SOLECTRON CORP
Form POS AM
November 16, 2004

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As filed with the Securities and Exchange Commission on November 16, 2004
Registration No. 333-114447

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Post-Effective Amendment No. 1
to
FORM S-3
REGISTRATION STATEMENT
Under
The Securities Act of 1933

SOLECTRON CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	**94-2447045**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

847 Gibraltar Drive
Milpitas, California 95035
(408) 957-8500
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Kiran Patel
Executive Vice President and Chief Financial Officer
Solectron Corporation
847 Gibraltar Drive
Milpitas, California 95035
(408) 957-8500
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Daniel J. Weiser, Esq.
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Wilson Sonsini Goodrich & Rosati, Professional Corporation
650 Page Mill Road
Palo Alto, CA 94304
(650) 493-9300

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.o __________

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.o __________

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.o

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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$450,000,000

SOLECTRON CORPORATION

0.50% Convertible Senior Notes due 2034

and the Common Stock Issuable Upon Conversion of the Notes

We issued the notes in a private placement in February 2004. This prospectus will be used by selling securityholders to resell their notes and the common stock issuable upon conversion of their notes. We will not receive any proceeds from this offering.

The notes are scheduled to mature on February 15, 2034. We will pay interest on the notes on February 15 and August 15 of each year.

You may convert the notes into shares of our common stock at any time prior to maturity, redemption or repurchase by us, if (1) the price of our common stock issuable upon conversion of a note reaches a specified threshold, (2) the notes have been called for redemption, (3) specified corporate transactions occur or (4) the trading price of the notes falls below certain thresholds. The initial conversion rate is 103.4468 shares per $1,000 principal amount of notes, subject to adjustment in certain circumstances. This is equivalent to a conversion price of approximately $9.67 per share.

The notes rank equally in right of payment with all of our existing and future unsubordinated, unsecured indebtedness, are structurally subordinated to all liabilities of our subsidiaries and are subordinated to all of our unsubordinated, secured indebtedness to the extent of the value of the collateral.

On or after February 20, 2011, we will have the option to redeem all or a portion of the notes that have not been previously purchased, repurchased or converted, at 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest and liquidated damages owed, if any, to, but excluding, the date of repurchase. You may require us to purchase all or a portion of your notes for cash on each February 15 of each of 2011, 2014, 2019, 2024 and 2029 at a price equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest and liquidated damages owed, if any, to, but excluding, the date of repurchase. You have the option, subject to certain conditions, to require us to repurchase any notes held by you in the event of a change in control, as described in this prospectus, at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest and liquidated damages owed, if any, to, but excluding, the date of repurchase.

The notes are not listed on any securities exchange or included in any automated quotation system. On November 15, 2004, the last reported sale price for our common stock on the New York Stock Exchange Composite Tape was $5.85 per share. Our common stock is listed on the New York Stock Exchange Composite Tape under the symbol SLR.

Investing in the notes involves risks. See Risk Factors beginning on page 8.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is , 2004

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SUMMARY

This summary contains basic information about us and this offering. Because this is a summary, it may not contain all the information that may be important to you. You should read this entire prospectus carefully, including the information set forth under Risk Factors and our consolidated financial statements and the schedules and related notes and Management s Discussion and Analysis of Financial Condition and the Results of Operations incorporated by reference into this prospectus. Unless the context otherwise requires or we state otherwise, the terms Solectron, we, us and our refer to Solectron Corporation, a Delaware corporation, together with its subsidiaries.

Solectron Corporation

We provide electronics supply chain services to original equipment manufacturers (OEMs) around the world. These companies contract with us to build their products or to obtain services related to product design, manufacturing and post-production requirements. We primarily design, build and service products that carry the brand names of our customers.

We serve several electronics products and technology markets. Much of our business is related to the following products:

- Computing and storage equipment, including servers, storage systems, workstations, notebooks, and peripherals;
- Networking equipment such as routers and switches that move traffic across the Internet;
- Communications equipment, including wireless and wireline infrastructure products;
- Consumer products such as cellular phones, set-top boxes, and personal/handheld communications devices;
- Automotive electronics systems, including audio and navigation systems, system control modules, and body electronics;
- Industrial products, including semiconductor manufacturing and test equipment, wafer fabrication equipment controls, process automation equipment and home appliance electronics controls;
- Medical products such as X-ray equipment, ultrasound fetal monitors, MRI scanners, blood analyzers, ECG patient monitors, surgical robotic systems, HPLCs, spectrometers, and laser surgery equipment; and
- Other electronics equipment and products.

Our customers include many of the world s leading technology companies, such as Cisco Systems, Ericsson, Hewlett-Packard, IBM, Lucent Technologies, Motorola, NEC, Nortel Networks, and Sun Microsystems.

We have a comprehensive range of services designed to meet customer supply chain needs throughout the product life cycle. Our services include:

Collaborative design;

Design for Six Sigma and manufacturability;

Design for cost reduction;

Product launch;

Product life extension;

Sustaining engineering;

Printed circuit board assembly (PCBA) and subsystem manufacturing;

Systems assembly and test;

Product fulfillment;

Repair;

Product logistics; and

End-of-life product support.

We bring these services together to provide integrated supply chain solutions for our customers. By utilizing our services, customers gain cost, time and quality advantages that help improve their competitiveness and enable them to focus on their core competencies of sales, marketing, and research and development.

Recent Developments

On September 2, 2004, Marty Neese was appointed as Executive Vice President, Worldwide Sales and Account Management. Mr. Neese most recently was vice president of worldwide sales operations at Sanmina-SCI, where he was responsible for all customer relationship activities. Prior to that position, Mr. Neese led Sanmina-SCI s program management activities. In addition, he spent six years at Jabil Circuit as an SMT line production manager and director of business development. He also served as a battery commander and battalion supply and logistics officer in the U.S. Army. Mr. Neese holds a master s degree in business administration from the University of Florida and a bachelor s degree in quantitative business systems from the U.S. Military Academy.

