affect the effective tax rate. During the three months ended March 29, 2008, we did not identify any reductions in unrecognized tax benefits resulting from settlements with taxing authorities or due to the lapse of applicable statutes of limitations. We operate in multiple jurisdictions throughout the world, and our tax returns are periodically audited or subject to review by both domestic and foreign tax authorities. As a result of ongoing examinations and the timing of completion, it is not possible to estimate the potential net increase or decrease to our unrecognized tax benefits during the next twelve months.

We are subject to filing requirements for income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. We are presently undergoing an examination by the German taxing authorities. Additionally, our tax years going back to 2003 are subject to examination in all tax jurisdictions in which we operate.

At each period end, we exercise significant judgment in determining our provisions for income taxes, our deferred tax assets and liabilities and our future taxable income for purposes of assessing our likelihood of utilizing any future tax benefit from our deferred tax assets. The ultimate realization of deferred tax assets depends on the generation of sufficient taxable income of the appropriate character and in the appropriate taxing jurisdictions during the future periods in which the underlying tax-deductible temporary differences become deductible. We determined the valuation allowance on our deferred tax assets in accordance with the provisions of SFAS 109, which require us to weigh both positive and negative evidence in order to ascertain whether it is more likely than not that deferred tax assets will be realized. We evaluated all significant available positive and negative evidence, including the existence of cumulative net losses, benefits that could be realized from available tax strategies and forecasts of future taxable income, in determining the need for a valuation allowance on our deferred tax assets.

After applying the evaluation guidance of SFAS 109 as of March 29, 2008, we concluded that it was more-likely-than-not that the net deferred tax assets in Malaysia would be utilized in future periods. Therefore, based upon management s assessment of the available evidence at March 29, 2008, we reversed the $0.6 million of valuation allowances established during fiscal 2007.

Note 14. Net Income per Share

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted net income per share is computed giving effect to all potential dilutive common stock, including stock options and restricted stock units.

The reconciliation of the numerator and denominator used in the calculation of basic and diluted net income per share is as follows (in thousands):

	Three Months Ended	
	March 29, 2008	March 31, 2007
Basic net income per share		
Numerator:		

Net income	$46,619	$ 5,028
Denominator:		
Weighted-average shares used in computing basic net income per share	79,059	72,347

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	Three Months Ended	
	March 29, 2008	March 31, 2007
Diluted net income per share		
Denominator:		
Weighted-average shares used in computing basic net income per share	79,059	72,347
Effect of stock options and restricted stock units outstanding	2,548	3,045
Weighted-average shares used in computing diluted net income per share	81,607	75,392

The following number of outstanding options and restricted stock units was excluded from the computation of diluted net income per share as they would have had an antidilutive effect (in thousands):

	Three Months Ended	
	March 29, 2008	March 31, 2007
Options to purchase common stock and restricted stock units	131	107

Note 15. Comprehensive Income

Comprehensive income, which includes foreign currency translation adjustments, unrealized gains on derivate instruments designated and qualifying as cash flow hedges and unrealized losses on available-for-sale securities, the impact of which has been excluded from net income and reflected as components of stockholders equity, is as follows (in thousands):

	Three Months Ended	
	March 29, 2008	March 31, 2007
Net income	$ 46,619	$5,028
Foreign currency translation adjustments	9,442	161
Change in unrealized gain on marketable securities, net of tax of $(159) for 2008	288	
Change in unrealized (loss) gain on derivative instruments, net of tax of $6,485 for 2008	(23,298)	19
Comprehensive income	$ 33,051	$5,208

Components of accumulated other comprehensive income (loss) were as follows (in thousands):

	March 29, 2008	December 29, 2007
Foreign currency translation adjustments	$ 15,560	$ 6,118
Unrealized gain on marketable securities, net of tax of $(174) for 2008 and $(15) for 2007	316	28

Unrealized loss on derivative instruments, net of tax of $7,437 for 2008 and $952 for 2007	(24,926)	(1,628)
Accumulated other comprehensive (loss) income	$ (9,050)	$ 4,518

Note 16. Statement of Cash Flows

Following is a reconciliation of net income to net cash provided by operating activities for the three months ended March 29, 2008 and March 31, 2007 (in thousands):

	Three Months Ended	
	March 29, 2008	March 31, 2007
Net income	$ 46,619	$ 5,028
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	9,064	5,123
Share-based compensation	10,859	5,776
Deferred income taxes	1,027	
Excess tax benefits from share-based compensation arrangements	(4,255)	(123)
Loss (gain) on disposal of property and equipment	30	(2)
Provision for doubtful accounts receivable	669	
Gain on sales of investments, net	(280)	
Provision for excess and obsolete inventories	82	(23)
Changes in operating assets and liabilities:		
Accounts receivable	(3,000)	19,745
Inventories	(17,254)	1,535
Deferred project costs	1,424	
Prepaid expenses and other current assets	(2,031)	3,780

