SOLECTRON CORP
Form 10-K
November 09, 2005

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended August 26, 2005

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 001-11098
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** *(Address of Principal Executive Offices including Zip Code)*	**(408) 957-8500** *(Registrant s Telephone Number, Including Area Code)*

Securities registered pursuant to Section 12(b) of the Act:
7.375% Senior Notes due 2006
7.97% Adjustable Conversion Notes
3.25% Liquid Yield Option Notes due 2020
2.75% Liquid Yield Option Notes due 2020
4.0% Liquid Yield Option Notes due 2019
Common Stock
Securities registered pursuant to Section 12(g) of the Act:
None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. þ

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes þ No o

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

The aggregate market value of the Registrant s Common Stock held by non-affiliates on October 31, 2005 was approximately $1,742.5 million (based upon the last reported price of the Common Stock on the New York Stock Exchange on such date). Shares of Common Stock held by each officer, director, and holder of 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of October 31, 2005, there were approximately 913.6 million shares of the Registrant s common stock outstanding including approximately 21.3 million shares of Solectron Global Services Canada, Inc., which are exchangeable on a one-to-one basis for the Registrant s common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on January 12, 2006, which Solectron will file with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report, is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

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PART I

Item 1. *Business*

The information contained in this business overview is qualified in its entirety by, and is subject to, the detailed information, consolidated financial statements and notes thereto contained within this document under the Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Supplementary Data sections. Solectron s financial reporting year ends on the last Friday in August. For purposes of presentation in this Form 10-K, Solectron has indicated its accounting year end as August 31.

Overview

We provide electronics manufacturing and supply chain services to original equipment manufacturers (OEMs) around the world. As a value-added contract manufacturing partner to industry leading OEMs, our customers contract with us to build their products or to obtain services related to product design, manufacturing and post-manufacturing requirements. We 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 telephones, set-top boxes and personal/handheld communications devices;

Automotive electronics systems, for example, 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, insulin delivery devices, ECG patient monitors, surgical robotic systems, HPLCs, spectrometers and laser surgery equipment; and

Other electronics equipment and products.

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

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

Product design

Collaborative design

Product launch/ New Product Introduction (NPI)

DFX (Design for manufacturability) services

Printed Circuit Board Assembly (PCBA) and subsystem manufacturing

Systems integration and test

Parts management

Inventory management

Forward/ Reverse logistics

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Repair

Recovery/ Remarketing

Feedback to design and manufacturing for quality/serviceability

We customize these services to deliver integrated supply chain solutions to our customers. By utilizing our services, customers achieve cost, time and quality advantages that improve their competitiveness and enable them to focus on their core competencies of sales, marketing and research and development. We provide the following benefits to OEMs:

Leading Manufacturing and Service Technologies: Electronic products, electronics manufacturing and service technologies have become increasingly sophisticated and complex. This makes it difficult for OEMs to maintain the necessary expertise to manufacture and repair products internally. OEMs are motivated to work with us to gain access to our expertise in interconnect, test, process, repair and other technologies, such as lead-free manufacturing processes.

Faster Time-to-Market: Due to intense competitive pressures in the electronics industry, shorter product life cycles require OEMs to reduce the time needed to bring a product to market. OEMs often reduce time-to-market by using our services, expertise and infrastructure. For example, OEMs partner with us during the early stages of product design to expedite the transition into high volume production in our manufacturing centers.

Lower Costs: Our OEM customers realize lower costs as a result of several factors: our ability to perform services in the most cost-effective locations around the world; our ability to combine purchasing across our customer base; our ability to produce multiple products within a given facility; and our flexibility to adapt our operations to changing customer demand.

Flexibility and Responsiveness: Our flexibility and responsiveness enable us to support rapidly changing customer needs on a just-in-time value-added basis, adapting to the customer s schedule and redirecting resources to allow for more seamless production transfers.

