JABIL CIRCUIT INC
Form 10-Q
July 06, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended May 31, 2009

or

¨ **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: 001-14063

JABIL CIRCUIT, INC.

(Exact name of registrant as specified in its charter)

Delaware	38-1886260
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10560 Dr. Martin Luther King, Jr. Street North, St. Petersburg, Florida 33716

(Address of principal executive offices) (Zip Code)

(727) 577-9749

(Registrant s telephone number, including area code)

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 x No ¨

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

As of June 15, 2009, there were 213,638,222 shares of the registrant s Common Stock outstanding.

Table of Contents

JABIL CIRCUIT, INC. AND SUBSIDIARIES

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1: FINANCIAL STATEMENTS

JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(Unaudited)

	May 31, 2009	August 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 768,915	$ 772,923
Trade accounts receivable, net of allowance for doubtful accounts of $18,350 at May 31, 2009 and $10,116 at August 31, 2008	1,151,832	1,475,530
Inventories	1,255,510	1,528,862
Prepaid expenses and other current assets	283,459	293,070
Income taxes receivable	27,887	24,535
Deferred income taxes	26,816	44,217
Total current assets	3,514,419	4,139,137
Property, plant and equipment, net of accumulated depreciation of $1,091,214 at May 31, 2009 and $1,079,719 at August 31, 2008	1,381,444	1,392,479
Goodwill	23,683	1,119,110
Intangible assets, net of accumulated amortization of $91,045 at May 31, 2009 and $87,242 at August 31, 2008	143,336	172,835
Deferred income taxes	54,912	155,508
Other assets	51,261	53,068
Total assets	$ 5,169,055	$ 7,032,137
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current installments of notes payable, long-term debt and long-term lease obligations	$ 156,259	$ 269,937
Accounts payable	1,745,144	2,218,969
Accrued expenses	602,359	529,839
Income taxes payable	17,910	25,897
Deferred income taxes	362	2,998
Total current liabilities	2,522,034	3,047,640
Notes payable, long-term debt and long-term lease obligations, less current installments	1,064,167	1,099,473
Other liabilities	72,047	71,442
Income tax liability	87,351	81,044
Deferred income taxes	7,773	9,409
Total liabilities	3,753,372	4,309,008
Minority interest	6,838	7,404

Commitments and contingencies		
Stockholders equity:		
Common stock, $.001 par value, authorized 500,000,000 shares; issued and outstanding 207,355,009 at May 31, 2009 and 206,380,171 at August 31, 2008	216	215
Additional paid-in capital	1,445,354	1,406,378
(Accumulated deficit)/Retained earnings	(5,146)	1,210,417
Accumulated other comprehensive income, net of tax	171,960	301,401
Treasury stock at cost, 8,683,722 shares at May 31, 2009 and 8,574,737 shares at August 31, 2008	(203,539)	(202,686)
Total stockholders equity	1,408,845	2,715,725
Total liabilities and stockholders equity	$ 5,169,055	$ 7,032,137

See accompanying notes to condensed consolidated financial statements.

3

Table of Contents

JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per share data)

(Unaudited)