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	Three Months Ended	
	March 29, 2008	March 31, 2007
Costs and estimated earnings in excess of billings	6	
Other noncurrent assets	(1,761)	(446)
Billings in excess of costs and estimated earnings	(909)	
Accounts payable and accrued expenses	22,980	(1,464)
Total adjustments	16,651	33,901
Net cash provided by operating activities	$63,270	$38,929

Note 17. Segment Reporting

SFAS 131, *Disclosure about Segments of an Enterprise and Related Information*, establishes standards for companies to report in their financial statements information about operating segments, products, services, geographic areas and major customers. The method of determining what information to report is based on the way that management organizes the operating segments within the enterprise for making operating decisions and assessing financial performance. The component segment, which is our principal business, is the design, manufacture and sale of solar modules, which convert sunlight to electricity. We sell our solar modules to thirteen principal customers, which we have long term supply contracts with. These customers include project developers, system integrators and operators of renewable energy projects.

We also sell solar power systems comprised of our solar modules and balance of system components procured from third parties directly to system owners. This may include services such as development, engineering, procurement of permits and equipment, construction management, monitoring and maintenance. For the three months ended March 29, 2008, we have not sold solar power systems using our solar modules, as we continued to sell third party solar modules acquired through the acquisition of Turner Renewable Energy, LLC consummated on November 30, 2007. These operations do not currently meet the quantitative criteria for segments and therefore are reflected in the Other category in the following table below (in thousands):

	Three Months Ended March 29, 2008			Three Months Ended March 31, 2007		
	Components	Other	Total	Components	Other	Total
Net sales	$ 193,862	$ 3,053	$ 196,915	$ 66,949	$	$ 66,949
Income (loss) before income taxes	$ 68,116	$ (2,907)	$ 65,209	$ 8,309	$	$ 8,309
Goodwill	$	$33,829	$ 33,829	$	$	$
Assets	$1,427,316	$49,843	$1,477,159	$618,763	$	$618,763

Note 18. Subsequent Events

On March 31, 2008, First Solar Manufacturing GmbH, a wholly owned indirect subsidiary of First Solar, Inc. and a consortium of banks led by IKB Deutsche Industriebank AG agreed to modify certain terms of the credit facility that the consortium of banks had entered into with First Solar Manufacturing GmbH on July 27, 2006. The amendment extends the principal repayment period on the term loan portion of the facility from eighteen quarters to twenty quarters, removes a provision requiring an additional one-time principal repayment during fiscal 2009 based on First Solar Manufacturing GmbH s fiscal 2008 cash flows, permits First Solar Manufacturing GmbH to take on a variety of financial liabilities in the normal course of its business and enables First Solar Manufacturing GmbH s to make payments to affiliates.

On April 28, 2008, we granted 182,961 restricted units at a market price of $285.52 to our associates as part of our annual stock refresh program. The grant date fair value for these awards is approximately $52.2 million and will be amortized over the vesting period, which is generally four years.

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

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Securities Exchange Act of 1934 and the Securities Act of 1933, which are subject to risks, uncertainties and assumptions that are difficult to predict. All statements in this Quarterly Report on Form 10-Q, other than statements of historical fact, are forward-looking statements. These forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements include statements, among other things, concerning our business strategy, including anticipated trends and developments in and management plans for our business and the markets in which we operate; future financial results, operating results, revenues, gross margin, operating expenses, products, projected costs and capital expenditures; research and development programs; sales and marketing initiatives; and competition. In some cases, you can identify these statements by forward-looking words, such as estimate, expect, anticipate, project, plan, intend, believe, forecast, foresee, likely, may, might, will, could, predict and continue, the negative or plural of these words and other comparable terminology. Forward-looking statements are only predictions based on our current expectations and our projections about future events. All forward-looking statements included in this Quarterly Report on Form 10-Q are based upon information available to us as of the filing date of this Quarterly Report on Form 10-Q. You should not place undue reliance on these forward-looking statements. We undertake no obligation to update any of these forward-looking statements for any reason. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to differ materially from those expressed or implied by these statements. These factors include the matters discussed in the section entitled Risk Factors elsewhere in this Quarterly Report on Form 10-Q. You should carefully consider the risks and uncertainties described under this section.

The following discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and the accompanying notes contained in this Quarterly Report on Form 10-Q. Unless expressly stated or the context otherwise requires, the terms we, our, us and First Solar refer to First Solar, Inc. and its subsidiaries.

Overview

We design and manufacture solar modules using a proprietary thin film semiconductor technology that has allowed us to reduce our average solar module manufacturing costs to among the lowest in the world. Each solar module uses a thin layer of cadmium telluride semiconductor material to convert sunlight into electricity. We manufacture our solar modules on high-throughput production lines and we perform all manufacturing steps ourselves in an automated, proprietary, continuous process. In 2007 and the three months ended March 29, 2008, we sold most of our solar modules to solar project developers and system integrators headquartered in Germany, France and Spain.

