DEUTSCHE BANK AKTIENGESELLSCHAFT
Form 424B2
May 27, 2015

Pricing Supplement W61

prospectus supplement dated September 28, 2012,
prospectus dated September 28, 2012 and
prospectus addendum dated December 24, 2014

Registration Statement No. 333-184193
Dated May 22, 2015; Rule 424(b)(2)

Deutsche Bank

Structured Investments

Deutsche Bank AG

3,864 Call Warrants Linked to the JPX-Nikkei Index 400 Expiring May 25, 2018

General

- The call warrants (the "**warrants**") are designed for investors who seek a leveraged return at expiration based on the increase, if any, in the JPX-Nikkei Index 400 (the "**Index**"). If the Final Level of the Index is less than or equal to the Strike Level, which is 100% of the Initial Level, the warrants will expire worthless and investors will lose their entire investment in the warrants. If the Final Level is greater than the Strike Level, investors will receive a cash payment upon expiration based on the performance of the Index. In this circumstance, investors will still lose some or a significant portion of their initial investment if the level of the Index does not increase sufficiently to offset the Warrant Premium. **Any payment on the warrants is subject to the credit of the Issuer.**

- The warrants are risky investments. The warrants will be exercised automatically on the Expiration Date, and you do not have the right to exercise your warrants prior to the Expiration Date. You will not be able to purchase the warrants unless you have an options-approved brokerage account. **The warrants involve a high degree of risk and are not appropriate for investors who cannot sustain a total loss of their investment. You must be able to understand and bear the risk of an investment in the warrants, and you should be experienced with respect to options and option transactions.**

- Unsecured contractual obligations of Deutsche Bank AG expiring May 25, 2018

- Minimum initial investment of $10,052.00 or 70 warrants, each with a Notional Amount of $1,000 (and then in increments of one warrant thereafter), resulting in an aggregate minimum Notional Amount of $70,000.

- The warrants priced on May 22, 2015 (the "**Trade Date**") and are expected to settle on May 28, 2015 (the "**Settlement Date**").

Key Terms

Issuer:	Deutsche Bank AG, London Branch
Index:	JPX-Nikkei Index 400 (Ticker: JPNK400)
Issue Price per Warrant:	Equal to the Warrant Premium
	$143.60 per warrant (equal to 14.36% of the Notional Amount)

Warrant Premium:	
Notional Amount:	$1,000 per warrant
Warrant Premium Percentage:	14.36%, equal to the Warrant Premium divided by the Notional Amount
Payment at Expiration:	On the Expiration Date, the warrants will be automatically exercised and you will be entitled to receive a cash payment per warrant equal to the Cash Settlement Amount, which could be zero. With respect to each warrant, the Cash Settlement Amount will be calculated as follows:
Cash Settlement Amount:	**If the Final Level is greater than the Strike Level**, $1,000 x Index Strike Return **If the Final Level is less than or equal to the Strike Level**, $0. If the Final Level is less than or equal to the Strike Level, the Index Strike Return will be negative or zero and the warrants will expire worthless. If the level of the Index does not increase, you will lose your entire investment in the warrants. In addition, if the Final Level is not sufficiently greater than the Strike Level to offset the Warrant Premium, you will lose a portion of your initial investment. In order to receive a positive return on your investment, the Final Level must be greater than the Strike Level by a percentage greater than the Warrant Premium Percentage.
Index Strike Return:	Calculated as follows: $\frac{\text{Final Level} - \text{Strike Level}}{\text{Initial Level}}$
Initial Level:	14,912.32, equal to the closing level of the Index on the Trade Date
Final Level:	The closing level of the Index on the Final Valuation Date
Strike Level:	14,912.32, equal to 100% of the Initial Level
Trade Date:	May 22, 2015
Settlement Date:	May 28, 2015
Final Valuation Date[1]:	May 22, 2018
Expiration Date[1]:	May 25, 2018
Listing:	The warrants will not be listed on any securities exchange.
CUSIP/ISIN:	25190H653 / US25190H6532

[1] Subject to postponement as described under "General Terms of the Warrants — Market Disruption Events" in this pricing supplement.

Investing in the warrants involves a number of risks, including the risk that the warrants expire worthless and you lose your entire investment. See "Risk Factors" beginning on page 2 of the accompanying prospectus addendum and "Selected Risk Considerations" beginning on page 7 of this pricing supplement.

The Issuer's estimated value of the warrants on the Trade Date is $124.60 per warrant, which is substantially less than the Issue Price. Please see "Issuer's Estimated Value of the Warrants" on page 2 of this pricing supplement for additional information.

By acquiring the warrants, you will be bound by, and deemed to consent to, the imposition of any Resolution Measure (as defined below) by our competent resolution authority, which may include the write down of all, or a portion, of any payment on the warrants. If any Resolution Measure becomes applicable to us, you may lose some or all of your investment in the warrants. Please see "Resolution Measures" on page 3 of this pricing supplement for more information.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the warrants or passed upon the accuracy or the adequacy of this pricing supplement or the accompanying prospectus supplement, prospectus or prospectus addendum. Any representation to the contrary is a criminal offense.

	Price to Public	**Fees**[(1)]	**Proceeds to Issuer**
Per warrant	$143.60	$6.50	$137.10
Total	$554,870.40	$25,116.00	$529,754.40

(1) J.P. Morgan Securities LLC, which we refer to as JPMS LLC, and JPMorgan Chase Bank, N.A. will act as agents for the warrants. The agents will receive a fee from us of $6.50 per warrant. For more information, see "Underwriting" in this pricing supplement.

The warrants are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	Maximum Aggregate Offering Price	Amount of Registration Fee
Warrants	$554,870.40	$64.48

JPMorgan

Placement Agent

May 22, 2015

Issuer's Estimated Value of the Warrants

The Issuer's estimated value of the warrants is our valuation of the warrants calculated based on our internal pricing models using relevant parameter inputs such as expected interest rates and mid-market levels of price and volatility of the assets underlying the warrants or any futures, options or swaps related to such underlying assets. Our internal pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect.

The Issuer's estimated value of the warrants on the Trade Date (as disclosed on the cover of this pricing supplement) is less than the Issue Price of the warrants. The difference between the Issue Price and the Issuer's estimated value of the warrants on the Trade Date is due to the inclusion in the Issue Price of the agent's commissions, if any, and the cost of hedging our obligations under the warrants through one or more of our affiliates. Such hedging cost includes our or our affiliates' expected cost of providing such hedge, as well as the profit we or our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge.

The Issuer's estimated value of the warrants on the Trade Date does not represent the price at which we or any of our affiliates would be willing to purchase your warrants in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we or our affiliates would be willing to purchase the warrants from you in secondary market transactions, if at all, would generally be lower than both the Issue Price and the Issuer's estimated value of the warrants on the Trade Date. Our purchase price, if any, in secondary market transactions will be based on the estimated value of the warrants determined by reference to our pricing models at that time, less a bid spread determined after taking into account the size of the repurchase, the nature of the assets underlying the warrants and then-prevailing market conditions. The price we report to financial reporting services and to distributors of our warrants for use on customer account statements would generally be determined on the same basis. However, during the period of approximately three months beginning from the Trade Date, we or our affiliates may, in our sole discretion, increase the purchase price determined as described above by an amount equal to the declining differential between the Issue Price and the Issuer's estimated value of the warrants on the Trade Date, prorated over such period on a straight-line basis, for transactions that are individually and in the aggregate of the expected size for ordinary secondary market repurchases.

Resolution Measures

On May 15, 2014, the European Parliament and the Council of the European Union published a directive for establishing a framework for the recovery and resolution of credit institutions and investment firms (commonly referred to as the "**Bank Recovery and Resolution Directive**"). The Bank Recovery and Resolution Directive requires each member state of the European Union to adopt and publish by December 31, 2014 the laws, regulations and administrative provisions necessary to comply with the Bank Recovery and Resolution Directive. Germany has adopted the Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz, or "**SAG**"), which went into effect on January 1, 2015. SAG may result in the warrants being subject to any Resolution Measure by our competent resolution authority if we become, or are deemed by our competent supervisory authority to have become, "non-viable" (as defined under the then applicable law) and are unable to continue our regulated banking activities without a Resolution Measure becoming applicable to us. By acquiring the warrants, you will be bound by and deemed to consent to the provisions set forth in the accompanying prospectus addendum, which we have summarized below.

By acquiring the warrants, you will be bound by and will be deemed to consent to the imposition of any Resolution Measure by our competent resolution authority. Under the relevant resolution laws and regulations as applicable to us from time to time, the warrants may be subject to the powers exercised by our competent resolution authority to: (i) write down, including to zero, any payment (or delivery obligations) on the warrants; (ii) convert the warrants into ordinary shares or other instruments qualifying as core equity tier 1 capital; and/or (iii) apply any other resolution measure, including (but not limited to) any transfer of the warrants to another entity, the amendment of the terms and conditions of the warrants or the cancellation of the warrants. We refer to each of these measures as a "**Resolution Measure**."

Furthermore, by acquiring the warrants, you:

- are deemed irrevocably to have agreed, and you will agree: (i) to be bound by any Resolution Measure; (ii) that you will have no claim or other right against us arising out of any Resolution Measure; and (iii) that the imposition of any Resolution Measure will not constitute a default under the warrants or under the warrant agreement dated November 15, 2007 between us and Deutsche Bank Trust Company Americas ("**DBTCA**"), as warrant agent, as amended and supplemented from time to time (the "**Warrant Agreement**").

- waive, to the fullest extent permitted by applicable law, any and all claims against the warrant agent for, agree not to initiate a suit against the warrant agent in respect of, and agree that the warrant agent will not be liable for, any action that the warrant agent takes, or abstains from taking, in either case in accordance with the imposition of a Resolution Measure by our competent resolution authority with respect to the warrants; and

- will be deemed irrevocably to have (i) consented to the imposition of any Resolution Measure as it may be imposed without any prior notice by the competent resolution authority of its decision to exercise such power with respect to the warrants and (ii) authorized, directed and requested The Depository Trust Company ("**DTC**") and any participant in

DTC or other intermediary through which you hold such warrants to take any and all necessary action, if required, to implement the imposition of any Resolution Measure with respect to the warrants as it may be imposed, without any further action or direction on your part or on the part of the warrant agent.

This is only a summary, for more information please see the accompanying prospectus addendum dated December 24, 2014, including the risk factor "The securities may be written down, be converted or become subject to other resolution measures. You may lose part or all of your investment if any such measure becomes applicable to us" on page 2 of the prospectus addendum.

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Additional Terms Specific to the Warrants

You should read this pricing supplement together with the prospectus supplement dated September 28, 2012, relating to our warrants, the prospectus dated September 28, 2012 and the prospectus addendum dated December 24, 2014. You may access these documents on the website of the Securities and Exchange Commission (the "**SEC**") at.www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

Prospectus supplement dated September 28, 2012:

http://www.sec.gov/Archives/edgar/data/1159508/000119312512409460/d415003d424b21.pdf

Prospectus dated September 28, 2012:

http://www.sec.gov/Archives/edgar/data/1159508/000119312512409372/d413728d424b21.pdf

Prospectus addendum dated December 24, 2014:

http://www.sec.gov/Archives/edgar/data/1159508/000095010314009034/crt_52088.pdf

Our Central Index Key, or CIK, on the SEC website is 0001159508. As used in this pricing supplement, "**we**," "**us**" or "**our**" refers to Deutsche Bank AG, including, as the context requires, acting through one of its branches.