Consistent Quality: Our customers rely on us to consistently provide complex products that meet exacting performance criteria. Leveraging the benefits of the Solectron Production System[tm], which combines the global capabilities of our Lean manufacturing advances with the continuous improvements derived from Six Sigma quality analysis, we reduce waste and variability throughout the supply chain, creating alignment between people, strategy, customers and processes.

Better Asset Utilization: OEM supply chains, managed by Solectron, enable OEMs to lower their investment in property, plant and equipment, as well as systems and infrastructure. This lower investment can lead to better asset utilization and higher return on assets for our OEM customers.

Focused Resource Allocation: As a result of market demands, many OEMs focus their resources on activities where they add the greatest value. By offering comprehensive electronics supply chain services, we allow OEMs to focus on their own core competencies, such as next-generation product development, marketing and sales.

Cost-Effective Global Capabilities: We have facilities in Asia, the Americas and Europe. Through our global presence, we perform electronics supply chain services in locations to best address our customers objectives, including cost containment; compliance with local content regulations; proximity to end-markets and end-consumers; and the elimination or reduction of expensive freight costs, tariffs and time-consuming customs clearances.

Environmental compliance: We created a market-ready offering which is designed to help OEM customers meet Restriction of Hazardous Substances (RoHS), Waste Electrical and Electronic Equipment (WEEE) and other regulatory requirements. Current legislation and compliance requirements impact the entire supply chain, causing operational, business and product-reliability challenges. We partner with our OEM customers to ensure the conversion plan and transition approach we developed helps customers address compliance issues efficiently and effectively so their products meet regulatory requirements within appropriate deadlines.

Strategy

Our strategy is to increase sales and earnings growth by providing cost-effective and value-added services that unlock value and competitive advantage for customers by providing integrated supply chain solutions that leverage

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Solectron s differentiated capabilities in collaborative design, lean manufacturing, and post-manufacturing services. To support this strategy we are committed to five specific areas:

Concentration on Core and Emerging Markets

We are extending our leadership and capabilities in our core markets, which include the communications, networking, computing and storage industries. The products we manufacture and the customers we serve in these markets represent a substantial portion of our revenues and reflect our strong expertise in these areas. In addition, we participate in several growth markets including the consumer, industrial, automotive, and medical industries where we can leverage our core strengths and earn attractive returns.

Uncompromising Quality

Quality is central to our culture. Through continual review and improvement, our goal is to exceed the expectations of our customers, achieving total customer satisfaction and providing defect-free, competitive products and solutions on time. Using several quality improvement processes and measurement techniques, we regularly monitor our performance. We have received many service and quality awards from internationally recognized quality organizations and customers, including IndustryWeek, Cisco Systems, Asyst Technologies, SGI and NCR. In addition, substantially all of our manufacturing facilities are certified under ISO international quality standards for design, manufacturing and distribution management systems. The Solectron Production System[tm] effectively applies Lean and Six Sigma quality operating principles and quality tools to identify and concentrate on value-added activities that improve time-to-market and quality for our customers. Lean Six Sigma standards deliver exceptional quality in all Solectron operations.

Efficiency and Cost Competitiveness

We believe that a fundamental requirement for sustained growth and profitability in the Electronics Manufacturing Services (EMS) industry is to be an efficient and cost-competitive manufacturer. Therefore, we strive for efficiency throughout our organization, and have implemented several initiatives to reduce costs and increase our competitiveness. This includes an initiative to implement Lean manufacturing and Six Sigma quality methods in our operations and throughout the company. By applying these methods, we intend to increase efficiencies and eliminate activities that do not add value, resulting in a significant competitive advantage.

Align Services to Improve Customer Supply Chains

With technologies becoming more complex and product life cycles times getting shorter, we expect that OEMs will outsource more of their electronics supply chain needs. OEMs will be looking for a trusted partner that provides these services on a seamless basis. Consequently, we are aligning our services to improve OEM supply chains and deliver lower costs, higher quality, improved flexibility and faster time-to-market. We believe these actions will position us to be the provider of choice to OEMs by delivering integrated supply chains that add value to their businesses.