First Solar was founded in 1999 to bring an advanced thin film semiconductor process into commercial production through the acquisition of predecessor technologies and the initiation of a research, development and production program that allowed us to improve upon the predecessor technologies and launch commercial operations in January 2002. Currently, we manufacture our solar modules at our Perrysburg, Ohio and Frankfurt/Oder, Germany manufacturing facilities and conduct our research and development activities at our Perrysburg, Ohio manufacturing facility. Our objective is to become, by 2010, the first solar module manufacturer to offer a solar electricity solution that generates electricity on a non-subsidized basis at a price equal to the price of retail electricity in key markets in North America, Europe and Asia.

On January 24, 2007 we entered into a land lease agreement for a manufacturing center site in the Kulim Hi-Tech Park in the State of Kedah, Malaysia. The Malaysia site accommodates up to four plants, each with four productions lines. In April 2007, we began construction of plant one of our Malaysian manufacturing center. In the third and fourth quarters of 2007, we began construction of plants two and three respectively, and in the first quarter of 2008, we began construction of plant four. We expect plant one to reach its full capacity in the second half of 2008; plant two to reach its full capacity in the first half of 2009; and plants three and four to reach full capacity in the second half of 2009. After plant four of our Malaysian manufacturing center reaches its full capacity, planned for the second half of 2009, we will have 23 production lines and an annual global manufacturing capacity of 1035MW based on the first quarter of 2008 average run rate at our existing plants.

On November 30, 2007, we completed the acquisition of Turner Renewable Energy, LLC, a privately held company which designed and deployed commercial solar projects for utilities and Fortune 500 companies in the United States. Starting in December 2007, we operate this wholly owned subsidiary under the name of First Solar Electric, LLC.

On February 22, 2006, we were incorporated as a Delaware corporation. Prior to that date, we operated as a Delaware limited liability company.

Net Sales

We generate substantially all of our net sales from the sale of solar modules. Over the past four years and the three months ended March 29, 2008, the main constraint limiting our sales has been production capacity as customer demand has exceeded the number of solar modules we could produce. We price and sell our solar modules per watt of power. As a result, our net sales can fluctuate based on our output of sellable watts. We currently sell almost all of our solar modules to solar project developers and system integrators headquartered in Germany, France and Spain, which then resell our solar modules to end-users who receive government subsidies. The majority of our sales are denominated in foreign currency and subject to the fluctuation of the exchange rate between the euro and U.S. dollar. Our net sales could be negatively impacted if legislation reduces the current subsidy programs in Europe, North America or Asia or if interest rates increase, which could impact our end-users ability to either meet their target return on investment or finance their projects.

Under our customer contracts, starting in April 2006, we transfer title and risk of loss to the customer and recognize revenue upon shipment. Under our customer contracts in effect prior to April 1, 2006, we did not transfer title or risk of loss, or recognize revenue, until the solar modules were received by our customers. Our customers do not have extended payment terms or rights of return under these contracts.

Under our long-term solar module supply contracts (Long Term Supply Contracts) with our customers, we have the right to terminate certain contracts upon 12 months notice and a payment of a termination fee, if we determine that certain material adverse changes have occurred, including, depending on the contract, one or more of the following: new laws; rules or regulations with respect to our production, distribution, installation or collection and recycling program which have a substantial adverse impact on our business; unanticipated technical or operational issues which result in our experiencing widespread, persistent quality problems or the inability to achieve stable conversion efficiencies at planned levels; or extraordinary events beyond our control which substantially increase the cost of our labor, materials or utility expenses or significantly reduce our throughput.

Our customers are entitled to certain remedies in the event of missed deliveries of kilowatt volume. These delivery commitments are established through rolling four quarter forecasts that are agreed to with each of the customers within the parameters established in the Long Term Supply Contracts and define the specific quantities to be purchased on a quarterly basis and the schedules of the individual shipments to be made to the customers. In the case of a late delivery, certain of our customers are entitled to a maximum charge representing a percentage of the value of the delinquent delivery. If we do not meet our annual minimum volume shipments, our customers also have the right to terminate these contracts on a prospective basis.

With our acquisition of Turner Renewable Energy, LLC on November 30, 2007, a small portion of our revenues have been accounted for using the percent of completion method of accounting. Revenues for First Solar Electric, LLC for the three months ended March 29, 2008 were $3.1 million and not material to our consolidated results of operations.

No single customer accounted for more than 20% of our net sales in the three months ended March 29, 2008.

Cost of sales

Our cost of sales includes the cost of raw materials and components, such as tempered back glass, transparent conductive oxide or TCO coated front glass, cadmium telluride, laminate, connector assemblies and laminate edge seal and others. Other items contributing to our cost of sales are direct labor and manufacturing overhead such as engineering expense, equipment maintenance, environmental health and safety, quality and production control and procurement. Cost of sales also includes depreciation of manufacturing plant and equipment and facility related expenses. In addition, we accrue warranty and end-of-life collection and recycling expenses to our cost of sales.