This pricing supplement, together with the documents listed above, contains the terms of the warrants and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in this pricing supplement and in "Risk Factors" in the accompanying prospectus supplement and prospectus addendum, as the warrants involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before deciding to invest in the warrants.

Deutsche Bank AG has filed a registration statement (including a prospectus) with the Securities and Exchange Commission for the offering to which this pricing supplement relates. Before you invest, you should read the prospectus in that registration statement and the other documents relating to this offering that Deutsche Bank AG has filed with the SEC for more complete information about Deutsche Bank AG and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC website at.www.sec.gov. Alternatively, Deutsche Bank AG, any agent or any dealer participating in this offering will arrange to send you the prospectus, prospectus addendum, prospectus supplement and this pricing supplement if you so request by calling toll-free 1-800-311-4409.

You may revoke your offer to purchase the warrants at any time prior to the time at which we accept such offer by notifying the applicable agent. We reserve the right to change the terms of, or reject any offer to purchase, the warrants prior to their issuance. We will notify you in the event of any changes to the terms of the warrants, and you will be asked to accept such changes in connection with your purchase of any warrants. You may choose to reject such changes, in which case we may reject your offer to purchase the warrants.

What Is the Cash Settlement Amount, Assuming a Range of Performances for the Index?

The table and examples below illustrate the potential Cash Settlement Amounts per warrant on the Expiration Date for a hypothetical range of performances of the Index from -100.00% to 100.00%. The hypothetical Cash Settlement Amounts set forth below reflect the Strike Level of 100% of the Initial Level, the Warrant Premium Percentage of 14.36% and the Warrant Premium of $143.60 per warrant and assume a hypothetical Initial Level of 14,000.00. The actual Initial Level and Strike Level are set forth on the cover of this pricing supplement. The hypothetical returns set forth below are for illustrative purposes only and may not be the actual returns applicable to an investor in the warrants. The numbers appearing in the following table and examples may have been rounded for ease of analysis.

Hypothetical Final Level	**Percentage Change from Initial Level**	**Hypothetical Index Strike Return**	**Cash Settlement Amount**	**Cash Settlement Amount *minus* Warrant Premium**	**Cash Settlement Amount *minus* Warrant Premium as Percentage Return on Warrant Premium**
28,000.00	100.00%	100.00%	$1,000.00	$856.40	596.38%
26,600.00	90.00%	90.00%	$900.00	$756.40	526.74%
25,200.00	80.00%	80.00%	$800.00	$656.40	457.10%
23,800.00	70.00%	70.00%	$700.00	$556.40	387.47%
22,400.00	60.00%	60.00%	$600.00	$456.40	317.83%
21,000.00	50.00%	50.00%	$500.00	$356.40	248.19%
19,600.00	40.00%	40.00%	$400.00	$256.40	178.55%
18,200.00	30.00%	30.00%	$300.00	$156.40	108.91%
16,800.00	20.00%	20.00%	$200.00	$56.40	39.28%
16,100.00	15.00%	15.00%	$150.00	$6.40	4.46%
16,010.40	14.36%	14.36%	$143.60	$0.00	0.00%
15,400.00	10.00%	10.00%	$100.00	-$43.60	-30.36%
14,700.00	5.00%	5.00%	$50.00	-$93.60	-65.18%
14,000.00	0.00%	0.00%	$0.00	-$143.60	-100.00%
12,600.00	-10.00%	-10.00%	$0.00	-$143.60	-100.00%
11,200.00	-20.00%	-20.00%	$0.00	-$143.60	-100.00%
9,800.00	-30.00%	-30.00%	$0.00	-$143.60	-100.00%
8,400.00	-40.00%	-40.00%	$0.00	-$143.60	-100.00%
7,000.00	-50.00%	-50.00%	$0.00	-$143.60	-100.00%
5,600.00	-60.00%	-60.00%	$0.00	-$143.60	-100.00%
4,200.00	-70.00%	-70.00%	$0.00	-$143.60	-100.00%
2,800.00	-80.00%	-80.00%	$0.00	-$143.60	-100.00%
1,400.00	-90.00%	-90.00%	$0.00	-$143.60	-100.00%
0.00	-100.00%	-100.00%	$0.00	-$143.60	-100.00%

Hypothetical Examples of Amounts Payable at Expiration

The following hypothetical examples illustrate how the Cash Settlement Amounts set forth above are calculated.

Example 1: The level of the Index increases 30.00% from the Initial Level of 14,000.00 to a Final Level of 18,200.00. Because the Final Level of 18,200.00 is greater than the Strike Level of 14,000.00, the Index Strike Return is 30.00% and the investor will be entitled to receive a Cash Settlement Amount of $300.00 per warrant, calculated as follows:

$1,000 x Index Strike Return

$1,000 x 30.00% = $300.00

Taking into account the investor's payment of the Warrant Premium of $143.60, the payment of the Cash Settlement Amount of $300.00 represents a gain of $156.40 per warrant, or 108.91% of the initial investment of $143.60.

Example 2: The level of the Index increases 5.00% from the Initial Level of 14,000.00 to a Final Level of 14,700.00. Because the Final Level of 14,700.00 is greater than the Strike Level of 14,000.00, the Index Strike Return is 5.00% and the investor will be entitled to receive a Cash Settlement Amount of $50.00 per warrant, calculated as follows:

$1,000 x Index Strike Return

$1,000 x 5.00% = $50.00

In this example, because the Final Level is greater than the Strike Level by only 5.00%, which is less than the Warrant Premium Percentage of 14.36%, the investor's Cash Settlement Amount of $50.00 per warrant will result in a 65.18% loss of its initial investment of $143.60

Example 3: The Final Level of 14,000.00 is the same as the Initial Level. Because the Final Level of 14,000.00 is equal to the Strike Level, the Index Strike Return is 0.00% and the warrants expire worthless. As a result, the investor will lose its entire investment in the warrants.

Example 4: The level of the Index decreases 30.00% from the Initial Level of 14,000.00 to a Final Level of 9,800.00. Because the Final Level of 9,800.00 is less than the Strike Level of 14,000.00, the Index Strike Return is -30.00% and the warrants expire worthless. As a result, the investor will lose its entire investment in the warrants.

Selected Purchase Considerations

- **UNCAPPED APPRECIATION POTENTIAL; LOSS OF ENTIRE INITIAL INVESTMENT IF THE LEVEL OF THE INDEX DOES NOT INCREASE** — The warrants provide exposure to the performance of the Index if the Final Level is greater than the Strike Level by a percentage greater than the Warrant Premium Percentage of 14.36%. For example, if the closing level of the Index increases 30.00% from the Initial Level to the Final Level, investors will receive a Cash Settlement Amount of $300.00 at expiration, representing a gain of 108.91% of the initial investment of $143.60. If the Final Level is greater than the Strike Level but by a percentage less than the Warrant Premium Percentage, you will lose some or a significant portion of your initial investment. If the Final Level is less than or equal to the Strike Level, the warrants will expire worthless and you will lose your entire investment in the warrants. Any payment on the warrants at expiration is subject to our ability to satisfy our obligations as they become due. You should read this pricing supplement carefully and understand the terms of the warrants and the manner in which the Cash Settlement Amount is determined before deciding that an investment in the warrants is suitable for you.

- **THE WARRANTS ARE SUITABLE ONLY FOR INVESTORS WITH OPTIONS-APPROVED ACCOUNTS** — You will not be able to purchase the warrants unless you have an options-approved brokerage account. The warrants involve a high degree of risk and are not appropriate for every investor. You must be able to understand and bear the risk of an investment in the warrants, and you should be experienced with respect to options and option transactions.

- **RETURN LINKED TO THE PERFORMANCE OF THE JPX-NIKKEI INDEX 400** — The return on the warrants, which may be positive, zero or negative, is linked to the performance of the JPX-Nikkei Index 400 as described herein. The JPX-Nikkei Index 400 is a price return index composed of 400 Japanese common stocks listed on the Tokyo Stock Exchange's First Section, Second Section, Mothers (Market Of The High-growth and EmeRging Stocks) or JASDAQ market. The component stocks of the JPX-Nikkei Index 400 are selected by the Index Sponsor (as defined below) based on market capitalization, trading value, return on equity and other factors. *This is just a summary of the JPX-Nikkei Index 400. For more information on the JPX-Nikkei Index 400, including information concerning its composition, calculation methodology and adjustment policy, please see "The JPX-Nikkei Index 400" in this pricing supplement.*

- **MINIMUM INITIAL INVESTMENT** — The minimum initial investment is $10,052.00 or 70 warrants, each with a Notional Amount of $1,000 (and then in increments of one warrant thereafter), resulting in an aggregate minimum Notional Amount of $70,000.

- **TAX CONSEQUENCES** — In the opinion of our special tax counsel, Davis Polk & Wardwell LLP, the warrants will be treated for U.S. federal income tax purposes as cash-settled options. Generally, (i) you will not recognize taxable income or loss with respect to a warrant prior to its exercise or lapse, other than pursuant to a taxable disposition, and (ii) the gain or loss on your warrant will be capital gain or loss and will be long-term capital gain or loss if you have held the warrant for more than one year.

You should review carefully the section of the accompanying prospectus supplement entitled "United States Federal Income Taxation." The preceding discussion, when read in combination with that section, constitutes the full opinion of our special tax counsel regarding the material U.S. federal income tax consequences of owning and disposing of the warrants.

Under current law, the United Kingdom will not impose withholding tax on payments made with respect to the warrants.

For a discussion of certain German tax considerations relating to the warrants, you should refer to the section in the accompanying prospectus supplement entitled "Taxation by Germany of Non-Resident Holders."

You should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the warrants, as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Selected Risk Considerations

An investment in the warrants involves significant risks. Investing in the warrants is not equivalent to investing directly in the stocks composing the Index. In addition to these selected risk considerations, you should review the "Risk Factors" sections of the accompanying prospectus supplement and prospectus addendum.

- **THE WARRANTS ARE A RISKY INVESTMENT AND THE WARRANTS WILL EXPIRE WORTHLESS IF THE FINAL LEVEL IS LESS THAN OR EQUAL TO THE STRIKE LEVEL** — The warrants are highly speculative and highly leveraged. If the Final Level is less than or equal to the Strike Level, the warrants will expire worthless and you will lose your entire investment in the warrants. The warrants are not suitable for investors who cannot sustain a total loss of their investment. You should be willing and able to sustain a total loss of your investment in the warrants.

- **YOU MAY LOSE SOME OR a SIGNIFICANT PORTION OF YOUR INITIAL INVESTMENT EVEN IF THE FINAL LEVEL IS GREATER THAN THE STRIKE LEVEL** — Even if the Final Level is greater than the Strike Level, you will lose some or a significant portion of your initial investment if the Final Level is greater than the Strike Level but by a percentage less than the Warrant Premium Percentage of 14.36%. In order for you to receive a Cash Settlement Amount greater than your initial investment, the Final Level must be greater than the Strike Level by a percentage greater than the Warrant Premium Percentage.

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- **The warrants are suitable only for investors with options-approved accounts** — You will not be able to purchase the warrants unless you have an options-approved brokerage account. The warrants involve a high degree of risk and are not appropriate for every investor. You must be able to understand and bear the risk of an investment in the warrants, and you should be experienced with respect to options and option transactions.

- **The warrants do not provide for ANY coupon payments or Voting rights** — As a holder of the warrants, you will not receive any coupon payments, and you will not have any voting rights or rights to receive cash dividends or other distributions or other rights that holders of the stocks composing the Index would have.