	Three months ended		Nine months ended	
	May 31, 2009	**May 31, 2008**	**May 31, 2009**	**May 31, 2008**
Net revenue	$ 2,615,101	$ 3,088,269	$ 8,885,010	$ 9,514,829
Cost of revenue	2,466,512	2,878,087	8,357,162	8,877,028
Gross profit	148,589	210,182	527,848	637,801
Operating expenses:				
Selling, general and administrative	125,419	126,557	368,134	367,617
Research and development	7,198	8,006	18,607	24,381
Amortization of intangibles	7,612	9,058	23,320	27,635
Restructuring and impairment charges	16,167	3,470	48,312	54,546
Goodwill impairment charge			1,022,821	
Operating (loss)/income	(7,807)	63,091	(953,346)	163,622
Other expense	948	2,010	4,169	9,815
Interest income	(1,087)	(3,051)	(5,314)	(9,255)
Interest expense	19,043	21,213	62,854	70,509
(Loss)/income before income taxes and minority interest	(26,711)	42,919	(1,015,055)	92,553
Income tax expense	2,528	4,657	156,909	17,390
Minority interest, net of tax	(477)	(183)	(1,245)	(1,238)
Net (loss)/income	$ (28,762)	$ 38,445	$ (1,170,719)	$ 76,401
(Loss)/earnings per share:				
Basic	$ (0.14)	$ 0.19	$ (5.66)	$ 0.37
Diluted	$ (0.14)	$ 0.19	$ (5.66)	$ 0.37
Common shares used in the calculations of (loss)/earnings per share:				
Basic	207,190	205,463	206,767	205,066
Diluted	207,190	206,077	206,767	206,290
Cash dividends declared per common share	$ 0.07	$ 0.07	$ 0.21	$ 0.21

See accompanying notes to condensed consolidated financial statements.

Table of Contents

JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

(in thousands)

(Unaudited)

	Three months ended		Nine months ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Net (loss)/income	$ (28,762)	$ 38,445	$ (1,170,719)	$ 76,401
Other comprehensive (loss)/income:				
Foreign currency translation adjustment	37,426	32,744	(131,712)	170,095
Change in defined pension plan liability, net of tax		90		102
Change in fair market value of derivative instruments, net of tax	493		470	(17,006)
Amortization of loss on hedge arrangements, net of tax	600	442	1,801	624
Comprehensive (loss)/income	$ 9,757	$ 71,721	$ (1,300,160)	$ 230,216

Accumulated foreign currency translation gains were $211.8 million at May 31, 2009 and $343.5 million at August 31, 2008. Foreign currency translation adjustments primarily consist of adjustments to consolidate subsidiaries that use a local currency as their functional currency.

See accompanying notes to condensed consolidated financial statements.

Table of Contents

JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Nine months ended	
	May 31, 2009	May 31, 2008
Cash flows from operating activities:		
Net (loss)/income	$ (1,170,719)	$ 76,401
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:		
Depreciation and amortization	218,314	205,041
Minority interest, net of tax	(1,245)	(1,238)
Recognition of stock-based compensation	33,044	29,439
Deferred income taxes	107,338	(80,554)
Restructuring and impairment charges	48,312	54,546
Non-cash goodwill impairment charge	1,022,821	
Provision for doubtful accounts	9,642	(139)
Excess tax benefit of options exercised	(2,376)	(5,451)
Amortization of loss on hedge arrangements, net of tax	1,801	624
(Gain)/loss on sale of property	(2,709)	1,154
Change in operating assets and liabilities, exclusive of net assets acquired in business acquisitions:		
Trade accounts receivable	266,635	121,535
Inventories	248,425	2,136
Prepaid expenses and other current assets	6,076	(65,975)
Other assets	(4,642)	(7,989)
Accounts payable and accrued expenses	(394,226)	35,477
Income taxes payable	951	54,357
Net cash provided by operating activities	387,442	419,364
Cash flows from investing activities:		
Cash paid for business and intangible asset acquisitions, net of cash acquired	(1,115)	(58,243)
Acquisition of property, plant and equipment	(235,179)	(214,828)
Proceeds from sale of property and equipment	8,620	7,559
Net cash used in investing activities	(227,674)	(265,512)
Cash flows from financing activities:		
Borrowings under debt agreements	3,023,312	4,047,909
Payments toward debt agreements and capital lease obligations	(3,161,480)	(3,908,897)
Dividends paid to stockholders	(44,629)	(43,930)
Proceeds from issuance of common stock under option and employee purchase plans	3,396	9,402
Excess tax benefit of options exercised	2,376	5,451
Net cash (used in)/provided by financing activities	(177,025)	109,935
Effect of exchange rate changes on cash and cash equivalents	13,249	(67,343)

Net (decrease)/increase in cash and cash equivalents	(4,008)	196,444
Cash and cash equivalents at beginning of period	772,923	663,625
Cash and cash equivalents at end of period	$ 768,915	$ 860,069

See accompanying notes to condensed consolidated financial statements.