We implemented a program in 2005 to collect and recycle our solar modules after their use. Under our collection and recycling program, we enter into an agreement with the end-users of the photovoltaic systems that use our solar modules. In the agreement, we commit, at our expense, to remove the solar modules from the installation site at the end of their life and transport them to a processing center where the solar module materials and components will be either refurbished and resold as used panels or recycled to recover some of the raw materials. In return, the owner

agrees not to dispose of the solar modules except through our end-of-life

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collection and recycling program or another program that we approve, and the photovoltaic system owner is responsible for disassembling the solar modules and packaging them in containers that we provide. At the time we sell a solar module, we record an expense in cost of sales equal to the present value of the estimated future end-of-life collection and recycling obligation. We record the accretion expense on this future obligation to selling, general and administrative expense.

Overall, we expect our cost of sales per watt to decrease over the next several years due to an increase of sellable watts per solar module, an increase in unit output per line, geographic diversification into lower-cost manufacturing regions and more efficient absorption of fixed costs driven by economies of scale.

Gross profit

Gross profit is affected by numerous factors, including our average selling prices, foreign exchange rates, our manufacturing costs and the effective utilization of our production facilities. For example, our Long Term Supply Contracts specify a sales price per watt that declines approximately 6.5% at the beginning of each year. Another factor impacting gross profits is the ramp of production on new plants due to a reduced ability to absorb fixed costs until full production volumes are reached. As a result, gross profits may vary from quarter to quarter and year to year.

Research and development

Research and development expense consists primarily of salaries and personnel-related costs and the cost of products, materials and outside services used in our process and product research and development activities. We continuously add equipment for further process developments and record the depreciation of such equipment as research and development expense. We may also allocate a portion of the annual operating cost of our Ohio expansion to research and development expense.

Selling, general and administrative

Selling, general and administrative expense consists primarily of salaries and other personnel-related costs, professional fees, insurance costs, travel expense and other selling expenses. We expect these expenses to increase in the near term, both in absolute dollars and as a percentage of net sales, in order to support the growth of our business as we expand our sales and marketing efforts, improve our information processes and systems and implement the financial reporting, compliance and other infrastructure required for a public company. Over time, we expect selling, general and administrative expense to decline as a percentage of net sales and on a cost per watt basis as our net sales and our total watts produced increase.

Production start-up

Production start-up expense consists primarily of salaries and personnel-related costs and the cost of operating a production line before it has been qualified for full production, including the cost of raw materials for solar modules run through the production line during the qualification phase. It also includes all expenses related to the selection of a new site and the related legal and regulatory costs and the costs to maintain our plant replication program, to the extent we cannot capitalize these expenditures. We incurred production start-up expense of $16.9 million during 2007 in connection with the qualification of the German plant and the planning and preparation of our plants at our Malaysian manufacturing center. Production start-up expense for the three months ended March 29, 2008, was $12.8 million relating to the planning and preparation of our plants at the Malaysian manufacturing center. We expect to incur significant production start-up expense in fiscal year 2008 in connection with our plants at the Malaysian manufacturing center. In general, we expect production start-up expense per production line to be higher when we build an entirely new manufacturing facility compared with the addition of new production lines at an existing manufacturing facility, primarily due to the additional infrastructure investment required when building an entirely new facility. Over time, we expect production start-up expense to decline as a percentage of net sales and on a cost per watt basis as a result of economies of scale.

Interest income

Interest income is earned on our cash, cash equivalents, marketable securities and restricted cash.

Interest expense, net

Interest expense, net of amounts capitalized, is incurred on various debt financings.

Foreign currency gain (loss)

Foreign currency gain (loss) consists of gains and losses resulting from holding assets and liabilities and conducting transactions denominated in currencies other than the functional currency of the respective subsidiaries.

Use of estimates

Our discussion and analysis of our financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP for interim financial information. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, net sales and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to inventories, intangible assets, income taxes, warranty obligations, marketable securities valuation, derivative financial instrument valuation, end-of-life collection and recycling, contingencies and litigation and share-based compensation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Results of Operations

The following table sets forth our consolidated statements of operations as a percentage of net sales for the periods indicated:

	Three Months Ended	
	March 29, 2008	March 31, 2007
Net sales	100.0%	100.0%
Cost of sales	47.0%	55.1%
Gross profit	53.0%	44.9%
Research and development	2.4%	4.6%
Selling, general and administrative	14.6%	20.4%
Production start-up	6.5%	12.7%
Operating income	29.5%	7.2%
Foreign currency gain (loss)	0.4%	(0.4)%
Interest income	3.4%	6.2%
Interest expense, net	0.0%	0.3%
Other expense	0.2%	0.2%
Income tax expense	9.4%	4.9%
Net income	23.7%	7.5%