- **THE warrants ARE SUBJECT TO THE CREDIT OF DEUTSCHE BANK AG** — The warrants are unsecured contractual obligations of Deutsche Bank AG and are not, either directly or indirectly, an obligation of any third party. Any payment(s) to be made on the warrants depends on the ability of Deutsche Bank AG to satisfy its obligations as they come due. An actual or anticipated downgrade in Deutsche Bank AG's credit rating or increase in the credit spreads charged by the market for taking the credit risk of Deutsche Bank AG will likely have an adverse effect on the value of the warrants. As a result, the actual and perceived creditworthiness of Deutsche Bank AG will affect the value of the warrants and in the event Deutsche Bank AG were to default on its obligations or become subject to a Resolution Measure, you might not receive any amount(s) owed to you under the terms of the warrants and you could lose your entire investment.

- **THE WARRANTS MAY BE WRITTEN DOWN, BE CONVERTED OR BECOME SUBJECT TO OTHER RESOLUTION MEASURES. YOU MAY LOSE SOME OR ALL OF YOUR INVESTMENT IF ANY SUCH MEASURE BECOMES APPLICABLE TO US** — On May 15, 2014, the European Parliament and the Council of the European Union published the Bank Recovery and Resolution Directive for establishing a framework for the recovery and resolution of credit institutions and investment firms. The Bank Recovery and Resolution Directive requires each member state of the European Union to adopt and publish by December 31, 2014 the laws, regulations and administrative provisions necessary to comply with the Bank Recovery and Resolution Directive. Germany has adopted the Recovery and Resolution Act (or SAG), which went into effect on January 1, 2015. SAG may result in the warrants being subject to the powers exercised by our competent resolution authority to impose a Resolution Measure on us, which may include: writing down, including to zero, any payment on the warrants; converting the warrants into ordinary shares or other instruments qualifying as core equity tier 1 capital; or applying any other resolution measure, including (but not limited to) transferring the warrants to another entity, amending the terms and conditions of the warrants or cancelling of the warrants. Imposition of a Resolution Measure would likely occur if we become, or are deemed by our competent supervisory authority to have become, "non-viable" (as defined under the then applicable law) and are unable to continue our regulated banking activities without a Resolution Measure becoming applicable to us. **You may lose some or all of your investment in the warrants if a Resolution Measure becomes applicable to us.**

By acquiring the warrants, you would have no claim or other right against us arising out of any Resolution Measure, and we would have no obligation to make payments under the warrants following the imposition of a Resolution Measure. In particular, the imposition of any Resolution Measure will not constitute a default under the warrants or under the Warrant Agreement. Furthermore, because the warrants are subject to any Resolution Measure, secondary market trading in the warrants may not follow the trading behavior associated with similar types of securities issued by other financial institutions which may be or have been subject to a Resolution Measure.

In addition, by your acquisition of the warrants, you waive, to the fullest extent permitted by applicable law, any and all claims against the warrant agent for, agree not to initiate a suit against the warrant agent in respect of, and agree that the warrant agent will not be liable for, any action that the warrant agent takes, or abstains from taking, in either case in accordance with the imposition of a Resolution Measure by our competent resolution authority with respect to the warrants. **Accordingly, you may have limited or circumscribed rights to challenge any decision of our competent resolution authority to impose any Resolution Measure.**

- **THE ISSUER'S ESTIMATED VALUE OF THE WARRANTS ON THE TRADE DATE WILL BE LESS THAN THE ISSUE PRICE OF THE WARRANTS** — The Issuer's estimated value of the warrants on the Trade Date (as disclosed on the cover of this pricing supplement) is less than the Issue Price of the warrants. The difference between the Issue Price and the Issuer's estimated value of the warrants on the Trade Date is due to the inclusion in the Issue Price of the agent's commissions, if any, and the cost of hedging our obligations under the warrants through one or more of our affiliates. Such hedging cost includes our or our affiliates' expected cost of providing such hedge, as well as the profit we or our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge. The Issuer's estimated value of the warrants is determined by reference to our pricing models. Our internal pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. If at any time a third party dealer were to quote a price to purchase your warrants or otherwise value your warrants, that price or value may differ materially from the estimated value of the warrants determined by reference to our pricing models. This difference is due to, among other things, any difference in pricing models or assumptions used by any dealer who may purchase the warrants in the secondary market.

- **INVESTING IN THE warrants IS NOT THE SAME AS A HYPOTHETICAL INVESTMENT IN THE INDEX AND Your return on the warrants, if any, generally will not reflect any payments made with respect to the stocks COMPOSING THE INDEX** — Your return on the warrants, if any, will not reflect the return you would realize if you actually owned such stocks composing the Index and received any payments made with respect to the stocks composing the Index. If the Index increases sufficiently above the Strike Level on the Final Valuation Date, you will receive a percentage return on your initial investment that is greater than the percentage increase in the level of the Index from the Trade Date. **However, unlike a direct investment in the stocks composing the Index, if the Index does not increase above the Strike Level on the Final Valuation Date, you will lose your entire**

investment in the warrants.

- **THE INDEX REFLECTS THE PRICE RETURN OF THE STOCKS COMPOSING THE INDEX, NOT A TOTAL RETURN** — The return on the warrants is based on the performance of the Index, which reflects the changes in the market prices of the stocks composing the Index. It is not, however, linked to a "total return" version of the Index, which, in addition to reflecting those price returns, would also reflect all dividends and other distributions paid on the stocks composing the Index. The return on the warrants will not include such a total return feature.

- **IF THE LEVEL OF THE INDEX CHANGES, THE VALUE OF YOUR WARRANTS MAY NOT CHANGE IN THE SAME MANNER** — Your warrants may trade quite differently from the level of the Index. Changes in the level of the Index may not result in comparable changes in the value of your warrants.

- **THERE ARE RISKS ASSOCIATED WITH INVESTMENTS IN WARRANTS LINKED TO THE VALUES OF EQUITY SECURITIES ISSUED BY NON-U.S. COMPANIES** — The Index includes component stocks that are issued by companies incorporated outside of the U.S. Because the component stocks also trade outside the U.S., the warrants are subject to the risks associated with non-U.S. securities markets. Generally, non-U.S. securities markets may be more volatile than U.S. securities markets, and market developments may affect non-U.S. securities markets differently than U.S. securities markets, which may adversely affect the level of the Index and the value of your warrants. Furthermore, there are risks associated with investments in warrants linked to the values of equity securities issued by non-U.S. companies. There is generally less publicly available information about non-U.S. companies than about those U.S. companies that are subject to the reporting requirements of the SEC, and non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies. In addition, the prices of equity securities issued by non-U.S. companies may be adversely affected by political, economic, financial and social factors that may be unique to the particular countries in which the non-U.S. companies are incorporated. These factors include the possibility of recent or future changes in a non-U.S. government's economic and fiscal policies (including any direct or indirect intervention to stabilize the economy and/or securities market of the country of such non-U.S. government), the presence, and extent, of cross shareholdings in non-U.S. companies, the possible imposition of, or changes in, currency exchange laws or other non-U.S. laws or restrictions applicable to non-U.S. companies or investments in non-U.S. securities and the possibility of fluctuations in the rate of exchange between currencies. Moreover, certain aspects of a particular non-U.S. economy may differ favorably or unfavorably from the U.S. economy in important respects, such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

- **THE PERFORMANCE OF THE INDEX WILL NOT BE ADJUSTED FOR CHANGES IN THE JAPANESE YEN RELATIVE TO THE U.S. DOLLAR** — The Index is composed of stocks denominated in Japanese yen. Because the level of the Index is also calculated in Japanese yen (and not in U.S. dollars), the performance of the Index will not be adjusted for exchange rate fluctuations between the U.S. dollar and the Japanese yen. Therefore, if the Japanese yen strengthens or weakens relative to the U.S. dollar over the term of the warrants, you will not receive any additional payment or incur any reduction in your return on the warrants at expiration.

- **There is no assurance that the investment view implicit in the INDEX will be successful** — The component stocks of the Index will be selected from time to time in the manner described in "The JPX-Nikkei Index 400." The criteria used for selecting the component stocks may not result in stocks that outperform Japanese stocks generally, or the stocks that may be included in other indices that track Japanese securities markets. Although the stocks composing the Index may satisfy the quantitative and qualitative criteria of the Index at the time they are selected, there can be no assurance that they will continue to do so thereafter, which may reduce the level of the Index. There can be no assurance that the future performance of the Index will result in your receiving any payment on the warrants. The performance of the Index may be worse than the performance of the equity markets generally or the Japanese equity market in particular.

- **THE INDEX HAS VERY LIMITED PERFORMANCE HISTORY** — Calculation of the Index began on January 6, 2014. Therefore, the Index has very limited performance history and no actual investment which allowed a tracking of the performance of the Index was possible at any time prior to January 6, 2014. The methodology of the Index was designed, constructed and tested using historic market data and based on knowledge of factors that may have affected its performance. The results shown before January 6, 2014 are hypothetical and do not reflect actual returns. Hypothetical or simulated performance results have inherent limitations. Unlike an actual performance, hypothetical results are achieved by means of a retroactive application of the back-tested index methodology designed with the benefit of hindsight.

- **THE Sponsor OF The Index may adjust The Index in ways that affect the level of The Index, and has NO obligation to consider your interests** —The Index Sponsor is responsible for calculating and maintaining the Index. The Index Sponsor can add, delete or substitute the Index components or make other methodological changes that could change the level of the Index. You should realize that the changing of Index components may affect the Index, as a newly added component may perform significantly better or worse than the component it replaces. Additionally, the Index Sponsor may alter, discontinue or suspend calculation or dissemination of the Index. Any of these actions could adversely affect the value of the warrants and the Cash Settlement Amount. The Index Sponsor has no obligation to consider your interests in calculating or revising the Index.

- **The warrants are non-standardized options** — The warrants are not standardized options of the type issued by the Options Clearing Corporation (the "**OCC**"), a clearing agency regulated by the SEC. The warrants are unsecured contractual obligations of Deutsche Bank AG and will rank *pari passu* with all of our other unsecured contractual obligations and unsecured and unsubordinated debt, except for obligations required to be preferred by law. Thus, unlike purchasers of OCC standardized options, who have the credit benefits of guarantees and margin and collateral deposits by OCC clearing members to protect the OCC from a clearing member's failure, investors in the warrants may look solely to Deutsche Bank AG for performance of its obligation to pay the Cash Settlement Amount, if any, upon the automatic exercise of the warrants. Additionally, the secondary market for the warrants, if any exists, is not expected to be as liquid as the market for OCC standardized options, and, therefore, sales of the warrants prior to the Expiration Date may yield a sale price that is lower than the theoretical value of the warrants based on the then-prevailing level of the Index. See also "The Warrants Will Not Be Listed and There Will Likely Be Limited Liquidity" below.

- **THE TIME REMAINING TO THE EXPIRATION DATE MAY ADVERSELY AFFECT THE MARKET VALUE OF THE WARRANTS** — A portion of the market value of a warrant at any time depends on the value of the Index at such time relative to the Strike Level and is known as the "intrinsic value" of the warrant. If the closing level of the

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Index is higher than the Strike Level at any time, the intrinsic value of the warrant is positive and the warrant is considered "in the money"; whereas, if the closing level of the Index is lower than the Strike Level at any time, the intrinsic value of the warrant is zero and the warrant is considered "out of the money." Another portion of the market value of a warrant at any time prior to expiration depends on the length of time remaining until the Expiration Date and is known as the "time value" of the warrant. After the Trade Date, the time value of the warrant represents its entire value; thereafter, the time value generally diminishes until, at expiration, the time value of the warrant is zero. Assuming all other factors are held constant, the risk that the warrants will expire worthless will increase the more the closing level of the Index falls below the Strike Level and the shorter the time remaining until the Expiration Date. Therefore, the market value of the warrants will reflect both the rise or decline in the level of the Index and the time remaining to the Expiration Date, among other factors. See also "Assuming No Changes In Market Conditions And Other Relevant Factors, The Price You May Receive For Your Warrants In Secondary Market Transactions Would Generally Be Lower Than Both The Issue Price And The Issuer's Estimated Value Of The Warrants On The Trade Date" below.