Advanced Technology Processes

We offer customers access to advanced technology processes, including design, NPI and repair expertise. Our involvement with customers products during the early design stages can help reduce cost and product time-to-market, improve manufacturability and quality and enable a fast ramp to volume manufacturing. We use our design capabilities to partner with our customers. We have developed common tools for industrial, electrical, mechanical and manufacturing applications designed to shorten the design cycle and maintain cost effectiveness. Our repair expertise also spans a wide range of products and advanced technologies, from the system to the component level.

Global Footprint

Our footprint or facilities location strategy is to locate specific services and capabilities where we believe they can generate the greatest value at the lowest total cost. These decisions are made based on low-cost manufacturing options, proximity to our customers and prospective customers, proximity to end markets and end-users, and the location of specific resources needed to deliver value.

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We derive the majority of our revenues from low-cost locations, such as Mexico, Hungary, Romania, China, Malaysia and other parts of Asia. This reflects our belief that OEM customers are driven by the cost advantages associated with these locations.

We identify other locations for services and other non-manufacturing capabilities based on how best to add value and availability of the necessary number of people with the skills and experience we need to create solutions and deliver world-class services. For example, we have regional design centers in the Americas, Europe and Asia. This enables us to draw from a highly skilled labor market, with the infrastructure and proximity to immediately interact with customers at critical phases of the new product life cycle.

For certain of our post-manufacturing services, we operate repair and warranty centers based on proximity to transportation infrastructure and proximity to end-users. Solectron s Global Services offerings help customers control costs by optimizing services and supply chains while improving turns throughout the product lifecycle.

Our ability to serve our customers effectively also depends upon our materials management and logistic capabilities. Our locations are served by a materials organization consisting of multiple groups across multiple locations and backed by information technology. The materials group is responsible for ordering, tracking and ensuring that the correct parts are delivered to the correct locations on a just-in-time basis to meet our customers needs.

Americas Region

Our U.S. facilities focus on higher value-added activities, such as design services; NPI; system integration and testing; product fulfillment; repair and logistics; as well as the manufacture of lower-volume, highly complex products. Our facilities in Latin America support the North and Latin American markets, particularly for higher volume products. Mexico s proximity to North America is useful for production where low-cost and time-to-market, and/or geographical diversity are particular concerns for OEMs. We operate facilities that provide design, manufacturing, and post-manufacturing services in the U.S., Canada, Mexico, Puerto Rico and Brazil.

Asia Region

Our operations in the Asia region offer high and low volume and basic and high complexity manufacturing to many geographic markets around the world. In addition to manufacturing, our facilities in Asia provide design services; NPI; system integration and testing; product fulfillment; repair and logistics.

Europe Region

Our locations in western Europe concentrate on higher value-added services, such as design; NPI; high-complexity, low-volume manufacturing; system integration and testing; product fulfillment; parts management; logistics and repair. Our eastern European locations provide lower-cost, higher-volume electronics manufacturing services for the western European markets.

Sales and Marketing

Sales and marketing are integrated processes involving direct salespersons, project managers and senior executives. We direct our sales resources and activities at several management and staff levels within customer and prospective customer companies. We also use independent sales representatives in certain geographic areas. We receive customer inquiries resulting from referrals, advertising and public relations activities and through our direct sales efforts. After evaluating these opportunities using our customer identification criteria, potential customer leads are assigned to direct salespersons or independent sales representatives, as appropriate.

See Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, for customer sales information.

Backlog

Our OEM customers typically do not provide us firm purchase orders for delivery of products more than 30 to 90 days in advance. In addition, these customers may reschedule or cancel firm orders with only minor penalty. Therefore, we do not believe that the backlog of expected product sales covered by firm purchase orders is a meaningful determinant of future sales or current activity.

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Competition

The EMS industry includes many companies, several of which have substantial market share. We also face competition from current and prospective customers that evaluate our capabilities against the merits of manufacturing products internally. Other EMS companies compete with us depending on the type of service or geographic area customers require. The basis of competition in our targeted markets is proven execution, reliability, superior manufacturing technology, price, flexibility, continuity of supply, quality, responsiveness, innovative and value-adding services and ability to serve global customers.