Three Months Ended March 29, 2008 and March 31, 2007

Net sales

	Three Months Ended			
(Dollars in thousands)	March 29, 2008	March 31, 2007	Three Month Period Change	
Net sales	$196,915	$ 66,949	$129,966	194%

Net sales increased by $130.0 million from $66.9 million in the three months ended March 31, 2007 to $196.9 million in the three months ended March 29, 2008, primarily as a result of a 173% increase in the MW volume of solar modules sold. The increase in the MW volume of solar modules sold was due to the full ramp of our German facility and continued improvements to our overall production throughput. In addition, the average number of sellable watts per solar module increased by 9% in the three months ended March 29, 2008 and the average selling price increased to $2.45 from $2.32 in the three months ended March 31, 2007. Our average selling price was positively

impacted by $0.27 due to a favorable foreign exchange rate between the U.S. dollar and the euro; which was partially offset by a price decline of $0.14. During the three months ended March 29, 2008 and March 31, 2007, approximately 87% and 98%, respectively, of our net sales resulted from sales of solar modules to customers headquartered in Germany.

Cost of sales

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(Dollars in thousands)	**Three Months Ended March 29, 2008**	**Three Months Ended March 31, 2007**	**Three Month Period Change**	
Cost of sales	$92,591	$ 36,907	$55,684	151%
% of net sales	47.0%	55.1%		

Cost of sales increased by $55.7 million from $36.9 million in the three months ended March 31, 2007 to $92.6 million in the three months ended March 29, 2008, primarily as a result of higher production and sales volumes which caused a $31.7 million increase in direct material expense, $4.5 million increase in warranty and end-of-life costs relating to the collection and recycling of our solar modules, $1.1 million increase in sales freight and other costs and $18.4 million increase in manufacturing overhead costs. The increase in manufacturing overhead costs was due to a $9.9 million increase in salaries and personnel-related expenses as a result of increased head count, which included a $0.5 million increase in share-based compensation expense. In addition, the increase in manufacturing overhead costs included a $5.7 million increase in facility and related expenses and a $2.8 million increase in depreciation expense, which was primarily the result of additional equipment becoming operational at our German plant.

Gross profit

(Dollars in thousands)	**Three Months Ended March 29, 2008**	**Three Months Ended March 31, 2007**	**Three Month Period Change**	
Gross profit	$104,324	$ 30,042	$74,282	247%
% of net sales	53.0%	44.9%		

Gross profit increased by $74.3 million from $30.0 million in the three months ended March 31, 2007 to $104.3 million in the three months ended March 29, 2008, reflecting an increase in net sales. As a percentage of net sales, gross profit increased 8.1% percentage points from 44.9% to 53.0%, representing increased leverage of our fixed cost infrastructure and scalability associated with our German plant expansion, which drove a 173% increase in the number of MW sold over the same time period.

Research and development

(Dollars in thousands)	**Three Months Ended March 29, 2008**	**Three Months Ended March 31, 2007**	**Three Month Period Change**	
Research and development	$4,760	$ 3,058	$ 1,702	56%
% of net sales	2.4%	4.6%		

Research and development expense increased by $1.7 million from $3.1 million in the three months ended March 31, 2007 to $4.8 million in the three months ended March 29, 2008, primarily as a result of an increase in headcount, which resulted in a $1.6 million increase in personnel-related expense and was offset by a $0.2 million reduction in share-based compensation expense from $1.2 million in the three months ended March 31, 2007 compared with $1.0 million in the three months ended March 29, 2008. In addition, consulting and other expenses increased by $0.3 million.

Selling, general and administrative

(Dollars in thousands)	**Three Months Ended March 29, 2008**	**Three Months Ended March 31, 2007**	**Three Month Period Change**

Selling, general and administrative	$28,671	$ 13,690	$14,981	109%
% of net sales	14.6%	20.4%		

Selling, general and administrative expense increased by $15.0 million from $13.7 million in the three months ended March 31, 2007 to $28.7 million in the three months ended March 29, 2008, primarily as a result of an increase in headcount, which resulted in a $10.1 million increase in personnel-related expense and included a $4.5 million increase in share-based compensation expense from $2.9 million in the three months ended March 31, 2007 compared with $7.4 million in the three months ended March 29, 2008. In addition, legal and professional service fees expense increased by $2.7 million and all other expenses increased by $2.2 million, primarily as a result of infrastructure build out related to our continued expansion and increased compliance cost associated with being a public company.

Production start-up

	Three Months Ended		Three Month Period Change	
(Dollars in thousands)	March 29, 2008	March 31, 2007		
Production start-up	$12,761	$ 8,474	$ 4,287	51%
% of net sales	6.5%	12.7%		

In the three months ended March 29, 2008, we incurred $12.8 million of production start-up expense related to our sixteen line Malaysian expansion, which included related legal and regulatory costs, compared with $8.5 million of production start-up expense related to the ramp and qualification of our four line German plant during the three months ended March 31, 2007. Production start-up expense is primarily attributable to the cost of labor and material and depreciation expense to run and qualify the line prior to production, related facility expenses, management of our replication process and third party expenses.