- **The warrants will be automatically exercised on the Expiration Date** — The warrants will be automatically exercised on the Expiration Date. Neither you nor we can exercise the warrants at any time prior to the Expiration Date. Accordingly, unless you sell the warrants prior to the Expiration Date, you will not be able to capture any beneficial changes in the levels of the Index prior to the Final Valuation Date. Further, you do not have a choice as to whether the warrants will be automatically exercised on the Expiration Date. Accordingly, you will not be able to benefit from any increase in the levels of the Index that occur after the Final Valuation Date.

- **PAST PERFORMANCE OF THE INDEX OR STOCKS COMPOSING THE INDEX IS NO GUIDE TO FUTURE PERFORMANCE** — The actual performance of the Index or stocks composing the Index over the term of the warrants, as well as any amount payable on the Expiration Date, may bear little relation to the historical closing levels of the Index or stocks composing the Index, and may bear little relation to the hypothetical return examples set forth elsewhere in this pricing supplement. We cannot predict the future performance of the Index or stocks composing the Index or whether the performance of the Index will result in the return of any of your investment.

- **Assuming No Changes in Market Conditions and Other Relevant Factors, the Price You May Receive for Your Warrants in Secondary Market Transactions Would Generally Be Lower than Both the Issue Price and the Issuer's Estimated Value of the Warrants on the Trade Date** — The Issuer's estimated value of the warrants on the Trade Date (as disclosed on the cover of this pricing supplement) is less than the Issue Price of the warrants. The Issuer's estimated value of the warrants on the Trade Date does not represent the price at which we or any of our affiliates would be willing to purchase your warrants in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we or our affiliates would be willing to purchase the warrants from you in secondary market transactions, if at all, would generally be lower than both the Issue Price and the Issuer's estimated value of the warrants on the Trade Date. Our purchase price, if any, in secondary market transactions would be based on the estimated value of the warrants determined by reference to our pricing models at that time, less a bid spread determined after taking into account the size of the repurchase, the nature of the assets underlying the warrants and then-prevailing market conditions. The price we report to financial reporting services and to distributors of our warrants for use on customer account statements would generally be determined on the same basis. However, during the period of approximately three months beginning from the Trade Date, we or our affiliates may, in our sole discretion, increase the purchase price determined as described above by an amount equal to the declining differential between the Issue Price and the Issuer's estimated value of the warrants on the Trade Date, prorated over such period on a straight-line basis, for transactions that are individually and in the aggregate of the expected size for ordinary secondary market repurchases.

In addition to the factors discussed above, the value of the warrants and our purchase price in secondary market transactions after the Trade Date, if any, will vary based on many economic and market factors, including our creditworthiness, and cannot be predicted with accuracy. These changes may adversely affect the value of your warrants, including the price you may receive in any secondary market transactions. Any sale prior to the Expiration Date could result in a substantial loss to you. The warrants are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your warrants to expiration.

- **THE WARRANTS WILL NOT BE LISTED AND THERE WILL LIKELY BE LIMITED Liquidity** —The warrants will not be listed on any securities exchange. There may be little or no secondary market for the warrants. We or our affiliates intend to act as market makers for the warrants but are not required to do so and may cease such market making activities at any time. Even if there is a secondary market, it may not provide enough liquidity to allow you to sell the warrants when you wish to do so or at a price advantageous to you. Because we do not expect other dealers to make a secondary market for the warrants, the price at which you may be able to sell your warrants is likely to depend on the price, if any, at which we or our affiliates are willing to buy the warrants. If, at any time, we or our affiliates do not act as market makers, it is likely that there would be little or no secondary market in the warrants. If you have to sell your warrants prior to expiration, you may not be able to do so or you may have to sell them at a substantial loss.

- **MANY ECONOMIC AND MARKET FACTORS WILL AFFECT THE VALUE OF THE Warrants** — While we expect that, generally, the level of the Index will affect the value of the warrants more than any other single factor, the value of the warrants prior to maturity will also be affected by a number of other factors that may either offset or magnify each other, including:

  - the expected volatility of the Index;
  - the composition of the Index;
  - the time remaining to the Expiration Date of the warrants;
  - the market prices and dividend rates of the stocks composing the Index and changes that affect those stocks and their issuers;
  - interest rates and yields in the market generally;
  - geopolitical conditions and a variety of economic, financial, political, regulatory or judicial events that affect the Index or markets generally;
  - supply and demand for the warrants; and
  - our creditworthiness, including actual or anticipated downgrades in our credit ratings.

- **TRADING AND OTHER TRANSACTIONS BY US, JPMORGAN CHASE & CO. OR OUR OR ITS AFFILIATES IN THE EQUITY AND EQUITY DERIVATIVE MARKETS MAY IMPAIR THE VALUE OF THE WARRANTS** — We or our affiliates expect to hedge our exposure from the warrants by entering into equity and equity derivative transactions, such as over-the-counter options, futures or exchange-traded instruments. We, JPMorgan Chase & Co. or our or its affiliates may also engage in trading in instruments linked or related to the Index on a regular basis as part of our or their general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers, including block transactions. Such trading and hedging activities may affect the level of the Index and make it less likely that you will receive a positive return on your investment in the warrants. It is possible that we, JPMorgan Chase & Co. or our or its affiliates could receive substantial returns from these hedging and trading activities while the value of the warrants declines. We, JPMorgan Chase & Co. or our or its affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to the Index. Introducing competing products into the marketplace in this manner could adversely affect the value of the warrants. Any of the foregoing activities described in this paragraph may reflect trading strategies that differ from, or are in direct opposition to, investors' trading and investment strategies related to the warrants.

- **WE, JPMORGAN CHASE & CO. OR OUR OR ITS AFFILIATES MAY PUBLISH RESEARCH, EXPRESS OPINIONS OR PROVIDE RECOMMENDATIONS THAT ARE INCONSISTENT WITH INVESTING IN OR HOLDING THE WARRANTS. ANY SUCH RESEARCH, OPINIONS OR RECOMMENDATIONS COULD ADVERSELY AFFECT THE LEVEL OF THE INDEX OR THE VALUE OF THE WARRANTS** — We, JPMorgan Chase & Co. or our or its affiliates may publish research from time to time on financial markets and other matters that could adversely affect the value of the warrants, or express opinions or provide recommendations that are inconsistent with purchasing or holding the warrants. Any research, opinions or recommendations expressed by us, JPMorgan Chase & Co. or our or its affiliates may not be consistent with each other and may be modified from time to time without notice. You should make your own independent investigation of the merits of investing in the warrants and the Index.

- **POTENTIAL CONFLICTS OF INTEREST** — We and our affiliates play a variety of roles in connection with the issuance of the warrants, including acting as Calculation Agent (as defined below), hedging our obligations under the warrants and determining the Issuer's estimated value of the warrants on the Trade Date and the price, if any, at which we or our affiliates would be willing to purchase the warrants from you in secondary market transactions. In performing these roles, our economic interests and those of our affiliates are potentially adverse to your interests as an investor in the warrants. The Calculation Agent will determine, among other things, all values, prices and levels required to be determined for the purposes of the warrants on any relevant date or time. The Calculation Agent will also be responsible for determining whether a Market Disruption Event (as defined below) has occurred. Any determination by the Calculation Agent could adversely affect the return on the warrants.

		6,070		20,063		18,673		
Gross profit		4,249		3,179		14,824		10,332
Operating expenses:								
Research and development		976		934		2,372		3,173
Selling, general and administrative		1,852		2,122		6,170		6,932
Recoveries for long-lived assets, net		-		(17)		-		(25)
Total operating expenses		2,828		3,039		8,542		10,080
Income from operations		1,421		140		6,282		252
Interest expense, net		(170)		(191)		(433)		(471)
Other income (expenses), net		(238)		513		(123)		1,561
Income before provision for income taxes		1,013		462		5,726		1,342
Provision for income taxes		5		212		326		398
Net income		1,008		250		5,400		944
Deemed dividend on preferred stock		122		122		367		366
Net income attributable to common stockholders	$	886	$	128	$	5,033	$	578
Net income per share:								
Basic	$	0.03	$	0.00	$	0.18	$	0.02
Diluted	$	0.03	$	0.00	$	0.16	$	0.02
Shares used in computing net income per share:								
Basic		28,409		27,820		28,099		27,493
Diluted		34,681		28,867		34,016		28,313

See accompanying notes to unaudited condensed consolidated financial statements.

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SOUTHWALL TECHNOLOGIES INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Cash flows from operating activities:		
Net income	$ 5,400	$ 944
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income tax	(49)	(56)
Impairment recoveries from long-lived assets	-	(25)
Depreciation and amortization	2,054	2,087
Stock-based compensation	162	273
Changes in operating assets and liabilities:		
Accounts receivable, net	(840)	(2,129)
Inventories, net	(304)	(373)
Other current and non-current assets	827	161
Accounts payable and accrued liabilities	(870)	10
Net cash provided by operating activities	6,380	892
Cash flows from investing activities:		
Restricted cash	-	(417)
Proceeds from sale of property, plant and equipment	-	25
Expenditures for property, plant and equipment	(1,047)	(635)
Net cash used in investing activities	(1,047)	(1,027)
Cash flows from financing activities:		
Proceeds from exercise of stock options	293	357
Borrowings from equipment financing	603	-
Borrowings on line of credit	-	3,000
Repayments on line of credit	-	(2,996)
Investment credit in Germany	-	(3)
Repayments of notes payable	(883)	(837)
Net cash provided by (used in) financing activities	13	(479)
Effect of foreign exchange rate changes on cash	(165)	(135)
Net increase (decrease) in cash and cash equivalents	5,181	(749)
Cash and cash equivalents, beginning of period	6,492	5,524
Cash and cash equivalents, end of period	$ 11,673	$ 4,775
Supplemental cash flows disclosures:		
Interest paid	$ 569	$ 670
Income taxes paid	$ 291	$ 398
Supplemental schedule of non-cash investing and financing activities:		
Dividends accrued	$ 367	$ 366

See accompanying notes to unaudited condensed consolidated financial statements.

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SOUTHWALL TECHNOLOGIES INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollar and share amounts in thousands, except per share data)

Note 1—Basis of Presentation:

Southwall Technologies Inc., including its wholly owned subsidiaries, Southwall Europe GmbH and Southwall IG Holdings, Inc., are hereafter referred to as the "Company," "Registrant," "We," "Our" or "Us."

The accompanying interim condensed consolidated financial statements of Southwall Technologies Inc. ("Southwall" or the "Company") are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, considered necessary to present fairly the financial position, results of operations and cash flows of Southwall and its subsidiaries for all periods presented. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The Company suggests that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission on March 31, 2008. The results of operations for the interim periods presented are not necessarily indicative of the operating results to be expected for any future periods.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions, based on all known facts and circumstances that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the periods. Management makes these estimates using the best information available at the time of the estimates. The estimates included in preparing our financial statements include: the accrual for product returns and warranties, allowance for doubtful accounts, quarterly taxes, inventory valuations (including reserves for excess and obsolete and impaired inventories), reserves for decommissioning costs associated with leasehold asset retirement obligations and valuation of stock-based compensation. Actual results could differ from those estimates.