On September 10, 2004, we completed the sale of our minority interest in ECS Holdings Limited for approximately $16 million in cash.

On October 18, 2004, we completed the divesture of our MicroTechnology business operations to Francisco Partners.

We were originally incorporated in the State of California in August 1977. In February 1997, we were reincorporated in Delaware. Our principal executive offices are located at 847 Gibraltar Drive, Milpitas, California 95035. Our telephone number is (408) 957-8500 and our internet address is www.solectron.com.

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The information contained or incorporated in our website is not a part of, or incorporated into, this prospectus and should not be relied upon in making a decision of whether or not to invest in our securities.

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The Offering

Notes offered	$450,000,000 aggregate principal amount of 0.50% Convertible Senior Notes due 2034.
Maturity	February 15, 2034.
Interest	The notes bear interest at an annual rate of 0.50%. We will pay interest on the notes on February 15 and August 15 of each year.
Conversion	Unless we have previously redeemed, purchased or repurchased the notes, you will have the right, at your option, to convert your notes, in whole or in part, into shares of our common stock prior to maturity, subject to adjustments described herein, initially at a rate of 103.4468 shares of common stock per $1,000 principal amount of notes (which is equivalent to a conversion price of approximately $9.67 per share), as follows:

if, on or prior to February 15, 2029, the closing sale price of our common stock for at least 20 trading days in the period of the 30 consecutive trading days ending on the eleventh trading day of any fiscal quarter is more than 120% of the then current conversion price of the notes, then you will have such conversion right until and including the eleventh trading day of the following fiscal quarter;

if, on any date after February 15, 2029, the closing sale price of our common stock is more than 120% of the then current conversion price of the notes, then you will have such conversion right at all times thereafter;

if we elect to call the notes for redemption on or after February 20, 2011, then you will have the right to convert the notes (or the portion of the notes called for redemption if fewer than all) from the date of the notice of redemption until the close of business on the business day immediately prior to the redemption date;

if we distribute to all or substantially all holders of our common stock rights, options or warrants entitling them to purchase common stock at less than the closing sale price of our common stock on the trading day immediately preceding the declaration for such distribution, then once we have given notice to you of such event, you will have such conversion right until a specified date unless you may participate in the distribution without converting;

if we distribute to all or substantially all holders of our common stock cash, assets, debt securities or capital stock, which distribution has a per common share value as determined by our board of directors exceeding 5% of the closing sale price of our common stock on the day preceding the declaration for such distribution, then once we have given notice to you, you will have such conversion right until a specified date unless you may participate in the distribution without converting; or

if we become a party to a consolidation, merger or sale of all or substantially all of our assets that constitutes a change in control, as that term is defined in this prospectus under the caption entitled Description

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of the Notes Repurchase at Option of Holders Upon a Change in Control, or such an event occurs that would have been a change in control but for one or more of the exceptions to the definition of change in control as specified under the caption entitled Description of the Notes Conversion Rights, then you will have such conversion right beginning 15 days prior to the anticipated effective date of the transaction until 15 days following its effective date.

You may also convert your notes into shares of our common stock for the five business day period after any five consecutive trading-day period in which the average trading prices for the notes for such five trading-day period was less than 95% of the average conversion value (as defined in this prospectus under the section Description of the Notes Conversion Rights) for the notes during that period; provided, however, if, at the time of the conversion, the closing sale price of shares of our common stock is greater than the then current conversion price on the notes and less than or equal to 120% of the then current conversion price of the notes, you surrender your notes for conversion and the notes are not otherwise convertible, you will receive at our option, cash or common stock with a value equal to the principal amount of your notes on such conversion date. If we elect to pay you in common stock, our common stock will be valued at the greater of (a) 100% of the average closing sale price for the five consecutive trading days following the conversion date and (b) the conversion price.

The conversion rate is subject to adjustment upon certain events.

Ranking	The notes: are our general, unsecured obligations, and rank equally in right of payment with all of our existing and future unsubordinated, unsecured indebtedness. The notes are subordinated to any unsubordinated secured indebtedness to the extent of the value of the assets securing such indebtedness and are structurally subordinated to any liabilities of our subsidiaries to the extent of the assets of those subsidiaries. As of August 31, 2004, the aggregate amount of liabilities of our subsidiaries, principally trade payables, was approximately $2.2 billion (excluding intercompany liabilities). The indenture generally does not restrict the incurrence of debt by us or any of our subsidiaries.
Optional redemption by Solectron	On or after February 20, 2011, we have the option to redeem all or a portion of the notes at 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest and liquidated damages owed, if any, to, but excluding, the date of redemption.
Purchase of the notes at the option of the holder	You may require us to purchase all or a portion of your notes in cash on each February 15, of each of 2011, 2014, 2019, 2024 and 2029 at 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest and

liquidated damages owed, if any, to, but excluding, the date of repurchase.