Associates

As of August 31, 2005, we employed approximately 53,000 associates worldwide, which includes approximately 12,000 temporary associates.

Patents and Trademarks

We hold certain United States and foreign patents and patent licenses relating to certain of the processes and equipment used in our manufacturing technology, as well as certain of the products which we have designed and manufactured. In addition, we have registered trademarks (service marks) in the United States and various other countries throughout the world.

Although we do not believe that our trademarks, manufacturing processes, patents or license rights to which we have access infringe on the intellectual property rights of others, we cannot ensure that third parties will not assert infringement claims against us in the future. If such an assertion were to be made, it may become necessary or useful for us to enter into licensing arrangements or to resolve such an issue through litigation. However, we cannot ensure that such license rights would be available to us on commercially acceptable terms or that any such litigation would be resolved favorably. Any litigation could be lengthy and costly and, regardless of its outcome, could materially harm our consolidated financial condition.

Environmental Matters

We are required to comply with local, state, federal and international environmental laws and regulations relating to the treatment, storage, use, discharge, emission and disposal of hazardous materials used in our manufacturing and service processes. We are also required to comply with laws and regulations relating to occupational safety and health, product disposal and product content and labeling. In general, we are not directly responsible for compliance with laws like WEEE and RoHS. These WEEE and RoHS laws generally apply to our OEM customers; Solectron may, however, provide compliance-related services to our customers upon request. Failing to have the capability of delivering products which comply with these present and future environmental laws and regulations could restrict our ability to expand facilities, or could require us to acquire costly equipment or to incur other significant expenses to comply with environmental regulations, and could impair our relations with customers. Moreover, to the extent we are found non-compliant with any environmental laws and regulations applicable to our activities, we may incur substantial fines and penalties. We are committed to maintaining compliance in all of our facilities and to continuously improving our environmental practices.

We are also required to obtain and maintain environmental permits for many of our facilities. These permits, which must be renewed periodically, are subject to revocation if we violate environmental laws. There can be no assurance that violations will not occur as a result of equipment failure, human error or other causes. If a violation of environmental laws occurs, we could be held liable for damages, fines and costs of remedial actions, and our permits could be revoked. Any such revocation could require us to cease or limit production at one or more of our facilities, and may adversely impact our results of operations.

We have been, and in the future may be, held liable for remediation of sites where our hazardous materials (or those of companies we have acquired or divested) have been disposed of. We have environmental insurance in excess of reserves previously established to reduce potential environmental liability exposures posed by some of our current and former operations and facilities. To date, these liabilities have not been substantial or material to our business, consolidated financial condition and results of operations. We believe, based on our current knowledge, that the cost of any groundwater or soil clean-up that may be required at any of our facilities would not materially harm our business, consolidated financial condition and results of operations. However, it is costly to remediate contamination, and there can be no assurance that any future remediation costs would not harm our business, consolidated financial

condition and results of operations.

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Additional Information

Our Internet address is http://www.solectron.com. Posted on our Internet website, free of charge, are our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Information accessible through our website does not constitute a part of, and is not incorporated into, this annual report on Form 10-K or into any of our other filings with the Securities and Exchange Commission.

Solectron was first incorporated in California in August 1977 and was reincorporated in Delaware in February 1997. Our principal executive offices are at 847 Gibraltar Drive, Milpitas, California, 95035. Our main telephone number is (408) 957-8500.