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Note 2–Fair Value Measurement – Cash and Cash Equivalents:

Southwall invests its cash primarily in money market funds. We utilize the market approach to measure fair value of our financial assets.

All cash equivalents are classified as available-for-sale and are summarized as follows:

	September 30, 2008		
	Fair Value	Book Value	Unrealized Gain, net
Money Market Funds, Level I	$ 6,538	6,538	$ -
Money Market Funds, Level I	928	928	-
Certificates of Deposit, Level I	1,900	1,900	-
Total cash equivalents	9,366	9,366	-
Cash	2,307	2,307	-
Total cash, cash equivalents	$ 11,673	$ 11,673	$ -

	December 31, 2007		
	Fair Value	Book Value	Unrealized Gain, net
Money Market Funds, Level I	400	400	$ -
Money Market Funds, Level I	4,682	4,682	-
Total cash equivalents	5,082	5,082	-
Cash	1,410	1,410	-
Total cash, cash equivalents	$ 6,492	$ 6,492	$ -

FAS 157 includes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.
Level 2 - Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.
Level 3 – Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

Note 3—Inventories, Net:

Inventories are stated at the lower of cost (determined by the average cost method) or market. Cost includes materials, labor and manufacturing overhead. The Company establishes provisions for excess and obsolete inventories to reduce such inventories to their estimated net realizable value.

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Such provisions are charged to cost of revenues. At September 30, 2008 and December 31, 2007, inventories consisted of the following:

	September 30, 2008	December 31, 2007
Raw materials	$ 2,519	$ 3,076
Work-in-process	1,455	787
Finished goods	1,970	1,777
	$ 5,944	$ 5,640

Note 4--Net Income Per Share:

Basic net income per share is computed by dividing net income attributable to common stockholders (numerator) by the weighted average number of common shares outstanding (denominator) for the period. Diluted net income per share gives effect to all dilutive common shares potentially outstanding during the period, including stock options, warrants to purchase common stock and convertible preferred stock. The Company excludes options from the computation of diluted weighted average shares outstanding if the exercise price of the options is greater than the average market price of the shares because the inclusion of these options would be anti-dilutive to earnings per share. The Company also excludes preferred shares convertible into common stock from the computation of diluted weighted average shares outstanding, per Statement of Financial Accounting Standard (“SFAS”) 128, “Earnings Per Share”, when the effect would be antidilutive.

For the third quarter of 2008, there were 5,203 options outstanding of which 1,802 were excluded from the dilutive net income per share calculation, as they were anti-dilutive because the option prices were higher than the average market price during the three-month period ended September 30, 2008. For the nine months ended September 30, 2008, 2,122 options outstanding were excluded from the dilutive net income per share calculation. For the three and nine month periods ended September 30, 2007, 2,403 and 4,358 options outstanding were excluded from the dilutive net income per share calculation, respectively. In net loss periods, the basic and diluted weighted average shares of common stock and common stock equivalents are the same because inclusion of common stock equivalents would be anti-dilutive.

The Company has accrued a deemed dividend on preferred stock of $122 for each of the three month periods ended September 30, 2008 and September 30, 2007. Per SFAS 128, the dilutive effect of convertible securities shall be reflected in diluted EPS by application of the if-converted method. Under this method, if an entity has convertible preferred stock outstanding, the preferred dividends applicable to convertible preferred stock shall be added back to the numerator unless their effect is antidilutive. For the three and nine month periods ended September 30, 2007, both the Series A Preferred shares and the preferred deemed dividend had an antidilutive effect and therefore, were excluded from the denominator and numerator in the calculation of diluted EPS in the table below.

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Tables summarizing net income attributable to common stockholders, diluted net income per share, and shares outstanding are shown below:

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Net income attributable to common stockholders-basic	886	128	5,033	578
Add:Deemed dividend on preferred stock	122	122	367	366
Net income attributable to common stockholders-diluted	1,008	250	5,400	944
Weighted average common shares outstanding-basic	28,409	27,820	28,099	27,493
Dilutive effect of warrants	-	356	-	355
Dilutive effect of Series A preferred shares	4,893	-	4,893	-
Dilutive effect of stock options	1,379	691	1,024	465
Weighted average common shares outstanding - diluted	34,681	28,867	34,016	28,313
Basic EPS	0.03	0.00	0.18	0.02
Dilutive EPS	0.03	0.00	0.16	0.02

Note 5 – Product Reporting:

Southwall operates in one segment. The total net revenues for the automotive glass, window film, architectural and electronic display product lines for the three and nine month periods ended September 30, 2008 and September 30, 2007 were as follows:

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Automotive glass	$ 4,399	$ 3,763	$ 16,680	$ 11,162
Window film	4,338	4,036	12,913	10,629
Architectural	1,848	1,404	4,839	4,617
Electronic display	47	46	455	2,597
Total net revenues	$ 10,632	$ 9,249	$ 34,887	$ 29,005

The following is a summary of net revenues by geographic area (based on the location of the Company's customers) for the three and nine months periods ended September 30, 2008 and September 30, 2007:

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Europe: France, Germany	$ 3,907	$ 1,721	$ 13,520	$ 5,847
Asia Pacific: Japan, Pacific Rim	3,771	2,867	11,076	10,299
United States	2,118	2,466	6,521	7,410
Rest of the world	836	2,195	3,770	5,449

Total net revenues	$ 10,632	$ 9,249	$ 34,887	$ 29,005

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Note 6--Commitments and Contingencies:

Commitments

In January 2006, we commenced restructuring actions to attempt to improve our cost structure for 2006 and beyond. These actions included the closure of our Palo Alto, California manufacturing facility during 2006. As December 2006, we had accrued $1,509 for the closure of our manufacturing facility and an additional $153 in the fourth quarter of 2007 as a leasehold asset retirement obligation in connection with the return of our Palo Alto manufacturing facility to the landlord. In January 2008, a $1,000 letter of credit and $100 cash security deposit were released to the landlord, and in February 2008, we entered into a settlement agreement with the landlord under which we paid the landlord an additional $400, thereby releasing us from any further rent or building restoration obligations under the lease for that specific manufacturing facility, leaving only environmental related costs to be incurred. During the third quarter ended September 30, 2008, the environmental issues were resolved and the remaining $99 accrual was reversed.

The Company leases a research and development facility in Palo Alto. Under this lease agreement, the Company accrued $200 as a current leasehold retirement obligation in the first quarter of 2006. In the fourth quarter of 2007, the Company increased the accrual to $500, which is included in other accrued liabilities in the accompanying consolidated balance sheet. The method and timing of payments associated with this property are not yet finalized and therefore, this estimate of our liability could differ from the actual future settlement amount.

Contingencies

In September 1995, Pilkington filed a patent application in Germany for XIR film characteristics. Southwall challenged the patent. This patent was revoked by the German Patent Court on April 20, 2004. A separate patent application had been filed by Pilkington in the European Patent Office on September 13, 1996, and a patent was granted. A separate opposition was filed by Southwall; however, the European Patent Office did not allow the opposition and maintained the patent. While the reasons for the final decision of the European Patent Office were issued September 9, 2008, the Company is unable to determine the impact, if any, at this time.

The Company is involved in certain other legal actions arising in the ordinary course of business. The Company believes, however, that none of these actions, either individually or in the aggregate, will have a material adverse effect on its business, consolidated financial position, results of operations or cash flows.

Note 7--Stock-Based Compensation:

The Company has a stock-based compensation program that provides its Board of Directors broad discretion in creating employee equity incentives. The Company has granted stock options under various option plans and agreements in the past and currently grants stock options under the 2007 Long Term Incentive Plan which authorizes the granting of up to 10,000 shares of Common Stock. Under the terms of this plan, the Company can grant both Incentive Stock Options and Nonstatutory Stock Options. Grants issued under the 2007 plan vest and become exercisable at a rate of 25% on each anniversary of the date of grant and become fully vested on the fourth anniversary of the date of grant provided that the participant remains an employee or service provider of the Company or a related company. Each option granted under the plan is non-transferable and expires over terms not exceeding ten years from the date of grant or 30 days after an option holder's voluntary termination from the Company. If an option holder's employment is terminated involuntarily for misconduct, the option will terminate immediately and may no longer be exercised. Involuntary termination not for misconduct allows for the option holder to exercise options within a period of six months after such termination of service occurs. The plan provides for longer expiration periods for employees who terminate but who were employed with the Company in excess of five years. Pursuant to the provisions set forth in the 2007 Plan, the option expiration will be extended anywhere from six months to one year, dependent upon the employee's years of service. These provisions apply to options that expire as the result of involuntary termination not for misconduct. As of September 30, 2008, there were 8,734 shares of common stock available for grant under the 2007 stock option plan.

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On January 1, 2006, the Company adopted the provisions of SFAS 123R, "Share-Based Payment" (SFAS 123R), requiring it to recognize expense related to the fair value of its stock-based compensation awards. The Company elected to use the modified prospective transition method as permitted by SFAS 123R and therefore has not restated its financial results for prior periods. Stock-based compensation expense for awards granted prior to January 1, 2006 was based on the fair value estimated in accordance with SFAS 123, "Accounting for Stock-based Compensation." Stock-based compensation expensed for all stock-based compensation awards granted subsequent to January 1, 2006 was based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. The Company recognizes compensation expense for stock option awards on a graded vesting basis over the requisite service period of the award.

The following table sets forth the total stock-based compensation expense resulting from stock options included in the condensed consolidated statements of operations:

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Cost of sales	$ 3	$ 1	$ 10	$ 3
Research and development	20	23	21	68
Selling, general and administrative	62	64	131	202
Stock-based compensation expense before income taxes	85	88	162	273
Income tax benefit	-	-	-	-
Total stock-based compensation expense after income taxes	$ 85	$ 88	$ 162	$ 273

There were $293 and $357 cash proceeds from the exercise of stock options for the nine-month period ended September 30, 2008 and September 30, 2007. In accordance with SFAS 123R, the Company presents excess tax benefits from the exercise of stock options, if any, as financing cash flows rather than operating cash flows.

The fair value of stock-based awards was estimated using the Black-Scholes model with the following weighted-average assumptions for stock options granted during the three month and nine month periods ended September 30, 2008 and September 30, 2007, respectively:

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Expected life (in years)	-	6.00	5.67	6.00
Risk-free interest rate	-	4.43%	3.08%	4.70%
Volatility	-	80%	81%	80%
Dividend	-	-	-	-
Per share weighted-average fair value at grant date	$ -	$ 0.75	$ 0.53	$ 0.35

The Company's computation of expected volatility was based on historical volatility. The Company's computation of expected life was based on historical exercise patterns. The interest rate for periods within the expected life of the award is based on the U.S. Treasury yield in effect at the time of grant.

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Stock option activity for the nine months ended September 30, 2008 was as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2007	5,209	$ 1.08		
Grants	1,126	0.87		
Exercises	(515)	0.57		
Forfeitures or expirations	(617)	2.17		
Outstanding at September 30, 2008	5,203	0.96	6.52	$ 1,582
Vested and expected to vest at September 30, 2008	4,045	1.03	5.89	$ 1,159
Exercisable at September 30, 2008	2,894	1.16	4.71	$ 769

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e.: the difference between Southwall's closing stock price on the last trading day of its third quarter of fiscal 2008 and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their options on September 30, 2008. This amount changes based on the fair market value of Southwall's stock. Total intrinsic value of options exercised was $51 and $269 for the three and nine month periods ended September 30, 2008. Total fair value of options granted was $0 and $600 for the three and nine month period ended September 30, 2008.