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Repurchase at the option of the holders upon change in control	Upon a change in control you will have the right, subject to conditions and restrictions, to require us to repurchase some or all of your notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest and liquidated damages owed, if any, to, but excluding, the date of repurchase. The repurchase price is payable in cash or, at our option and subject to certain limitations, in shares of our common stock valued at 95% of the average closing sale prices of the common stock for the five consecutive trading days immediately preceding and including the third trading day prior to the repurchase date.
Use of proceeds	We will not receive any of the proceeds from the sale by any selling securityholder of the notes or the underlying common stock into which the notes may be converted.
Events of default	The following are events of default under the indenture for the notes: we fail to pay the principal of any note when due; we fail to pay interest or liquidated damages, if any, on any note when due, and such failure continues for 30 days; we fail to provide the notice that we are required to give in the event of a change in control; we breach or fail to perform any other covenant or agreement in the indenture and that failure continues for 60 days following written notice to us by the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding; we fail to pay when due, either at its maturity or upon acceleration, any indebtedness for borrowed money by us under any bonds, debentures, notes or other evidences of indebtedness, or any guarantee by us thereof, of $50 million or more (or, following a fall away event (as defined under the caption Description of the Notes Events of Default) $100 million or more) if the indebtedness is not discharged, or the acceleration is not annulled, within 30 days after written notice by the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding notes; and certain events of bankruptcy, insolvency or reorganization involving us or any significant subsidiary, as specified in the indenture.
Trading of notes; Listing of common stock	Our common stock is listed for trading on the New York Stock Exchange Composite Tape under the symbol SLR. The notes are not listed for trading on any securities exchange or for inclusion in any automated quotation system.

Risk Factors

You should read the Risk Factors section, beginning on page 8 of this prospectus, as well as other cautionary statements throughout the entire prospectus and the documents incorporated by reference herein and therein, so that you understand the risks associated with an investment in the notes.

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RATIO OF EARNINGS TO FIXED CHARGES

	Fiscal Year Ended				
	August 31, 2000	**August 31, 2001**	**August 31, 2002**	**August 31, 2003**	**August 31, 2004**
Ratio of earnings to fixed charges (1)	7.8x	0.4x			

(1) Earnings consist of income from continuing operations before income taxes plus fixed charges and fixed charges consist of (i) interest on all indebtedness and amortization of debt discount and expense, (ii) capitalized interest and (iii) an interest factor attributable to rentals. The deficiency of earnings to fixed charges were $126.0 million, $3,519.8 million, $2,487.7 million and $252.1 million for the fiscal years ended August 31, 2001, 2002, 2003 and 2004, respectively.

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RISK FACTORS

Investing in the notes and the common stock into which the notes are convertible involves a high degree of risk. In addition to the other information contained in or incorporated by reference into this prospectus, you should carefully consider the following risk factors before making an investment in securities of Solectron. If any of the events or circumstances described below actually occur, our business, financial condition or results of operations could suffer, and the trading price of our common stock and the notes offered by this prospectus could decline or become more volatile and you could lose part or all of your investment. The risks outlined below are not the only risks and uncertainties we face.

Risks Related to Our Business

Most of our net sales come from a small number of customers; if we lose any of these customers, our net sales could decline significantly.

Most of our annual net sales come from a small number of our customers. Our ten largest customers accounted for approximately 59.8%, 60.6%, and 68.1% of net sales from continuing operations in fiscal years 2004, 2003, and 2002, respectively. One of these customers individually accounts for more than ten percent of our annual net sales. Any material delay, cancellation or reduction of orders from these or other major customers could cause our net sales to decline significantly, and we may not be able to reduce the accompanying expenses at the same time. We cannot guarantee that we will be able to retain any of our largest customers or any other accounts, or that we will be able to realize the expected revenues under existing or anticipated supply agreements with these customers. Our business, market share, consolidated financial condition and results of operations will continue to depend significantly on our ability to obtain orders from new customers, retain existing customers, realize expected revenues under existing and anticipated supply agreements, as well as on the consolidated financial condition and success of our customers and their customers.

Net sales may not improve, and could decline, in future periods if there is continued or resumed weakness in customer demand, particularly in the telecommunications and computing sectors, resulting from worldwide economic conditions. In addition, in connection with our efforts to improve our gross profits, we are engaged in pricing discussions with certain current customers on specific programs where we feel we are presently under-compensated for the services and value that we provide. Where we are not able to reach mutual agreement with a customer on price adjustments, we have mutually agreed with the customer to transition the business in question to a new supplier. While we believe our disengagement from specific programs with certain customers will ultimately advance our efforts to return to sustained profitability, there can be no assurance that such disengagements will not result in a loss of significant revenue, a lowering of our capacity utilization at affected sites, and other adverse financial effects.

Our customers may cancel their orders, change production quantities or locations, or delay production.

To remain competitive, EMS companies must provide increasingly rapid product turnaround, at increasingly competitive prices, for their customers. We generally do not have long-term contractual commitments from our top customers. As a result, we cannot guarantee that we will continue to receive any net sales from our customers. Customers may cancel their orders, change production quantities or delay production for a number of reasons outside of our control. Many of our customers industries have recently experienced a significant decrease in demand for their products and services, as well as substantial price competition. The generally uncertain economic condition of several of our customers industries has resulted, and may continue to result, in some of our customers delaying purchases on some of the products we manufacture for them, and placing purchase orders for lower volumes of products than previously anticipated. Cancellations, reductions or delays by a significant customer or by a group of customers would seriously harm our results of operations by reducing the volumes of products manufactured by us for the customers and delivered in that period. Furthermore, delays in the repayment of our expenditures for inventory in preparation for customer orders and lower asset utilization in those periods would result in lower gross profits. In addition, customers may require that manufacturing of their products be transitioned from one facility to another to achieve cost and other objectives. Such transfers, if unanticipated or not properly executed, could result in various inefficiencies and costs, including excess capacity and overhead at one facility and capacity constraints and related strains on our resources at the other, disruption and delays in product deliveries and sales, deterioration in product quality and customer satisfaction, and increased manufacturing and scrap costs.

We may not be able to sell excess or obsolete inventory to customers or third parties, which could have a material adverse impact on our consolidated financial condition.

The majority of our inventory purchases and commitments are based upon demand forecasts that our customers provide to us. The customers forecasts, and any changes to the forecasts, including cancellations, may lead to on-hand inventory quantities and on-order purchase commitments that are in excess of the customers revised needs, or that become obsolete.