Item 2. ***Properties***

The table below lists our facilities leased or owned as of August 31, 2005:

Location	Square Footage	Primarily Used
Continuing Operations		
Americas Region		
Latin America:		
Brazil	282,000	PCBA & Systems Integration, Repair & Refurbish
Mexico	814,000	PCBA, Systems Integration, Repair & Refurbish
Puerto Rico	164,000	PCBA & Systems Integration
Total Latin America	1,260,000	
United States and Canada:		
Canada	773,000	PCBA, Systems Integration, Repair & Refurbish, Design & Engineering
California	868,000	NPI, PCBA, Systems Integration, Repair & Refurbish, Design & Engineering
Georgia	2,000	Office
Kentucky	310,000	Repair & Refurbish
Maryland	6,000	Office
Massachusetts	132,000	NPI, PCBA & Systems Integration
Michigan	14,000	Design & Engineering
New Jersey	2,000	Office
North Carolina	1,069,000	PCBA, Systems Integration, Repair & Refurbish, Design & Engineering
South Carolina	313,000	PCBA & Systems Integration
Tennessee	275,000	Repair & Refurbish
Texas	864,000	PCBA, Systems Integration, Repair & Refurbish
Total United States and Canada	4,628,000	
Americas Region Total	5,888,000	

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Location	Square Footage	Primarily Used
European Region		
United Kingdom	195,000	Repair & Refurbish, Enclosures, Parts Management
France	332,000	PCBA, Systems Integration, Repair & Refurbish
Germany	90,000	PCBA & Systems Integration
Hungary	301,000	PCBA & Systems Integration, Repair & Refurbish
Netherlands	202,000	Repair & Refurbish, Office
Romania	460,000	PCBA & Systems Integration
Scotland	144,000	PCBA & Systems Integration, Design and Engineering
Sweden	280,000	PCBA & Systems Integration
Turkey	47,000	PCBA & Systems Integration
European Region Total	2,051,000	
Asia Region		
Australia	133,000	Repair & Refurbish
China	1,271,000	Design and Engineering, PCBA, Systems Integration, Repair & Refurbish
India	52,000	PCBA & Systems Integration, Repair & Refurbish
Indonesia	137,000	PCBA & Systems Integration
Japan	221,000	NPI, PCBA, Systems Integration, Repair & Refurbish
Malaysia	1,062,000	PCBA & Systems Integration
Singapore	398,000	PCBA, Systems Integration, Repair & Refurbish
Taiwan	3,000	Office
Asia Region Total	3,277,000	
Total Facilities in Use	11,216,000	
Total Restructured Facilities*	3,211,147	

* These facilities are excluded from the list above as they are closed or are in the process of closing as of August 31, 2005.

Item 3. ***Legal Proceedings***

Solectron is from time to time involved in various litigation and legal matters, including those described below. By describing the particular matters set forth below, Solectron does not intend to imply that it or its legal advisors have concluded or believe that the outcome of any of those particular matters is or is not likely to have a material adverse impact upon Solectron s business or consolidated financial condition and results of operations.

On March 6, 2003, a putative shareholder class action lawsuit was filed against Solectron and certain of its officers in the United States District Court for the Northern District of California alleging claims under Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and Rule 10b-5 promulgated thereunder. The case is entitled *Abrams v. Solectron Corporation et al.*, Case No. C-03-0986 CRB. The complaint alleged that the defendants issued false and misleading statements in certain press releases and SEC filings issued between September 17, 2001 and September 26, 2002. In particular, plaintiff alleged that the defendants failed to disclose and to properly account for excess and obsolete inventory in Solectron s former Technology Solutions business unit during the relevant time period. Additional complaints making similar allegations were subsequently filed in the same court, and pursuant to an order entered June 2, 2003, the Court appointed lead counsel and plaintiffs to represent the putative class in a single consolidated action. The Consolidated Amended Complaint, filed September 8, 2003, alleges an expanded class period of June 18, 2001 through September 26, 2002,