Foreign currency gain (loss)

	Three Months Ended		Three Month Period Change	
(Dollars in thousands)	March 29, 2008	March 31, 2007		
Foreign currency gain (loss)	$774	$ (270)	$1,044	N.M.

Foreign currency gain for three months ended March 29, 2008, was $0.8 million compared with a foreign currency loss of $0.3 million for the three months ended March 31, 2007, primarily as a result of a significant increase in the value of the euro in the three months ended March 29, 2008 compared to an average decline in the three months ended March 31, 2007.

Interest income

	Three Months Ended		Three Month Period Change	
(Dollars in thousands)	March 29, 2008	March 31, 2007		
Interest income	$6,685	$ 4,127	$ 2,558	62%

Interest income increased by $2.6 million from $4.1 million in the three months ended March 31, 2007 to $6.7 million in the three months ended March 29, 2008, primarily as a result of higher cash, cash equivalents and marketable securities balances throughout the first quarter of 2008 due to the $366.0 million net proceeds received from our August 2007 equity follow-on public offering.

Interest expense, net

	Three Months Ended		Three Month Period Change	
(Dollars in thousands)	March 29, 2008	March 31, 2007		
Interest expense, net	$4	$ 201	$ (197)	98%

Interest expense, net of amounts capitalized, decreased by $0.2 million during the three months ended March 29, 2008 compared with the three months ended March 31, 2007, primarily as a result of higher amounts of interest expense capitalized.

Other expense

Three Months Ended

(Dollars in thousands)	**March 29, 2008**	**March 31, 2007**	**Three Month Period Change**	
Other expense	$378	$ 167	$ 211	126%

Other expense increased by $0.2 million during the three months ended March 29, 2008 compared with the three months ended March 31, 2007. Other expense consists mainly of financing fees related to our credit facility with a consortium of banks led by IKB Deutsche Industriebank AG.

Income tax expense

	Three Months Ended			
(Dollars in thousands)	**March 29, 2008**	**March 31, 2007**	**Three Month Period Change**	
Income tax expense	$18,590	$ 3,281	$15,309	467%
Effective tax rate (%)	28.5%	39.5%		

Income tax expense increased by $15.3 million from $3.3 million in the three months ended March 31, 2007 to $18.6 million in the three months ended March 29, 2008, primarily as a result of an increase in our income before taxes. The provision for income taxes differs from the amount computed by applying the statutory U.S. federal rate principally due to foreign income with lower tax rates

and from tax credits that lower the effective tax rate; the effect of which are partially offset by non-deductible expenses that increase the effective tax rate. The lower effective tax rates for the three months ended March 29, 2008, compared to the three months ended March 31, 2007, resulted primarily from the expansion of our international operations and a reduction of the German tax rate.

Critical Accounting Policies and Estimates

For a description of the critical accounting policies that affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements, refer to our Annual Report on Form 10-K for the year ended December 29, 2007 filed with the Securities and Exchange Commission. There have been no changes to our critical accounting policies since December 29, 2007, with the exception of the adoption of SFAS 157, *Fair Value Measurements*, effective December 30, 2007. SFAS 157 establishes a framework for the fair value measurement of our marketable securities and derivative instruments.

Recent Accounting Pronouncements

See Note 3 for a summary of recent accounting pronouncements.

Liquidity and Capital Resources

As of March 29, 2008, we had $709.0 million in cash, cash equivalents and marketable securities compared to $669.7 million at December 29, 2007.

Operating Activities

Cash provided by operating activities was $63.3 million during the three months ended March 29, 2008 compared with $38.9 million during the same period in 2007. Cash received from customers increased to $194.6 million during the three months ended March 29, 2008 from $86.6 million during the three months ended March 31, 2007 primarily due to an increase in net sales. This increase was partially offset by cash paid to suppliers and employees of $137.8 million during the three months ended March 29, 2008 compared with cash paid to suppliers and employees of $46.4 million during the same period in 2007, mainly due to an increase in raw material and component purchases, an increase in personnel-related costs due to higher headcount and other costs supporting our global expansion.

Investing Activities

Cash provided by investing activities was $90.7 million during the three months ended March 29, 2008 compared with cash used of $40.8 million during the same period in 2007. Cash provided by investing activities resulted primarily from the net proceeds of marketable securities of $177.4 million during the three months ended March 29, 2008. Capital expenditures were $74.6 million during the three months ended March 29, 2008 and $40.8 million during the same period in 2007. The increase in capital expenditures was primarily due to our investments related to the construction of our new plants in Malaysia. Cash provided by investing activities for the three months ended March 29, 2008, was offset by $12.1 million of cash placed in restricted accounts to fund our solar module collection and recycling program.