We generally enter into supply agreements with our significant customers. Under these supply agreements, the extent of our customer s responsibility for excess or obsolete inventory related to raw materials that were previously purchased or ordered to meet that customer s demand forecast is defined. If our customers do not comply with their contractual obligations to purchase excess or obsolete inventory back from us and we are unable to use or sell such inventory, our consolidated financial condition could be materially harmed. Some of our customers are in the telecommunications industry, an industry that in recent years has experienced declining revenue, large losses, negative cash flows, and several bankruptcies or defaults on borrowing arrangements. In the past, some of our customers have defaulted on their obligations to purchase inventory back from us. There is a risk that, in the future, these or other customers may not purchase inventory back from us despite contractual obligations, which could harm our consolidated financial condition if we are unable to sell the inventory at carrying value. In addition, enforcement of these supply agreements may result in material expenses, delays in payment for inventory and/or disruptions in our customer relationships.

We are responsible for excess and obsolete inventory resulting from inventory purchases in excess of inventory needed to meet customer demand forecasts at the time the purchase commitments were made, as well as any inventory purchases not made pursuant to the customer s responsibility under our supply agreements. For inventory which is not the customer s responsibility, provisions are made when required to reduce any such excess or obsolete inventory to its estimated net realizable value, based on the quantity of such inventory on hand, our customers latest forecasts of production requirements, and our assessment of available disposition alternatives such as use of components on other programs, the ability and cost to return components to the vendor, and our estimates of resale values and opportunities. These assessments are necessarily based upon various assumptions and market conditions which are subject to rapid change, and/or which may ultimately prove to be inaccurate. Any material changes in our assumptions or market conditions could have a significant effect on our estimates of net realizable value, could necessitate material changes in our provisions for excess and obsolete inventory, and could have a material adverse impact on our consolidated financial condition. In addition, in the normal course of business, bona fide disagreements may arise over the amount and/or timing of such claims, and in order to avoid litigation expenses, collection risks, or disruption of customer relationships, we may elect to settle such disputes for lesser amounts than we believe we should be entitled to recover. In these instances, we must bear the economic loss of any such

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excess or obsolete inventory, which could have a material adverse impact on our consolidated financial condition. For example, we recorded a charge of $76.3 million related to excess and obsolete inventory during the second quarter of fiscal 2003, and there can be no assurance that similar charges at lesser or greater levels will not be necessary in future periods.

Our non-U.S. locations represent a significant portion of our net sales; we are exposed to risks associated with operating internationally.

Approximately 72.3%, 67.3%, and 68.2% of our net sales from continuing operations are the result of services and products manufactured in countries outside the United States during fiscal 2004, 2003, and 2002, respectively. As a result of our foreign sales and facilities, our operations are subject to a variety of risks and costs that are unique to international operations, including the following:

- adverse movement of foreign currencies against the U.S. dollar in which our results are reported;
- import and export duties, and value added taxes;
- import and export regulation changes that could erode our profit margins or restrict exports and/or imports;
- potential restrictions on the transfer of funds;
- government and license requirements governing the transfer of technology and products abroad;
- disruption of local labor supply and/or transportation services;
- inflexible employee contracts in the event of business downturns;
- the burden and cost of compliance with import and export regulations and foreign laws;
- economic and political risks in emerging or developing economies; and
- risks of conflict and terrorism that could disrupt our or our customers and suppliers businesses.

We have been granted tax holidays, which are effective through 2012 subject to some conditions, for our Malaysian and Singapore sites. We have also been granted various tax holidays in China. These tax holidays are effective for various terms and are subject to some conditions. It is possible that the current tax holidays will be terminated or modified or that future tax holidays that we may seek will not be granted. If the current tax holidays are terminated or modified, or if additional tax holidays are not granted in the future or when our current tax holidays expire, our future effective income tax rate could increase.

We are exposed to general economic conditions, which could have a material adverse impact on our business, operating results and consolidated financial condition.

As a result of the recent economic conditions in the U.S. and internationally, and reduced capital spending as well as uncertain end-market demand, our customers and therefore our sales have been difficult to forecast with accuracy. If there were to be continued or resumed weakness in these industries which we serve, or any further deterioration in the business or financial condition of our customers, it could have a material adverse impact on our business, operating results and consolidated financial condition. In addition, if

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the economic conditions in the United States and the other markets we serve worsen, we may experience a material adverse impact on our business, operating results and consolidated financial condition.

Possible fluctuation of operating results from quarter to quarter and factors out of our control could affect the market price of our securities.

Our quarterly earnings and/or stock price may fluctuate in the future due to a number of factors including the following:

differences in the profitability of the types of manufacturing services we provide. For example, high velocity and low complexity printed circuit boards and systems assembly services have lower gross profit than low volume/complex printed circuit boards and systems assembly services;

our ability to maximize the hours of use of our equipment and facilities is dependent on the duration of the production run time for each job and customer;

the amount of automation that we can use in the manufacturing process for cost reduction varies, depending upon the complexity of the product being made;

our customers demand for our products and their ability to take delivery of our products and to make timely payments for delivered products;

our ability to optimize the ordering of inventory as to timing and amount to avoid holding inventory in excess of immediate production needs;

our ability to offer technologically advanced, cost-effective, quick response, manufacturing services;

fluctuations in the availability and pricing of components;

timing of expenditures in anticipation of increased sales;

cyclicality in our target markets;

fluctuations in our market share;

expenses and disruptions associated with acquisitions and divestitures;

announcements of operating results and business conditions by our customers;

announcements by our competitors relating to new customers or technological innovation or new services;

economic developments in the electronics industry as a whole;

credit rating and stock analyst downgrades;

political and economic developments in countries in which we have operations; and general market conditions.

If our operating results in the future are below the expectations of securities analysts and investors, the market price of our outstanding securities could be harmed.