As of September 30, 2008, $456 of total unrecognized compensation cost, net of forfeitures, related to stock options was expected to be recognized over a weighted-average period of approximately 2.69 years.

Note 8 - Warranties:

The Company establishes a reserve for sales returns and warranties for specifically identified, as well as anticipated sales returns and warranties based on experience. The activity in the reserve for sales returns and warranties account during the nine month periods ended September 30, 2008 and September 30, 2007 was as follows:

	Balance at December 31, 2006	Provision	Utilized	Balance at September 30, 2007
Accrued sales returns and warranty	$ 1,415	$ 1,156	$ (1,550)	$ 1,021

	Balance at December 31, 2007	Provision	Utilized	Balance at September 30, 2008
Accrued sales returns and warranty	$ 1,102	$ 1,098	$ (728)	$ 1,472

These amounts are included in other accrued liabilities in the condensed consolidated balance sheets.

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Note 9 – Comprehensive Income:

The Company has adopted the provisions of SFAS No. 130 "Reporting Comprehensive Income". SFAS 130 establishes standards for reporting and display in the financial statements of total net income and the components of all other non-owner changes in equity, referred to as comprehensive income. Accordingly, the Company has reported the translation gain (loss) from the consolidation of its foreign subsidiary in comprehensive income.

The components of comprehensive income for the three and nine month periods ended September 30, 2008 and September 30, 2007 were as follows:

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Foreign Currency Translation Adjustment	$ (1,246)	$ 523	$ (371)	$ 625
Net Income	1,008	250	5,400	944
Other Comprehensive Income (Loss)	$ (238)	$ 773	$ 5,029	$ 1,569

The components of accumulated other comprehensive income were as follows at September 30, 2008:

Accumulated Other Comprehensive Income at December 31, 2007	$ 4,776
Foreign Currency Translation Adjustment	(371)
Accumulated Other Comprehensive Income at September 30, 2008	$ 4,405

Note 10 - Income Tax:

For the three months ended September 30, 2008, the Company's effective tax rate was 0.5 %. This rate differs from the statutory federal rate of 35% primarily due to the impact of the benefit received from a reduction of the valuation allowance on the Company's unbenefitted deferred tax asset due to the current year U.S. income. The amount of this benefit is approximately 28.5 %.

For the nine months ended September 30, 2008, the Company's effective tax rate was a provision of 5.69%. As allowed by FASB Interpretation No. 18, "Accounting for Income Taxes in Interim Periods" (FIN 18), we have used the actual effective tax rate for the nine months ended September 30, 2008 as our best estimate for the tax rate for the year ending December 31, 2008, as a reliable estimate for the full year cannot be made at this time. In addition, to the extent our expected profitability changes during the year, the effective tax rate would be revised to reflect any changes in the projected profitability. This rate differs from the statutory federal rate of 35% primarily due to the release of a portion of the Company's valuation allowance on the U.S. deferred tax asset due to the income generated by the U.S. operations through the first nine months of 2008. The amount of the benefit related to this decrease in the valuation allowance was approximately $1,873 or 32.71%.

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The following table represents the reconciliation of the statutory federal income tax to the Company's effective tax rate:

	Nine months Ended September 30, 2008	Nine months Ended September 30, 2007
Federal Statutory Rate	35.00%	35.00%
State Rate	3.18%	0.00%
Permanent Items	0.06%	0.36%
R&D Credit	0.00%	(3.40%)
Rate Differential	0.22%	(2.12%)
Change in Valuation Allowance	(32.71%)	(0.22%)
Other	(0.06%)	0.00%
Effective Tax Rate	5.69%	29.62%

Note 11-Joint Venture

On April 8, 2008, Southwall IG Holdings, Inc., a wholly owned subsidiary of Southwall Technologies Inc. entered into a Joint Venture Agreement with Sound Solutions Window & Doors, LLC; creating Southwall Insulating Glass, LLC ("SIG"). Southwall Technologies Inc. has a 50% interest in the newly formed entity. SIG manufactures insulated glass units for the domestic market. The joint venture is being accounted for under the equity method of accounting. As of September 30, 2008, the results of operations and the financial position of this joint venture were not material to the consolidated financial statements of the Company.

Southwall IG Holdings, Inc.'s net investment in its joint venture is $288 as of September 30, 2008 and is included in other assets in the accompanying condensed consolidated balance sheet. No dividends or cash distributions have been made to date. The Company's 50% share of losses in the joint venture was $131 and $132 for the three and nine months ended September 30, 2008, respectively, and is included in other income (expense), net in the accompanying condensed consolidated statement of operations.

Note 12 – Recent Accounting Pronouncements:

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"), to partially defer FASB Statement No. 157, "Fair Value Measurements" ("FAS 157"). FSP 157-2 defers the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008. We are currently evaluating the impact of adopting the provisions of FSP 157-2.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115" (SFAS 159). This statement allows entities to elect to measure many financial instruments and certain other items that are similar to financial instruments at fair value that are not currently required to be measured at fair value. The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, the statement specifies that all subsequent changes in fair value for that instrument shall be reported in earnings. Upon initial adoption, this statement provides entities with a one-time chance to elect the fair value option for the eligible items. The effect of the first measurement to fair value should be reported as a cumulative-effect adjustment to the opening balance of retained earnings (accumulated deficit) in the year the statement is adopted. SFAS 159 was effective for the Company beginning January 1, 2008. The Company did not make any elections for fair value accounting and therefore, it did not record a cumulative-effect adjustment to its opening deficit balance.

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Item 2--Management's Discussion and Analysis of Financial Condition and Results of Operations (in thousands):

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto appearing elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks and uncertainties, including those discussed below under "Forward-Looking Statements" and "Risk Factors", set forth in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2007 and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008. You should not place undue reliance on these forward-looking statements. Actual results may differ materially from those anticipated in the forward-looking statements. These forward-looking statements represent our judgment as of the date of the filing of this Form 10-Q.

Forward Looking Statements

Cautionary Statement For the Purpose of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

As used in this report, the terms "we," "us," "our," "Southwall" and the "Company" mean Southwall Technologies Inc. and its subsidiaries, unless the context indicates another meaning. This report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995 that are subject to a number of risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements are identified by terminology such as "may," "will," "could," "should," "expects," "plans," "intends," "seeks," "anticipates," "believes," "estimates," "potential," or "continue," or the negative of such terms or other comparable terminology, or similar terminology, although not all forward-looking statements contain these identifying words. Forward-looking statements are only predictions and include, without limitation, statements relating to:

- our strategy, future operations and financial plans ;
- our revenue expectations;
- our expected results of operations and cash flows;
- the continued trading of our common stock on the Over-the-Counter Bulletin Board Market;
- future applications of thin film coating technologies;
- our development of new technologies and products; including the early stage of our development of products for use in solar power generation;
- the properties and functionality of our products;
- our expectation for the continued decline in our sales of electronic display products due to increased price sensitivity in this market;
- our expectations for future grants, investment allowances and bank guarantees from local and federal governments in Germany;
- our projected need for additional borrowings and future liquidity;

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- our ability to implement and maintain effective internal controls and procedures;
- size of and the markets into which we sell or intend to sell our products;
- our intentions to pursue strategic alliances, acquisitions and business transactions;
- the results of our joint venture subsidiary;
- strategic mergers and acquisitions of competitors;
- the possibility of patent and other intellectual property infringement;
- our opinions regarding energy consumption and the loss of energy through inefficient glass;
- pending, decided and threatened litigation and its outcome;
- our competition; and
- our projected capital expenditures.

You should not place undue reliance on our forward-looking statements. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined under "Risk Factors" below. These and other factors may cause our actual results to differ materially from any forward-looking statement. Although we believe the expectations reflected in our forward-looking statements are reasonable as of the date they are being made, we cannot guarantee our future results, levels of activity, performance or achievements. Moreover, we do not assume any responsibility for the future accuracy and completeness of these forward-looking statements.

XIR®, XUV®, Triangle Design®, Superglass®, Heat Mirror®, California Series®, Solis®, ETCH-A-FLEX®, and Southwall are registered trademarks of Southwall. V-KOOL® is a registered trademark of V-Kool International Holdings Pte. Ltd. All other trade names and trademarks referred to in this Quarterly Report on Form 10-Q are the property of their respective owners.

Overview

We are a global developer, manufacturer and marketer of thin film coatings on flexible substrates for the automotive glass, architectural glass, window film and electronic display markets. We have developed a variety of products that control sunlight in automotive glass, reduce light reflection, reduce electromagnetic radiation and improve image quality in electronic display products and conserve energy in architectural products. Our products consist of transparent solar-control films for automotive glass; transparent conductive films for use in touch screen, liquid crystal displays and plasma displays; energy control films for architectural glass; and various other coatings.

On April 8, 2008, Southwall IG Holdings, Inc., a wholly owned subsidiary of Southwall Technologies Inc. entered into a Joint Venture Agreement with Sound Solutions Window & Doors, LLC; creating Southwall Insulating Glass, LLC (“SIG”). Southwall Technologies Inc. has a 50% interest in the newly formed entity. SIG manufactures insulated glass units for the domestic market. The joint venture is being accounted for under the equity method of accounting. As of September 30, 2008, the results of operations and the financial position of this joint venture were not material to the consolidated financial statements of the Company.

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Restructuring. On January 19, 2006, we commenced restructuring actions to improve our cost structure for 2006 and beyond. These actions included the closure of our Palo Alto, California manufacturing facility during 2006. We accrued $1,509 for the closure of our manufacturing facility and an additional $153 in the fourth quarter of 2007 as a leasehold asset retirement obligation in connection with the return of our Palo Alto manufacturing facility to the landlord. In January 2008, a $1,000 letter of credit and $100 cash security deposit were released to the landlord, and in February 2008, we entered into a settlement agreement with the landlord under which we paid the landlord an additional $400, thereby releasing us from any further rent or building restoration obligations under the lease for that specific manufacturing facility, leaving only environmental related costs to be incurred. During the third quarter ended September 30, 2008, the environmental issues were resolved and the remaining $99 accrued was reversed.

The Company leases a research and development facility in Palo Alto. Under this lease agreement, the Company accrued $200 as a current leasehold retirement obligation in the first quarter of 2006. In the fourth quarter of 2007, the Company increased the accrual to $500, which is included in other accrued liabilities in the accompanying consolidated balance sheet. The method and timing of payments associated with this property have not yet been finalized, and therefore, this estimate of our liability could differ from the actual future settlement amount.

Demand for our customers' products. We derive significant benefits from our relationships with a few large customers and suppliers. Our revenues and gross profit can increase or decrease rapidly, reflecting underlying demand for the products of one or a small number of our customers. We may also be unable to replace a customer when a relationship ends or demand for our product declines as a result of evolution of our customers' products.

Our three largest customers in the automotive glass and window film market, and architectural glass markets include Pilkington PLC, Saint Gobain Sekurit and Globamatrix Holdings Pte. Ltd., or Globamatrix, which collectively accounted for approximately 66%, 63% and 44% of our total revenues during the first nine months of 2008, 2007 and 2006, respectively.

Under our agreement with Globamatrix, as amended, Globamatrix agreed to a 2004 minimum purchase commitment of $9,000 of product. For each year after 2004 through the term of the contract, Globamatrix is required to purchase an amount of product equal to 110% of the amount of product it was required to purchase in the prior year. Globamatrix is obligated to purchase $13,000 of certain products in 2008. During the first nine months of 2008, Globamatrix purchased approximately $12,900 of these products.