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and purports to add a claim for violation of Section 11 of the Securities Act of 1933, as amended (the Securities Act), on behalf of a putative class of former shareholders of C-MAC Industries, Inc., who acquired Solectron stock pursuant to the October 19, 2001 Registration Statement filed in connection with Solectron s acquisition of C-MAC Industries, Inc. In addition, while the initial complaints focused on alleged inventory issues at the former Technology Solutions business unit, the Consolidated Amended Complaint adds allegations of inadequate disclosure and failure to properly account for excess and obsolete inventory at Solectron s other business units. The complaint seeks an unspecified amount of damages on behalf of the putative class. On February 13, 2004 the Court denied defendants motion to dismiss the Complaint and on September 2, 2004 the Court signed an order provisionally certifying the Class. Solectron believes it has valid defenses to the plaintiffs claims. There can be no assurance, however, that the outcome of the lawsuit will be favorable to Solectron or will not have a material adverse effect on Solectron s business, consolidated financial condition and results of operations. In addition, Solectron may be forced to incur substantial litigation expenses in defending this litigation. In August 2005, the parties reached an agreement in principal to settle the litigation on terms not material to Solectron. The parties are currently negotiating the terms of the formal written settlement agreement which they expect to execute and file with the Court in November, 2005.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

Executive Officers of Solectron

Our executive officers and their ages as of August 31, 2005 are as follows:

Name	Age	Position
Michael R. Cannon	52	President and Chief Executive Officer
Douglas Britt	40	Executive Vice President, Sales and Account Management
Todd DuChene	42	Senior Vice President, General Counsel and Corporate Secretary
Perry G. Hayes	52	Senior Vice President, Treasurer and Investor Relations
Warren J. Ligan	52	Senior Vice President, Chief Accounting Officer and Interim Chief Financial Officer
Craig London	59	Executive Vice President, Marketing, Strategy, Services and Corporate Development
Marty Neese	43	Executive Vice President, Program Management and Supply Chain Solutions
Kevin O Connor	47	Executive Vice President, Human Resources
Marc Onetto	55	Executive Vice President, Operations
David Purvis	53	Executive Vice President and Chief Technical Officer

Mr. Cannon joined Solectron in January 2003 as president and CEO and as a director on the company s board of directors and has more than 25 years of manufacturing and technology experience. Prior to joining Solectron, Mr. Cannon was president, CEO and a director of Maxtor Corporation, a leading global provider of hard-disk drives and storage systems. Previously, Mr. Cannon was with IBM s Storage Systems Division, where he held several senior leadership positions, including vice president of the Personal Storage Systems Division, vice president of product design and vice president of worldwide manufacturing. Prior to IBM, Mr. Cannon worked at several companies in the disk-drive industry, including Control Data Corporation s Imprimis Technology spin-off. Mr. Cannon began his career at The Boeing Company, where he held engineering and management positions in the Manufacturing Research and Development Group. Mr. Cannon studied mechanical engineering at Michigan State University and completed the

Advanced Management Program at Harvard Business School.

Mr. Britt joined Solectron in 2000 with extensive experience in supply chain and sales management. As executive vice president, sales and account management, Mr. Britt leads Solectron s worldwide sales organization in growing business globally, building customer relationships and overseeing the company s account-related activities. Prior to this role, he was senior vice president of corporate accounts and, prior to that position, vice president of supply chain operations. Mr. Britt came to Solectron from Future Electronics Corporation, where he was the regional vice president for the company s northern California division. Previously, Mr. Britt held management positions with

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Sterling Electronics and Passive Technology Sales, Inc. Mr. Britt studied international business at the University of London, and holds a bachelor s degree in business administration from California State University, Chico.

Mr. DuChene joined Solectron in 2005 with more than 17 years of legal experience. As senior vice president, general counsel and corporate secretary, Mr. DuChene is responsible for all Solectron legal, regulatory and governmental affairs. Prior to Solectron, from 1996 to March, 2005, he served as an executive officer of Fisher Scientific International Inc., an approximately $5 billion manufacturer and distributor of scientific research, healthcare and safety products, most recently as senior vice president, corporate development, chief legal officer and secretary. Prior to that, Mr. DuChene was senior vice president, general counsel and secretary of OfficeMax, Inc., a retailer, and prior to that was a lawyer with the national law firm of Baker & Hostetler, in the firm s Cleveland office.