If we incur more restructuring-related charges than currently anticipated, our consolidated financial condition and results of operations may suffer.

If our estimates about previous restructuring charges prove to be inadequate, our consolidated financial condition and results of operations may suffer. While we believe our capacity is appropriate for current revenue levels, we continue to evaluate our cost structure relative to future financial results and customer demand. If our estimates about future financial results and customer demand prove to be inadequate, our consolidated financial condition and consolidated results of operations may suffer.

We depend on limited or sole source suppliers for critical components. The inability to obtain sufficient components as required, and under favorable purchase terms, would cause harm to our business.

We are dependent on certain suppliers, including limited and sole source suppliers, to provide key components used in our products. We have experienced, and may continue to experience, delays in component deliveries, which in turn could cause delays in product shipments and require the redesign of certain products. In addition, if we are unable to procure necessary components under favorable purchase terms, including at favorable prices and with the order lead-times needed for the efficient and profitable operation of our factories, our results of operations could suffer. The electronics industry has experienced in the past, and may experience in the future, shortages in semiconductor devices, including application-specific integrated circuits, DRAM, SRAM, flash memory, certain passive devices such as tantalum capacitors, and other commodities that may be caused by such conditions as overall market demand surges or supplier production capacity constraints. The inability to continue to obtain sufficient components as and when required, or to develop alternative sources as and when required, could cause delays, disruptions or reductions in product shipments or require product redesigns which could damage relationships with current or prospective customers, and increase inventory levels and costs, thereby causing harm to our business.

We potentially bear the risk of price increases associated with shortages in electronics components.

At various times, there have been shortages of components in the electronics industry leading to increased component prices. One of the services that we perform for many customers is purchasing electronics components used in the manufacturing of the customers products. As a result of this service, we potentially bear the risk of price increases for these components if we are unable to purchase components at the pricing level anticipated to support the margins assumed in our agreements with our customers.

Our net sales could decline if our competitors provide comparable manufacturing services and improved products at a lower cost.

We compete with different contract manufacturers, depending on the type of service we provide or the geographic locale of our operations, in an industry which is intensely competitive. These competitors may have greater manufacturing, financial, R&D and/or marketing resources than we have. In addition, we may not be able to offer prices as low as some of our competitors because those competitors may have lower cost structures as a result of their geographic location or the services they provide, or because such competitors are willing to accept business at lower margins in order to utilize more of their excess capacity. In that event, our

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net sales could decline. We also expect our competitors to continue to improve the performance of their current products or services, to reduce their current products or service sales prices and to introduce new products or services that may offer greater value-added performance and improved pricing. Any of these could cause a decline in sales, loss of market acceptance of our products or services and corresponding loss of market share, or profit margin compression. We have experienced instances in which customers have transferred certain portions of their business to competitors in response to more attractive pricing quotations than we have been willing to offer, and there can be no assurance that we will not lose business in the future in response to such competitive pricing or other inducements which may be offered by our competitors.

We depend on the continuing trend of OEMs to outsource.

A substantial factor in our past revenue growth was attributable to the transfer of manufacturing and supply-based management activities from our OEM customers. Future growth is partially dependent on new outsourcing opportunities. To the extent that these opportunities are not available, our future growth would be unfavorably impacted.

Our strategic relationships with major customers create risks.

In the past several years, we completed several strategic transactions with OEM customers. Under these arrangements, we generally acquired inventory, equipment and other assets from the OEM, and leased (or in some cases acquired) their manufacturing facilities, while simultaneously entering into multi-year supply agreements for the production of their products. There has been strong competition among EMS companies for these transactions, and this competition may continue to be a factor in customers selection of their EMS providers. These transactions contributed to a significant portion of our past revenue growth, as well as to a significant portion of our more recent restructuring charges and goodwill and intangible asset impairments. While we do not anticipate our acquisitions of OEM plants and equipment in the near future to return to the levels at which they occurred in the recent past, there may be occasions on which we determine it to be advantageous to complete acquisitions in selected geographic and/or industry markets. As part of such arrangements, we would typically enter into supply agreements with the divesting OEMs, but such agreements generally do not require any minimum volumes of purchases by the OEM and the actual volume of purchases may be less than anticipated. Arrangements which may be entered into with divesting OEMs typically would involve many risks, including the following:

- we may pay a purchase price to the divesting OEMs that exceeds the value we are ultimately able to realize from the future business of the OEM;
- the integration into our business of the acquired assets and facilities may be time-consuming and costly;
- we, rather than the divesting OEM, would bear the risk of excess capacity;
- we may not achieve anticipated cost reductions and efficiencies;
- we may be unable to meet the expectations of the OEM as to volume, product quality, timeliness and cost reductions; and
- if demand for the OEM s products declines, the OEM may reduce its volume of purchases, and we may not be able to sufficiently reduce the expenses of operating the facility or use the facility to provide services to other OEMs, and we might find it appropriate to close, rather than continue to operate, the facility, and any such actions would require us to incur significant restructuring

and/or impairment charges.

As a result of these and other risks, we may be unable to achieve anticipated levels of profitability under such arrangements and they may not result in material revenues or contribute positively to our earnings. Additionally, other OEMs may not wish to obtain logistics or operations management services from us.

If we are unable to manage future acquisitions, and cost-effectively run our operations, our profitability could be adversely affected.

Our ability to manage and integrate future acquisitions will require successful integration of such acquisitions into our manufacturing and logistics infrastructure, and may require enhancements or upgrades of accounting and other internal management systems and the implementation of a variety of procedures and controls. We cannot guarantee that significant problems in these areas will not occur. Any failure to enhance or expand these systems and implement such procedures and controls in an efficient manner and at a pace consistent with our business activities could harm our consolidated financial condition and results of operations. In addition, we may experience inefficiencies from the management of geographically dispersed facilities and incur substantial infrastructure and working capital costs. We incurred approximately $176.8 million (including intangible impairment charges of approximately $47.5 million) of restructuring and impairment costs relating to continuing operations in fiscal 2004 and approximately $2.2 billion (including goodwill and other intangible impairment charges of approximately $1.8 billion) during fiscal 2003. See also the Risk Factor entitled If we incur more restructuring-related charges than currently anticipated, our consolidated financial condition and results of operations may suffer.