Sales returns and allowances. Our gross margins and profitability have been adversely affected from time to time by product quality claims. During the first nine months of 2008, our sales returns provision averaged approximately 3.3% of our gross revenues over a rolling twelve month period. From 2003 to 2007, our sales returns provision has averaged approximately 3.4% of gross revenues.

European Patent. In September 1995, Pilkington filed a patent application in Germany for XIR film characteristics. Southwall challenged the patent. This patent was revoked by the German Patent Court on April 20, 2004. A separate patent application had been filed by Pilkington in the European Patent Office on September 13, 1996, and a patent was granted. A separate opposition was filed by Southwall. However, the European Patent Office did not allow the opposition and maintained the patent. While the reasons for the final decision of the European Patent Office were issued September 9, 2008, the Company is unable to determine the impact, if any, at this time.

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Critical Accounting Policies and Estimates

The accompanying discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States (GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. However, future events cannot be forecasted with certainty, and the best estimates and judgments routinely require adjustment. We are required to make estimates and judgments in many areas, including those related to: the accrual for product returns and warranties, allowance for doubtful accounts, quarterly taxes, inventory valuations (including reserves for excess and obsolete and impaired inventories), reserves for decommissioning costs associated with leasehold asset retirement obligations and valuation of stock-based compensation. We believe these policies are the most critical to our financial statements because their application places the most significant demands on management's judgment. Senior management has discussed the development, selection and disclosure of these estimates with the Audit Committee of our Board of Directors.

We believe there have been no significant changes during the first nine months of fiscal 2008 to the items that we disclosed as our critical accounting policies and estimates in our discussion and analysis of financial condition and results of operations in our 2007 Form 10-K.

Three Months Ended September 30, 2008 compared with Three Months Ended September 30, 2007

Results of Operations

Net revenues. Our net revenues for the quarter ended September 30, 2008 were $10,632, an increase of $1,383, or 15.0%, compared to $9,249 for the same period ending September 30, 2007 primarily due to an increase in automotive and window film sales.

Net revenues in the automotive market increased by $636, or 16.9%, to $4,399 compared to $3,763 for the third quarter ended September 30, 2008 and 2007, respectively. The increase was primarily due to increased demand by several of our large customers, and to a lesser extent the impact of the U.S. Dollar to Euro exchange rate.

Window film net revenues increased by $302, or 7.5%, to $4,338 from $4,036 in the third quarter ended September 30, 2008 and 2007, respectively. This was primarily due to increased overall demand for the window film business.

Architectural net revenues increased by $444, or 31.6%, to $1,848 from $1,404 in the third quarter ended September 30, 2008 and 2007, respectively. This was primarily due to increased worldwide demand.

Revenue in our electronic display business increased by $1, or 2%, to $47 compared to $46 for the third quarter ended September 30, 2008 and 2007, respectively.

Gross profit and gross margin. Our gross profit increased $1,070, or 33.7%, to $4,249 compared to $3,179 for the third quarter ended September 30, 2008 and 2007, respectively. As a percentage of sales, gross profit increased to 40% compared to 34% for the third quarter ended September 30, 2008 and 2007, respectively. This was due to lower product costs in the third quarter of 2008, resulting from an increase in production volume primarily associated with increased customer demand for automotive and window film products. Other factors contributing to the increase in gross margin were improved yields in our window film product line and benefits received from the recycling of precious metals used in the manufacturing process.

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Operating expenses

Research and development. Research and development expenses remained materially unchanged for the third quarter ended September 30, 2008 compared to the third quarter ended September 30, 2007.

Selling, general and administrative. Selling, general and administrative expenses consist primarily of corporate and administrative overhead, selling commissions and occupancy costs. Selling, general and administrative expenses decreased $270, or 12.7% to $1,852 compared to $2,122 for the third quarter ended September 30, 2008 and 2007, respectively. This decrease was primarily due to the elimination of rent payments associated with our former manufacturing facility in Palo Alto, California and reduced administrative expenses incurred by our German subsidiary.

Income from operations. Income from operations improved $1,281 to $1,421 compared to $140 for the third quarter ended September 30, 2008 and 2007, respectively. This improvement was primarily due to improved gross profit margins and lower operating costs.

Interest expense, net. Interest expense remained materially unchanged.

Other income, net. Other income, net mainly reflects non operating related income and expenses as well as foreign exchange transaction gains and losses in the third quarter of 2008 and 2007. Some of our transactions with foreign customers are denominated in foreign currencies, principally the Euro. As exchange rates fluctuate relative to the U.S. dollar, exchange gains and losses occur. Other income, net changed from income of $513 in the third quarter of 2007 to expense of $238 in the third quarter of 2008 primarily due to milestone payments received in the third quarter of 2007 per the terms set forth in the Technology Transfer and Services agreement with Sun Film and a foreign exchange loss impacting the third quarter of 2008.

Income before provision for income taxes. Pre-tax income increased $551 to $1,013 in the third quarter of 2008 compared to $462 for the third quarter ended September 30, 2007. This increase was primarily due to a significant increase in operating income resulting from higher gross profit margins and lower operating expenses.

Provision for income taxes. The decrease in the provision for income taxes in the three months ended September 30, 2008 compared to the same period in 2007 is primarily related to timing differences in the payment of trade taxes and lower taxable income at our foreign subsidiary, Southwall Europe GmbH, or SEG.

For the three months ended September 30, 2008, the Company’s effective tax rate was 0.5 %. This rate differs from the statutory federal rate of 35% primarily due to the impact of the benefit received from a reduction of the valuation allowance on the Company’s unbenefitted deferred tax asset due to the current year U.S. income. The amount of this benefit is approximately 28.5 %.

Deemed dividend on preferred stock. We accrued $122 of deemed dividend on preferred stock in the third quarter of 2008 and 2007, respectively. The holders of our secured convertible promissory notes converted those notes to shares of Series A preferred stock in December 2004. The Series A Preferred Stock accrues cumulative dividends at the rate of 10% per annum.

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Nine Months Ended September 30, 2008 compared with Nine Months Ended September 30, 2007

Results of Operations

Net revenues. Our net revenues for the nine months ended September 30, 2008 were $34,887, an increase of $5,882, or 20.3%, compared to $29,005 for the same period ending September 30, 2007 primarily due to an increase in automotive and window film sales.

Our net revenues in the automotive market increased by $5,518, or 49.4%, to $16,680 compared to $11,162 for the nine months ended September 30, 2008 and 2007, respectively. The increase was primarily due to increased demand by several of our large customers, and to a lesser extent the impact of the U.S. Dollar to Euro exchange rate.

Our net revenues in the window film product line increased $2,284, or 21.5%, to $12,913 from $10,629 in the nine month period ended September 30, 2008 and 2007, respectively. This was primarily due to increased overall demand in the window film business.

Our net revenues in architectural products increased $222, or 4.8%, to $4,839 from $4,617 for the nine months ended September 30, 2008 and 2007, respectively. This was primarily due to increased worldwide demand.

Revenue in our electronic display market continued to show a decline, where sales decreased by $2,142, or 82.4 %, to $455 compared to $2,597 for the nine month period ended September 30, 2008 and 2007, respectively. This decrease was due to the loss of a major customer, Mitsui, and the Company’s decision not to pursue the plasma display panel market due to the intensively price competitive market for those products. Unless pricing for those products improves, it is likely that the Company will not make significant future sales of plasma display panels.

Gross profit and gross margin. Our gross profit increased $4,492, or 43.5%, to $14,824 compared to $10,332 for the nine month period ended September 30, 2008 and 2007, respectively. As a percentage of sales, gross profit increased to 42.5% compared to 35.6% for the nine months ended September 30, 2008 and 2007, respectively. This was due to lower product costs in the first three quarters of 2008, which were the result of an increase in production volume associated with increased customer demand for automotive and window film products. Other factors contributing to the increase in gross margin were improved yields in our window film product line and credits received relating to the recycling of precious metals used in the manufacturing process.

Operating expenses

Research and development. Research and development expenses decreased $801, or 25.2%, to $2,372 compared to $3,173 for the nine months ended September 30, 2008 and 2007, respectively. This decrease was primarily due to the reduction in the number of employees, decreased reliance on outside service providers and lower material costs. In the fourth quarter of 2007, the Company initiated a new program of customer funded development projects and continued to engage customers in similar projects in 2008. The fees paid by customers for these projects offsets research and development costs. Until all products and services are delivered to the customers pursuant to the terms set forth in the respective development agreements, all credits to research and development expense are deferred. Upon satisfaction of the agreement terms, the credits are recognized on a project by project basis.

Selling, general and administrative. Selling, general and administrative expenses consist primarily of corporate and administrative overhead, selling commissions and occupancy costs. Selling, general and administrative expenses decreased $762, or 11%, to $6,170 compared to $6,932 for the nine months ended September 30, 2008 and 2007, respectively. This decrease was primarily due to a reduction in the number of employees in the first quarter of 2008 as compared to the same period in 2007 and to a lesser extent, the elimination of rent payments associated with our manufacturing facility in Palo Alto, California.

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Income from operations. Income from operations improved $6,030 to $6,282 compared to $252 for the nine months ended September 30, 2008 and 2007, respectively. This improvement was primarily due to the combination of improved gross profit margins and lower operating costs.

Interest expense, net. Interest expense from the nine months ended September 30, 2008 to the same period in 2007 remained materially unchanged.

Other income, net. Other income, net mainly reflects non operating related income and expenses as well as foreign exchange transaction gains and losses in first nine months of 2008 and 2007. Some of our transactions with foreign customers are denominated in foreign currencies, principally the Euro. As exchange rates fluctuate relative to the U.S. dollar, exchange gains and losses occur. Other income, net changed from income of $1,561 in the first nine months of 2007 to expense of $123 in the first nine months of 2008 mainly due to milestone payments received in 2007 per the terms set forth in the Technology Transfer and Services agreement with Sun Film.

Income before provision for income taxes. Pre-tax income increased $4,384 to $5,726 in the nine months ended September 30, 2008 compared to $1,342 for the nine months ended September 30, 2007. This increase was primarily due to a significant increase in operating income resulting from higher gross profit margins and lower operating expenses.

Provision for income taxes. For the nine months ended September 30, 2008, the Company’s effective tax rate was a provision of 5.69%. As allowed by FASB Interpretation No. 18, Accounting for Income Taxes in Interim Periods” (FIN 18), we have used the actual effective tax rate for the nine months ended September 30, 2008 as our best estimate for the tax rate for the year ending December 31, 2008, as a reliable estimate for the full year cannot be made at this time. In addition, to the extent our expected profitability changes during the year, the effective tax rate would be revised to reflect any changes in the projected profitability.

This rate differs from the statutory federal rate of 35.00% primarily due to the release of a portion of the Company’s valuation allowance on the U.S. deferred tax asset due to the income generate by the U.S. operations through the first nine months of 2008. The amount of the benefit related to this decrease in the valuation allowance was approximately $1,873 or 32.71%.

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The following table represents the reconciliation of the statutory federal income tax to the Company's effective tax rate:

	Nine months Ended September 30, 2008	Nine months Ended September 30, 2007
Federal Statutory Rate	35.00%	35.00%
State Rate	3.18%	0.00%
Permanent Items	0.06%	0.36%
R&D Credit	0.00%	(3.40%)
Rate Differential	0.22%	(2.12%)
Change in Valuation Allowance	(32.71%)	(0.22%)
Other	(0.06%)	0.00%
Effective Tax Rate	5.69%	29.62%

Deemed dividend on preferred stock. We accrued $367 and $366 of deemed dividend on preferred stock in the first nine months of 2008 and 2007, respectively. The holders of our secured convertible promissory notes converted those notes to shares of Series A preferred stock in December 2004. The Series A Preferred Stock accrues cumulative dividends at the rate of 10% per annum.