Mr. Hayes joined Solectron in 1999 with extensive financial and management experience in the technology and banking industries. As senior vice president, investor relations and treasurer, Mr. Hayes is responsible for financing and capital market activities, as well as corporate liquidity and risk management. He also manages Solectron s interaction with investors, institutional shareholders, financial analysts and credit rating agencies. Prior to Solectron, Mr. Hayes held senior treasury positions with Dell Computer and AirTouch Communications, Inc. He also has more than 10 years of international finance and banking experience as a vice president with Bank of America, working out of the company s San Francisco, London and New York locations. Mr. Hayes holds a master s degree in international business from the University of South Carolina.

Mr. Ligan joined Solectron in 2000 with more than 20 years of extensive financial and management experience. As interim chief financial officer, Mr. Ligan leads Solectron s finance and investor relations activities. As senior vice president and chief accounting officer, Mr. Ligan is responsible for corporate accounting; tax; external reporting; financial planning and analysis; and the company s financial shared services. Prior to this role, Mr. Ligan served as vice president, global taxation, managing Solectron s global tax position. Mr. Ligan came to Solectron from Chiquita Brands International, where as senior vice president and chief financial officer he oversaw all corporate financial functions, as well as purchasing and IT. Prior to becoming the company s chief financial officer, Mr. Ligan served as vice president of taxation. Before Chiquita, Mr. Ligan held a variety of financial and tax management positions with the Monsanto Company and its subsidiary G. D. Searle & Co., The Upjohn Company, Coopers & Lybrand, and Football News Co. He began his career in the corporate accounting department of Chrysler Corporation. Mr. Ligan holds a bachelor s degree in business administration from the Walsh College of Accountancy & Business Administration, and a law degree from the Detroit College of Law. He also holds a master of law degree in taxation from DePaul University.

Mr. London joined Solectron in 2002 with nearly 30 years of sales, marketing and engineering management experience in the electronics industry. As executive vice president, marketing, strategy, services and corporate development, Mr. London is responsible for strategic planning and market development, corporate communications, Solectron s services business and corporate development activities. Previously, Mr. London was executive vice president and president of Solectron s Technology Solutions business unit. Mr. London came to Solectron from Safeguard Scientifics, Inc., a diversified information technology company that identifies, develops and operates emerging technologies, where he served as an executive officer and managing director, technology products. Previously, he was president and chief executive officer of Diva Communications, Inc., a wireless communications equipment manufacturer. Mr. London also held various executive management positions including sales, service and operations in the United States and Asia during eight years with Nortel Networks. His experience also includes various management positions at Rockwell International Telecommunications, Electronic Systems Associates, Pacific Telephone and AT&T. Mr. London holds a master s degree in business administration from Pepperdine University and a bachelor s degree in physics from the University of California, Berkeley.

Mr. Neese joined Solectron in 2004 with more than 15 years of sales, account management and operational leadership experience in the electronic manufacturing services industry. As a corporate officer and executive vice president of program management and supply chain solutions, Mr. Neese is responsible for worldwide customer care and end-to-end supply chain optimization. Prior to joining Solectron, Mr. Neese served as vice president of worldwide sales operations at Sanmina-SCI, where he was responsible for all customer-relationship activities, including sales, margins, quotations/proposals and customer retention. Prior to that position, Mr. Neese led Sanmina-SCI s program

management activities. Mr. Neese arrived at Sanmina-SCI by way of Jabil Circuit, where he served as an SMT line production manager and director of business development. Previously, Mr. Neese served in the U.S. Army as a battery commander and battalion supply and logistics officer. 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.

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Mr. O Connor joined Solectron in 2002 and has more than 20 years of experience in human resources. As executive vice president, human resources, he is responsible for Solectron s corporate human resources program and infrastructure to support the needs of the corporation. Before joining Solectron in October 2002, Mr. O Connor served as senior vice president, global human resources for Axcelis Technologies. Prior to Axcelis, Mr. O Connor served as vice president, global human resources for Iomega Corporation. Before Iomega, he held a variety of senior human resources roles for Dell Computer, Frito-Lay (a division of PepsiCo) and Sperry Flight Systems. Mr. O Connor holds a degree in management with an emphasis in industrial relations from Arizona State University.