Notwithstanding our divestiture of certain businesses, we will remain subject to certain indemnification obligations for a period of time after completion of the divestitures.

The sale agreement for each of our divested businesses contains indemnification provisions under which we may be required to indemnify the buyer of the divested business for liabilities, losses, or expenses arising out of breaches of covenants and certain breaches of representations and warranties relating to the condition of the business prior to and at the time of sale. While we believe, based upon the facts presently known to us, that we have made adequate provision for any such potential indemnification obligations, it is possible that other facts may become known in the future which may subject us to claims for additional liabilities or expenses beyond those presently anticipated and provided for. Should any such unexpected liabilities or expenses be of a material amount, our finances could be adversely affected.

We are exposed to fluctuations in foreign currency exchange rates.

We have currency exposure arising from both sales and purchases denominated in currencies other than the functional currency of our sites. Fluctuations in the rate of exchange between the currency of the exposure and the functional currency of our sites could seriously harm our business, operating results and consolidated financial condition. For example, if there is an increase in the rate at which a foreign currency is exchanged for U.S. dollars, it will require more of the foreign currency to equal a specified amount of U.S. dollars than before the rate increase. In such cases, and if we price our products and services in the foreign currency, we will receive less in U.S. dollars than we did before the rate increase went into effect. If we price our products and services in U.S. dollars and competitors price their products in local currency, an increase in the relative strength of the U.S. dollar could result in our prices being uncompetitive in markets where business is transacted in the local currency.

We enter into foreign exchange forward contracts intended to reduce the short-term impact of foreign currency fluctuations on foreign currency cash, receivables, investments and payables. The gains and losses

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on the foreign exchange forward contracts are intended to offset the transaction gains and losses on the foreign currency cash, receivables, investments, and payables recognized in earnings. We do not enter into foreign exchange forward contracts for speculative purposes. Our foreign exchange forward contracts related to current assets and liabilities are generally three months or less in original maturity.

As of August 31, 2004, we had outstanding foreign exchange forward contracts with a total notional amount of approximately $665.5 million related to continuing operations. The change in value of the foreign exchange forward contracts resulting from a hypothetical 10% change in foreign exchange rates would be offset by the remeasurement of the related balance sheet items, the result of which would not be significant.

As of August 31, 2004, the majority of our foreign currency hedging contracts were scheduled to mature in approximately three months and there were no material deferred gains or losses. In addition, our international operations in some instances act as a natural hedge because both operating expenses and a portion of sales are denominated in local currency. In these instances, although an unfavorable change in the exchange rate of a foreign currency against the U.S. dollar will result in lower sales when translated to U.S. dollars, operating expenses will also be lower in these circumstances. Although approximately 28.4% of our net sales from continuing operations in fiscal 2004 were denominated in currencies other than the U.S. dollar, we do not believe our total exposure to be significant because of natural hedges.

We are exposed to interest rate fluctuations.

The primary objective of our investment activities is to preserve principal, while at the same time maximize yields without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including government and corporate obligations, certificates of deposit and money market funds. As of August 31, 2004, substantially our entire total portfolio was scheduled to mature in less than three months. A hypothetical 10% change in interest rates would not have a material effect on the fair value of our investment portfolios.

As of August 31, 2004, we had no cash equivalents and short-term investments that were subject to interest rate risk (defined as risk of loss of investment fair value due to interest rate movements). The fair value of our cash equivalents and short-term investments approximated the carrying value as of August 31, 2004.

Interest on long-term debt instruments is payable at fixed rates. In addition, the amount of principal to be repaid at maturity is also fixed. On November 15, 2002, we entered into an interest rate swap transaction under which we pay variable rates and we receive fixed rate. The interest swap effectively converted $500 million of our long-term debt with fixed interest rate into debt with variable rates of interest. Our interest rate swap, which expires on February 15, 2009, has a total notional amount of $500 million and relates to our 9.625% $500 million senior notes. Under this swap transaction we pay an interest rate equal to the 3-month LIBOR rate plus a fixed spread. In exchange, we receive fixed interest rates of 9.625%. Our interest rate swap creates interest rate risk for us. A hypothetical 50 basis point change in interest rates would not have a material effect on our consolidated financial position, results of operations and cash flows over the next fiscal year.

Failure to attract and retain key personnel and skilled associates could hurt our operations.

Our continued success depends to a large extent upon the efforts and abilities of key managerial and technical associates. Losing the services of key personnel could harm us. Our business also depends upon our ability to continue to attract key executives and retain senior managers and skilled associates. Failure to do so could harm our business.

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Failure to comply with environmental regulations could harm our business.

As a company in the electronics manufacturing services industry, we are subject to a variety of environmental regulations, including those relating to the use, storage, discharge and disposal of hazardous chemicals used during our manufacturing process as well as air quality and water quality regulations, restrictions on water use, and storm water regulations. Although we have never sustained any significant loss as a result of non-compliance with such regulations, any failure by us to comply with environmental laws and regulations could result in liabilities or the suspension of production. In addition, these laws and regulations could restrict our ability to expand our facilities or require us to acquire costly equipment or incur other significant costs to comply with regulations.