Financing Activities

Cash provided by financing activities was $20.2 million during the three months ended March 29, 2008 compared with $18.7 million during the same period in 2007. Cash provided by financing activities resulted primarily from an increase in taxable investment incentives from the State of Brandenburg (*Investitionszuschüsse*) and from the Federal Republic of Germany under the Investment Grant Act of 2005 *(Investitionszulagen)* related to the construction of our plant in Frankfurt/Oder, Germany to $35.7 million during the three months ended March 29, 2008 from $4.0 million during the same period in 2007. This increase was partially offset by the repayment of long-term debt of $25.7 million during the three months ended March 29, 2008 compared with payments of $0.8 million during the same period in 2007. During the three months ended March 31, 2007 we received $14.8 million from additional drawings under our credit facilities with a consortium of banks led by IKB Deutsche Industriebank AG.

We believe that our current cash and cash equivalents, marketable securities, cash flows from operating activities, government grants and low interest debt financings for our German plant will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. However, if our financial results or operating plans change from our current assumptions, we may not have sufficient resources to support our business plan. As a result, we may engage in one or more debt or equity financings in the future that could result in increased expenses or dilution to our existing stockholders. If we are unable to obtain debt or equity financing on reasonable terms, we may

be unable to execute our expansion strategy.

On December 30, 2007, the beginning of our fiscal year 2008, we adopted SFAS 157. Our adoption of SFAS 157 was limited to our financial assets and financial liabilities, as permitted by FSP 157-2. We do not have any nonfinancial assets or nonfinancial liabilities that are recognized or disclosed at fair value in our financial statements on a recurring basis. Our adoption of SFAS 157 did not have a material effect on our financial position and results of operations, and our fair value models do not make material use of unobservable inputs. See Note 9 for further information about our adoption of SFAS 157.

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Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of March 29, 2008.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Foreign Currency Exchange Risk

Our international operations accounted for approximately 98.4% of our net sales in the three months ended March 29, 2008 and 100.0% of our net sales in the three months ended March 31, 2007; all of which were denominated in euros. As a result, we have exposure to foreign exchange risk with respect to almost all of our net sales. Fluctuations in exchange rates, particularly in the U.S. dollar to euro exchange rate, affect our gross and net profit margins and could result in foreign exchange and operating losses. Historically, most of our exposure to foreign exchange risk has related to currency gains and losses between the times we sign and settle our sales contracts. For example, our Long Term Supply Contracts obligate us to deliver solar modules at a fixed price in euros per watt and do not adjust for fluctuations in the U.S. dollar to euro exchange rate. In the three months ended March 29, 2008, a 10% change in the euro exchange rates would have impacted our net sales by $19.7 million. With the expansion of our manufacturing operations into Germany and the current expansion into Malaysia, many of our operating expenses for the plants in these countries will be denominated in the local currency.

In the past, currency exchange rate fluctuations have had an impact on our business and results of operations. For example, currency exchange rate fluctuations positively impacted our cash flows by $12.2 million in the three months ended March 29, 2008 and positively impacted our cash flows by $0.1 million during the same period of 2007. Although we cannot predict the impact of future currency exchange rate fluctuations on our business or results of operations, we believe that we may have increased risk associated with currency exchange rate fluctuations in the future. As of March 29, 2008, we had one outstanding foreign exchange forward contract to sell 20.0 million ($26.8 million at a fixed exchange rate of $1.34/ 1.00). The contract is due to settle on February 27, 2009. This currency forward contract hedges an intercompany loan. Most of our German plant s operating expenses will be denominated in euros, creating increasing opportunities for some natural hedges against the currency risk in our net sales. In addition, we purchased forward contracts to hedge the exchange risk on forecasted cash flows denominated in Euro. The total notional value of the forward contracts was 289.8 million ($457.9 million at the balance sheet close rate on March 29, 2008 of $1.58/ 1.00) on March 29, 2008.

Interest Rate Risk

We are exposed to interest rate risk because many of our end-users depend on debt financing to purchase and install a solar electricity generation system. Although the useful life of a solar electricity generation system is approximately 25 years, end-users of our solar modules must pay the entire cost of the system at the time of installation. As a result, many of our end-users rely on debt financing to fund their up-front capital expenditure and final project. An increase in interest rates could make it difficult for our end-users to secure the financing necessary to purchase and install a system on favorable terms, or at all, and thus lower demand for our solar modules and system development services and reduce our net sales. In addition, we believe that a significant percentage of our end-users install solar electricity generation systems as an investment, funding the initial capital expenditure through a combination of equity and debt. An increase in interest rates could lower an investor s return on investment in a system or make alternative investments more attractive relative to solar electricity generation systems, which, in each case, could cause these end-users to seek alternative investments that promise higher returns.