Mr. Onetto joined Solectron in 2003 and has nearly 30 years of experience in supply-chain and operational management, as well as finance and information systems. As executive vice president, worldwide operations, Mr. Onetto is responsible for manufacturing, materials management, quality, new product introduction, information technology, logistics and repair operations. Mr. Onetto joined Solectron after a 15-year career with GE. Most recently, he was vice president of GE s European operations. From 1992 through 2002, he held several senior leadership positions involving global supply chain management, global quality/six sigma, and global process reengineering, and served as chief information officer in GE s Medical Systems business. Prior to GE, Mr. Onetto spent 12 years with Exxon Corporation, serving in supply-operations, information systems and finance. Mr. Onetto holds a B.A. in economics from the University of Lyon, France, an M.S. in engineering from Ecole Centrale de Lyon and a master s degree in industrial administration from Carnegie Mellon University, Pittsburgh.

Mr. Purvis joined Solectron in 2003 and has more than 30 years of experience in engineering and technology management. As executive vice president and chief technical officer, Mr. Purvis is responsible for Solectron s product design, engineering and product launch support capabilities. Prior to Solectron, Mr. Purvis served as chief technology officer with John Deere, where he led the engineering, information technology and corporate quality functions for the $15 billion agricultural and forestry equipment manufacturer. Previously, Mr. Purvis spent more than 16 years with Allied Signal/ Honeywell in a variety of senior design and engineering roles in the aerospace and automotive industries, including vice president of engineering for Honeywell s aerospace electronics systems business. Mr. Purvis also has experience with electronics in the industrial, medical and analytical industries through several management and technology related positions with Monsanto, Fermi National Accelerator Laboratory, Packard Instruments and Allstate Insurance Company. Mr. Purvis holds a bachelor of science degree in applied mathematics from the University of Illinois.

There is no family relationship among any of the executive officers.

PART II

Item 5. *Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Common Stock Information

The following table sets forth the quarterly high and low per share sales prices of our common stock for the fiscal periods reported, as quoted on the New York Stock Exchange under the symbol SLR.

	High	Low
Fiscal 2005		
Fourth quarter	$ 4.40	$ 3.50
Third quarter	5.10	3.08
Second quarter	6.69	4.62
First quarter	6.20	4.78
Fiscal 2004		
Fourth quarter	$ 6.49	$ 4.59
Third quarter	6.55	4.39
Second quarter	8.20	5.40
First quarter	6.89	5.11

We have not paid any cash dividends since inception and do not intend to pay any cash dividends in the foreseeable future. Additionally, the covenants to our financing agreements prohibit the payment of cash dividends. As of October 31, 2005, there were 7,754 stockholders of record based on data obtained from our transfer agent.

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Issuer Purchases of Equity Securities

On July 22, 2005, Solectron s board of directors authorized a $250 million stock repurchase program. In October 2005, Solectron completed the stock repurchase program. Solectron repurchased and retired a total of 63.6 million shares for approximately $250.0 million.

During the fourth fiscal quarter of 2005, Solectron repurchased 17.0 million shares of its common stock at an average price of $4.09 for approximately $69.6 million. The following table summarizes the company s repurchases of its common stock during the quarter ended August 31, 2005 (in millions, except for per share price):

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May yet be Purchased Under the Plans or Programs
July 28, 2005-August 26, 2005	17.0	$ 4.09	17.0	$ 180.4

As of August 26, 2005, Solectron had committed to repurchase an additional 2.7 million shares for approximately $11.2 million, which settled subsequent to August 26, 2005.

Item 6. ***Selected Financial Data***

The following selected historical financial information of Solectron has been derived from the historical consolidated financial statements and should be read in conjunction with the consolidated financial statements and the notes included therein. For further discussion of factors that could affect comparability of these consolidated financial statements, see the notes following the information.

Five-Year Selected Financial Highlights

Consolidated Statements of Operations Data (in millions, except per share data):

	Years Ended August 31