We own and lease some contaminated sites (for some of which we have been indemnified by third parties for required remediation), sites for which there is a risk of the presence of contamination, and sites with some levels of contamination for which we may be liable and which may or may not ultimately require any remediation. We have obtained environmental insurance to reduce potential environmental liability exposures posed by some of our operations and facilities. We believe, based on our current knowledge, that the cost of any groundwater or soil clean up that may be required at our facilities would not materially harm our business, consolidated financial condition and results of operations. Nevertheless, the process of remediating contamination in soil and groundwater at facilities is costly and cannot be estimated with high levels of confidence, and there can be no assurance that the costs of such activities would not harm our business, consolidated financial condition and results of operations in the future.

We may not be able to adequately protect or enforce our intellectual property rights and could become involved in intellectual property disputes.

Our ability to effectively compete may be affected by our ability to protect our proprietary information. We hold a number of patents, patent applications, and various other trade secrets and license rights. These patents, trade secrets, and license rights may not provide meaningful protection for our manufacturing processes and equipment innovations, or we might find it necessary to initiate litigation proceedings to protect our intellectual property rights. Any such litigation could be lengthy and costly and could harm our consolidated financial condition.

In the past we have been and may from time to time continue to be, notified of claims that we may be infringing patents, copyrights or other intellectual property rights owned by other parties. In the event of an infringement claim, we may be required to spend a significant amount of money to develop a non-infringing alternative, to obtain licenses, and/or to defend against the claim. We may not be successful in developing such an alternative or obtaining a license on reasonable terms, if at all. Any litigation, even where an infringement claim is without merit, could result in substantial costs and diversion of resources. Accordingly, the resolution or adjudication of intellectual property disputes could have a material adverse effect on our business, consolidated financial condition and results of operations.

Our rating downgrades make it more expensive for us to borrow money.

On October 28, 2003 Standard and Poor s downgraded our senior unsecured debt rating to B+ with a stable outlook. On October 31, 2003 Moody s downgraded our senior unsecured debt rating to B1 with a stable outlook. These rating downgrades increase our cost of capital should we borrow under our revolving lines of credit, and may make it more expensive for us to raise additional capital in the future. Such capital raising activities may be on terms that may not be acceptable to us or otherwise not available. On June 22, 2004, Standard and Poor s affirmed our senior unsecured rating and revised our outlook to positive from stable.

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Risks Related to the Notes

Our substantial debt could adversely affect our cash flow and prevent us from fulfilling our obligations.

We have, and will continue to have after the offering of the notes, significant amounts of outstanding indebtedness and interest cost. Our level of indebtedness presents risks to investors, including the possibility that we may be unable to generate cash sufficient to pay the principal of and interest on the indebtedness when due. As of August 31, 2004, after giving effect to this offering on an as adjusted basis, we had (1) consolidated total debt of approximately $1.2 billion, and (2) a ratio of total debt to stockholders equity of approximately 0.344 to 1.

Our substantial debt could have important consequences, such as making it more difficult or impossible for us to make payments on the notes or any other indebtedness or obligations.

The indenture governing the notes does not contain any covenant restricting our ability to incur new indebtedness. If new debt is added to our and our subsidiaries current debt levels, the related risks that we and they now face could intensify.

Your right to receive payments on the notes is subordinated to the rights of our existing and future unsubordinated, secured creditors and our subsidiaries obligations.

The notes are unsecured and therefore will be subordinated in right of payment to all of our existing and future unsubordinated, secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally subordinated to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of our subsidiaries, whether or not secured. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding of our company, our assets will be available to satisfy obligations of our unsubordinated, secured debt before any payment may be made on the notes. In addition, to the extent that such assets cannot satisfy in full our unsubordinated, secured debt, the holders of that debt would have a claim for any shortfall that would rank equally in right of payment (or senior if the debt were issued by a subsidiary) with the notes. In such an event, we may not have sufficient assets remaining to pay amounts on any or all of the notes. Our right to receive assets of any of our subsidiaries upon the subsidiary s liquidation or reorganization (and the consequent right of the holders of the notes to participate in those assets) will be structurally subordinated to the claims of that subsidiary s creditors. Consequently, the notes will be structurally subordinated to all liabilities, including trade payables and lease obligations, of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. As of August 31, 2004, our subsidiaries had approximately $2.2 billion of liabilities, principally trade payables, outstanding (excluding intercompany liabilities).

Our credit facility is secured by a pledge of all of the capital stock of our domestic material subsidiaries, 65% of the capital stock of certain of our foreign material subsidiaries and all of our intercompany loans. Upon any distribution to our creditors or upon default in payment of or acceleration of the maturity of either of our credit facilities, the lenders under those credit facilities would be entitled to be repaid in full before any payment is made to you from the proceeds of the assets securing such indebtedness. In any of these cases, we may not have sufficient funds to pay all of our creditors, including the holders of the notes.

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Our holding company structure makes us dependent on cash flow from our subsidiaries to meet our obligations.

Most of our operations are conducted through, and most of our assets are held by, our subsidiaries, and, therefore, we are dependent on the cash flow of our subsidiaries to meet our debt obligations, including our obligations under the notes. Our subsidiaries are separate legal entities that will have no obligation to pay any amounts due under the notes or to make any funds available for that purpose, whether by dividends, loans or other payments. The ability of our subsidiaries to pay dividends or otherwise transfer assets to us is subject to various restrictions, including restrictions under applicable law.

Our subsidiaries will not guarantee the payment of the notes. Except to the extent we may ourselves be a creditor with recognized claims against our subsidiaries, all claims of creditors and holders of preferred stock, if any, of the subsidiaries will have priority with respect to the assets of such subsidiaries over the claims of our creditors, including holders of the notes.

We may be unable to repay, purchase or repurchase the notes.