Liquidity and Capital Resources

Liquidity

Our principal liquidity requirements are for working capital, consisting primarily of accounts receivable and inventories, for debt repayments and capital expenditures. We believe that because of the production cycle of certain of our products, our inventories will continue to represent a significant portion of our working capital.

Our cash and cash equivalents increased $5,181 from $6,492 at December 31, 2007 to $11,673 at September 30, 2008. Cash provided by operating activities of $6,380 for the first nine months of 2008 was primarily the result of net income of $5,400, non-cash depreciation of $2,054, non-cash stock compensation expense of $162, a decrease in other current and non current assets of $827 offset by an increase in accounts receivable of $840 resulting from higher sales volume at the end of the third quarter, an increase in inventories of $304, a decrease in accounts payable and accrued liabilities of $870 and a decrease in deferred income tax of $49.

Cash provided by operating activities for the first nine months of 2007 of $892 was primarily the result of net income of $944, non-cash depreciation of $2,087, non-cash stock compensation expense of $273, a decrease in other current and non-current assets of $161 and an increase in accounts payable and accrued liabilities of $10, offset by an increase in inventories of $373, a decrease in deferred income tax of $56, a decrease in impairment recoveries of $25 and an increase in accounts receivable of $2,129.

Cash used in investing activities for the first nine months of 2008 was $1,047 and was the result of capital expenditures. Cash used in investing activities for the first nine months of 2007 was $1,027 and was primarily due to capital expenditures of $635, an increase in restricted cash of $417 in Germany for purchase of precious metals used in production offset by proceeds from sale of property, plant and equipment of $25.

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Cash provided by financing activities for the first nine months of 2008 was $13 and was the result of proceeds from exercise of stock options of $293, borrowings from equipment financing of $603 offset by payments on borrowings of $883. Net cash used in financing activities for the first nine months of 2007 of $479 was primarily the result of payments on borrowings of $837, offset by proceeds from exercise of stock options of $357.

We entered into an agreement with the Saxony government in May 1999 under which we receive investment grants. As of September 30, 2008, we had received grants of 5,000 Euros or $5,000 at the historical exchange rate and accounted for these grants by applying the proceeds received to reduce the cost of our fixed assets in our Dresden manufacturing facility. As of September 30, 2008, all government grants had been applied for or repaid.

Borrowing arrangements

Credit Agreement with Wells Fargo Bank

On May 19, 2008, Southwall Technologies Inc. ("Southwall") entered into a new Credit Agreement with Wells Fargo Bank ("Bank"). The Credit Agreement provides for a $3 million revolving line of credit, under which we may, from time to time, borrow up to 85% of eligible accounts receivables. Amounts borrowed under the facility bear interest at prime plus 0.75% annualized on the average daily financed amount outstanding. All borrowings under the facilities are collateralized by our assets in the United States and are subject to certain covenants including minimum cumulative quarterly net income, minimum net worth and a maximum annual cap on unfinanced capital expenditures.

The terms of the Credit Agreement, among other things, limit our ability to (i) incur, assume or guarantee additional indebtedness (other than pursuant to the Credit Agreement), (ii) incur liens upon the collateral pledged to the bank , and (iii) merge, consolidate, sell or otherwise dispose of substantially all or a substantial or material portion of our assets.

The Credit Agreement provides for events of default, which include, among others: (a) nonpayment of amounts when due, (b) the breach of our representations or covenants or other agreements in the Credit Agreement of related documents, (c) defaults or acceleration of our other indebtedness, (d) the occurrence of any events or condition that the Bank believes impairs or is substantially likely to impair the prospects of payment of performance by us, and (e) certain events of bankruptcy, insolvency or reorganization. Generally, if any event of default occurs, the Bank may declare all outstanding indebtedness under the Credit Agreement to be due and payable. The maturity date of the facility is May 19, 2009.

The foregoing does not purport to be a complete statement of the parties' rights and obligations under the Credit Agreement, and the transactions contemplated thereby or a complete explanation of material terms thereof.

Capital expenditures

We expect to spend approximately $1,500 in 2008 on upgrades and refurbishment of our production machines and research and development tools. We spent approximately $1,047 in capital expenditures during the first nine months of 2008. In addition, we expect to finance approximately $600 on manufacturing equipment to be used by Southwall Insulating Glass, LLC ("SIG") to automate the incorporation of Heat Mirror into insulated glass units during the manufacturing process.

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Future payment obligations

Our future payment obligations on our borrowings pursuant to our term debt, non-cancelable operating leases and other non-cancelable contractual commitments are as follows at September 30, 2008:

	Total	Less Than 1 Year	1-3 Years	3-5 Years	Greater Than 5 Years
Contractual Obligations:					
Term debt (1)	$ 8,895	$ 3,965	$ 1,999	$ 785	$ 2,146
Term debt Interest (1)	$ 1,695	$ 492	$ 489	$ 330	$ 384
Operating leases (2)	$ 1,269	$ 450	$ 819	$ -	$ -
Other Obligations (3)	$ 1,835	$ -	$ -	$ -	$ 1,835
Total contractual cash obligations	$ 13,694	$ 4,907 10	$ 3,307	$ 1,115	$ 4,365

(1) Represents the principal and interest allocations of loan agreements with Portfolio Financing Servicing Company and several German banks.

(2) Represents the remaining rents owed on buildings we rent in Palo Alto, California.

(3) Represents accumulated dividends accrual on Series A 10% cumulative convertible preferred stock (greater than five years).

Interest expense relating to term debt decreased for the nine month period ending September 30, 2007 to September 30, 2008 from $471 to $433, respectively. The reason for the decrease is mainly due to lower debt levels and fluctuations in the Euro exchange rate.

As of September 30, 2008, we maintained 30,174 square feet of office and warehouse space at 3780-3788 Fabian Way, Palo Alto, California 94303. The terms of the leases for these facilities continue through June 30, 2011. The monthly rent expense for this facility was $27 through May 31, 2008. The monthly payment increased to $28 for the remainder of 2008. In 2009, the monthly rent payments will increase to $38 and increase annually at a rate of 3% through the expiration of the lease.

As of September 30, 2008, we also had a lease obligation for 9,200 square feet at 3961 East Bayshore Road, Palo Alto, California 94303. This manufacturing space is currently being subleased to another party. The monthly rent payments for this facility are $9.

Item 3--Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the impact of interest rate changes, foreign currency fluctuations, and changes in the market values of our investments.

Financing risk: The interest rate on one of our German loans has been reset to the prevailing market rate of 5.75% and another of our German loans will have its interest rate reset to the prevailing market rate in 2009. Fluctuations or changes in interest rates may adversely affect our expected interest expense. The effect of a 10% fluctuation in the interest rate on our line of credit and term debt would have had an immaterial effect on our interest expense for the first nine months of 2008.

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Investment risk: We invest our excess cash in money market accounts and, by practice, make every effort to limit the amount of exposure by investing with strong, well-known institutions. Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. The effect of a 10% fluctuation in the interest rate on our excess cash investments would not have had a material effect on our interest income in the first nine months of 2008.
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Foreign currency risk: International revenues (defined as sales to customers located outside of the United States) accounted for approximately 80% of our total sales in the third quarter of 2008. Approximately 53% of our international revenues were denominated in Euros in the third quarter of 2008. The other 47% of our international sales were denominated in US dollars. In addition, certain transactions with foreign suppliers are denominated in foreign currencies. The effect of a 10% fluctuation in the Euro exchange rate would have had an effect of approximately $756 on net revenues for the third quarter of 2008.

Item 4--Controls and Procedures

(a) Evaluation and Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded as of the end of the period covered by this report, that our disclosure controls and procedures were effective, such that the information relating to our company, including our consolidated subsidiaries, required to be disclosed in our Securities and Exchange Commission (“SEC”) reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls. There were no changes during the first nine months of 2008 in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

Internal control systems, no matter how well designed and operated, have inherent limitations. Consequently, even a system which is determined to be effective cannot provide absolute assurance that all control issues have been detected or prevented. Our systems of internal controls are designed to provide reasonable assurance with respect to financial statement preparation and presentation.

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PART II--OTHER INFORMATION

Item 1--Legal Proceedings

In September 1995, Pilkington filed a patent application in Germany for XIR film characteristics. Southwall challenged the patent. This patent was revoked by the German Patent Court on April 20, 2004. A separate patent application had been filed by Pilkington in the European Patent Office on September 13, 1996, and a patent was granted. A separate opposition was filed by Southwall. However, the European Patent Office did not allow the opposition and maintained the patent. While the reasons for the final decision of the European Patent Office were issued September 9, 2008, the Company is unable to determine the impact, if any, at this time.

We are a party to various pending judicial and administrative proceedings arising in the ordinary course of business. While the outcome of the pending proceedings cannot be predicted with certainty, based on our review, we believe that any unrecorded liability that may result is not likely to have a material effect on our liquidity, financial condition or results of operations.

Item 1A—Risk Factors

The following information updates should be read in conjunction with the information disclosed in Item 1A, “Risk Factors,” of our Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on March 31, 2008.

Financial Risks

There have been no significant changes in financial risk factors for the three month period ended September 30, 2008. See information set forth in the section entitled “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, except (1) with respect to the Pilkington patent and (2) the current global economic environment. In September 1995, Pilkington filed a patent application in Germany for XIR film characteristics. Southwall challenged the patent. This patent was revoked by the German Patent Court on April 20, 2004. A separate patent application had been filed by Pilkington in the European Patent Office on September 13, 1996, and a patent was granted. A separate opposition was filed by Southwall. However, the European Patent Office did not allow the opposition and maintained the patent. While the reasons for the final decision of the European Patent Office were issued September 9, 2008, the Company is unable to determine the impact, if any, at this time.

Operational Risks

There have been no significant changes in operational risk factors for the three month period ended September 30, 2008. See information set forth in the section entitled “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, except (1) with respect to the Pilkington patent and (2) the current global economic environment. In September 1995, Pilkington filed a patent application in Germany for XIR film characteristics. Southwall challenged the patent. This patent was revoked by the German Patent Court on April 20, 2004. A separate patent application had been filed by Pilkington in the European Patent Office on September 13, 1996, and a patent was granted. A separate opposition was filed by Southwall. However, the European Patent Office did not allow the opposition and maintained the patent. While the reasons for the final decision of the European Patent Office were issued September 9, 2008, the Company is unable to determine the impact, if any, at this time.

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In recent months, worldwide economic conditions have deteriorated significantly in the United States and other countries and may remain depressed for the foreseeable future. These conditions make it difficult for our customers and potential customers to accurately forecast and plan future business activities and could cause our customers and potential customers to slow or reduce spending on our products. Furthermore, during challenging economic times, our customers' ability to make timely payments to us could be impaired. If that were to occur, accounts receivable collection time may increase, and we may be required to increase our allowance for doubtful accounts accordingly. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery. However, these and other economic factors could have a material adverse effect on demand for our products which would impact our financial condition and operating results.

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

None.

Item 3--Defaults upon Senior Securities

None

Item 4--Submission of Matters to a Vote of Stockholders

None

Item 5--Other Information

None

Item 6--Exhibits

(a) Exhibits

Exhibit Number	Item
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14 and 15d-14
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14 and 15d-14
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C Section 1350
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350

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SIGNATURES

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

Dated: November 13, 2008

Southwall Technologies Inc.

By: /s/ Dennis F. Capovilla
Dennis F. Capovilla
Chief Executive Officer

By: /s/ Mallorie Burak
Mallorie Burak
Chief Accounting Officer