During 2006, we entered into a credit facility with a consortium of banks led by IKB Deutsche Industriebank AG, which bears interest at Euribor plus 1.6% for a term loan, Euribor plus 2.0% for a bridge loan and Euribor plus 1.8% for a revolving credit facility. As of March 29, 2008, we hedged our exposure to changes in Euribor using interest rate swaps with a combined notional value of 46.0 million ($72.7 million at the balance sheet close rate on March 29, 2008 of $1.58/ 1.00).

In addition, we invest some of our cash in debt securities, which exposes us to interest rate risk. The primary objective of our investment activities is to preserve principal and provide liquidity on demand, while at the same time maximizing the income we receive from our investments without significantly increasing risk. Some of the securities in which we invest may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with an interest rate

fixed at the then-prevailing rate and the prevailing interest rate later rises, the principal amount of our investment will probably decline. To minimize this risk, we maintain our portfolio of cash equivalents and marketable securities in a variety of securities, including money market funds, government and non-government debt securities and certificates of deposit. As of March 29, 2008, our fixed-income investments earned a pretax yield of approximately 3.9%, with a

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weighted average maturity of two months. If interest rates were to instantaneously increase (decrease) by 100 basis points, the fair market value of our total investment portfolio could decrease (increase) by approximately $1.0 million. The direct risk to us associated with fluctuating interest rates is limited to our investment portfolio and we do not believe that a 10% change in interest rates will have a significant impact on our consolidated statements of operations and statements of cash flows. As of March 29, 2008, all of our investments were in money market accounts or U.S. government securities and federal agency debt.

Commodity and Component Risk

We are exposed to price risks for the raw materials and components used in the manufacture of our modules. Also, some of our raw materials and components are sourced from a limited number of suppliers or a sole supplier. We endeavor to hold limited inventory of key raw materials or components sufficient for our manufacturing needs and to qualify multiple suppliers, a process which could take up to 12 months if successful, but some suppliers are unique and it may not be feasible to qualify second source suppliers. In some cases, we also enter into long term supply contracts for raw materials and components, but these arrangements are normally of shorter duration than the term of our Long Term Supply Contracts with our customers. As a result, we remain exposed to price changes in the raw materials and components used in our modules. In addition, a failure by a key supplier could disrupt our supply chain which could result in higher prices for our raw materials and components and even a disruption in our manufacturing process. Since our selling price under our Long Term Supply Contracts does not adjust in the event of price changes in our underlying raw material or component and require minimum deliveries of our products during their term, we are unable to pass along changes in the cost of the raw materials and components for our products and may be in default of our delivery obligations if we experience a manufacturing disruption.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation as of March 29, 2008 of the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 29, 2008, our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in rules and forms of the SEC and is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) to determine whether any changes in our internal control over financial reporting occurred during the three months ended March 29, 2008 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there have been no such changes in our internal control over financial reporting during the three months ended March 29, 2008.

CEO and CFO Certifications

We have attached as exhibits to this Quarterly Report on Form 10-Q the certifications of our Chief Executive Officer and Chief Financial Officer, which are required in accordance with the Exchange Act. We recommend that this Item 4 be read in conjunction with those certifications for a more complete understanding of the subject matter presented.

Limitations on the Effectiveness of Controls

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

can occur because of simple error or mistake. Control systems can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

In the ordinary conduct of our business, we are subject to periodic lawsuits, investigations and claims, including, but not limited to, routine employment matters. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, we do not believe that any currently pending legal proceeding to which we are a party will have a material adverse effect on our business, results of operations, cash flows or financial condition.

In accordance with SFAS 5, Accounting for Contingencies, we record a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case.

Item 1A. *Risk Factors*

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A: Risk Factors in our Annual Report on Form 10-K for the year ended December 29, 2007 and our registration statement on Form S-1/A filed on August 3, 2007, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results. The risk factors included in our Annual Report on Form 10-K for the year ended December 29, 2007 and our registration statement on Form S-1/A filed on August 3, 2007, have not materially changed.

Item 6. *Exhibits*

The following exhibits are filed with this Quarterly Report on Form 10-Q:

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date of First Filing	File Number	Exhibit Number	Filed Herewith
4.1	Amendment No. 3 to the Facility Agreement dated July 27, 2006 between First Solar Manufacturing GmbH and IKB Deutsche Industriebank AG dated March 31, 2008					X
10.1	Employment Agreement dated March 31, 2008 between First Solar, Inc. and James R. Miller.					X
21.1	List of Subsidiaries of First Solar Inc.					X
31.01	Certification of Chief Executive Officer pursuant to 15 U.S.C. Section 7241, as adopted					X

	pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
32.02	Certification of Chief Financial Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X
32.01*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X

* This exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the

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Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

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SIGNATURE

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

FIRST SOLAR, INC.

By: /s/ JENS MEYERHOFF
Jens Meyerhoff
Chief Financial Officer
(Principal Financial Officer and
Duly Authorized Officer)

May 1, 2008

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section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.