At maturity, the entire outstanding principal amount of the notes will become due and payable. Holders will also have the right to require us to purchase all or any portion of their notes on each February 15, of each of 2011, 2014, 2019, 2024 and 2029. In addition, if we experience a change in control, as defined in Description of the Notes Repurchase at Option of Holders Upon a Change in Control, you may require us to repurchase all or a portion of your notes. At maturity or on the February 15, 2011, 2014, 2019, 2024 and 2029 purchase date, or if a change in control occurs, we may not have sufficient funds or may be unable to arrange for additional financing to pay the principal amount, purchase price or repurchase price due. Under the terms of the indenture for the notes, we may elect, subject to certain conditions, to pay the repurchase price upon a change in control with shares of our common stock. Any future borrowing arrangements or agreements relating to debt to which we become a party may contain restrictions on, or prohibitions against, our repayments, purchases or repurchases of the notes. If the maturity date, purchase date or change in control occurs at a time when our other arrangements prohibit us from repaying, purchasing or repurchasing the notes, we could try to obtain the consent of the lenders under those arrangements, or we could attempt to refinance the borrowings that contain the restrictions. If we do not obtain the necessary consents or refinance these borrowings, we will be unable to repay, purchase or repurchase the notes. In that case, our failure to purchase or repurchase any tendered notes or repay the notes due upon maturity would constitute an event of default under the indenture.

The value of the conversion right associated with the notes may be substantially lessened or eliminated if we are party to a merger, consolidation or other similar transaction.

If we are party to a consolidation, merger or binding share exchange or transfer or lease of all or substantially all of our assets pursuant to which our common stock is converted into, or into the right to receive, cash, securities or other property, at the effective time of the transaction, the right to convert a note into our common stock will be changed into a right to convert it into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its note immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the notes in the future. For example, if we were acquired in a cash merger, each note would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on our future prospects and other factors.

EITF 04-8 requires that the common stock underlying the notes be included in the calculation of diluted earnings per share, regardless of whether the market price trigger has been met.

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In September 2004, the EITF reached a consensus on Issue No. 04-8, The Effect of Contingently Convertible Debt on Diluted Earnings per Share. EITF 04-8 requires that all common stock underlying issued securities like the notes that have embedded conversion features that are contingently exercisable upon the occurrence of a market-price condition should be included in the calculation of diluted earnings per share, regardless of whether the market price trigger has been met. EITF 04-8 will become effective in the period when the proposed amendment to SFAS No. 128, Earnings Per Share , becomes effective. The total number of contingent common shares subject to conversion under EITF 04-8 is 46.6 million. This represents 4.8% of the total number of common shares outstanding as of October 31, 2004.

The price of our common stock and therefore the price of our notes may fluctuate significantly, which may result in losses for investors.

The convertibility feature of the notes will cause the price of the notes to be determined in part by the market price of our common stock. The market price for our common stock and therefore the price of our notes may be volatile. Among the factors that could affect our stock price, and therefore the price of our notes, are the following:

- actual or anticipated variations in quarterly operating results;
- announcements of technological innovations, new products or services by us or our competitors;
- changes in financial estimates or recommendations by securities analysts;
- the addition or loss of strategic relationships or relationships with our key customers;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments or of significant new product developments or changes in business strategy;
- legal, regulatory or political developments;
- additions or departures of key personnel;
- public or private sales of our common stock or securities convertible, exercisable or exchangeable into our common stock; and
- general market conditions.

The conditional conversion feature could result in your receiving less than the value of the shares of common stock into which the notes are to be converted.

The notes are convertible into our common stock only if certain conditions are met. If those conditions are not met you will not be able to convert your notes and would not be able to receive the value of the common stock.

Conversion of the notes will dilute the ownership interest of existing stockholders.

The conversion of notes into shares of our common stock will dilute the ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon conversion of the notes could adversely affect prevailing market prices of our common stock. In addition, the existence of the

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notes may encourage short selling by market participants due to this dilution or facilitate trading strategies involving notes and common stock.

There may be no public market for the notes.

There is no established public trading market for the notes. At the time of the original issuance of the notes in a private placement in February 2004, the initial purchasers of the notes advised us that they intended to make a market in the notes. However, those purchasers are not obligated to do so and may discontinue their market-making activities at any time without notice. Consequently, we cannot ensure that any market for the notes will develop, or if one does develop, that it will continue for any period of time. If an active market for the notes fails to develop or continue, this failure could harm the trading price of the notes. We do not intend to apply for listing of the notes on any securities exchange or any automated quotation system.

The rating on our notes may decrease or our notes may receive a lower rating than anticipated.

Our notes have been rated by Moody s Investor Service and one or more other rating agencies may rate the notes. If Moody s Investor Service decreases the rating on our notes or if one or more rating agencies assigns the notes a rating lower than the rating expected by investors, or reduces their rating in the future, the market price of the notes and our common stock would be harmed.

Provisions of the notes could discourage an acquisition of us by a third party.

Certain provisions of these notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a change in control, holders of the notes would have the right, at their option, to require us to repurchase all of their notes or any portion of the principal amount of such notes in integral multiples of $1,000. In addition, pursuant to the terms of the notes, we may not enter into certain mergers or acquisitions unless, among other things, the surviving person or entity assumes the payment of the principal of, and interest on the notes.

The notes generally do not contain restrictive covenants.

The indenture governing the notes does not generally contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture contains no covenants or other provisions to afford protection to holders of the notes in the event of a change in control involving Solectron, except to the extent described under Description of the Notes Repurchase at Option of Holders Upon a Change in Control.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

In addition to the other information contained or incorporated by reference in this prospectus, investors should carefully consider the risk factors disclosed in this prospectus in evaluating an investment in the notes or the common stock issuable upon conversion of the notes. The information contained in or incorporated by reference into this prospectus includes forward-looking statements relating to matters including, but not limited to:

- future sales and operating results;
- future prospects and growth;
- our ability to improve our gross profit margins;
- the capabilities and capacities of our business operations;