Table of Contents

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the information set forth therein have been included. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes included in the Annual Report on Form 10-K of Jabil Circuit, Inc. (the Company) for the fiscal year ended August 31, 2008. Results for the nine-month period ended May 31, 2009 are not necessarily an indication of the results that may be expected for the fiscal year ending August 31, 2009.

Note 2. Inventories

The components of inventories consist of the following (in thousands):

	May 31, 2009	August 31, 2008
Raw materials	$ 890,745	$ 1,070,163
Work in process	231,634	277,699
Finished goods	133,131	181,000
Total inventories	$ 1,255,510	$ 1,528,862

Note 3. (Loss)/Earnings Per Share and Dividends

a. (Loss)/Earnings Per Share

The following table sets forth the calculation of basic and diluted (loss)/earnings per share (EPS) (in thousands, except per share data):

	Three months ended		Nine months ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Numerator:				
Net (loss)/income	$ (28,762)	$ 38,445	$ (1,170,719)	$ 76,401
Denominator:				
Weighted-average common shares outstanding basic	207,190	205,463	206,767	205,066
Dilutive common shares issuable upon exercise of stock options, exercise of stock appreciation rights and employee stock plan purchases		450		970
Dilutive unvested common shares associated with restricted stock awards		164		254
Weighted-average common shares outstanding diluted	207,190	206,077	206,767	206,290

(Loss)/earnings per share:								
Basic	$	(0.14)	$	0.19	$	(5.66)	$	0.37
Diluted	$	(0.14)	$	0.19	$	(5.66)	$	0.37

In accordance with Statement of Financial Accounting Standards No. 128, *Earnings Per Share* (SFAS 128), no potential common shares relating to stock-based compensation awards have been included in the computation of diluted earnings per share as a result of the Company s net losses for the three months and nine months ended May 31, 2009. The Company excluded from the computation of diluted earnings per share 22,664,515 common share equivalents, which consist of stock options and restricted stock awards, and 8,010,799 stock appreciation rights outstanding for the three months and nine months ended May 31, 2009.

For the three months and nine months ended May 31, 2008 options to purchase 9,951,178 and 7,291,698 shares of common stock, respectively, were outstanding during the periods but were not included in the computation of diluted earnings per share because the options exercise prices were greater than the average market price of the common shares, and therefore, their effect

Table of Contents

would be anti-dilutive as calculated under SFAS 128. In accordance with the contingently issuable shares provision of SFAS 128, 3,088,812 shares of performance-based, unvested common stock awards (restricted stock) granted in fiscal years 2006 through 2008 were not included in the calculation of earnings per share for the three months and nine months ended May 31, 2008, because all the necessary conditions for vesting had not been satisfied. In addition, for the three months and nine months ended May 31, 2008, 7,999,299 and 7,991,067 stock appreciation rights, respectively, were not included in the calculation of diluted earnings per share because the shares considered repurchased with the assumed proceeds were greater than the shares issuable or the exercise price was greater than the average market price, and therefore, their effect would be anti-dilutive.

b. Dividends

The following table sets forth certain information relating to the Company s cash dividends declared to common stockholders during the nine months ended May 31, 2009 and 2008.

Dividend Information

	Dividend declaration date	Dividend per share	Total of cash dividends paid	Date of record for dividend payment	Dividend cash payment date
		(in thousands, except for per share data)			
Fiscal year 2008:	November 1, 2007	$ 0.07	$ 14,667	November 15, 2007	December 3, 2007
	January 17, 2008	$ 0.07	$ 14,704	February 15, 2008	March 3, 2008
	April 17, 2008	$ 0.07	$ 14,704	May 15, 2008	June 2, 2008
Fiscal year 2009:	October 24, 2008	$ 0.07	$ 14,916	November 17, 2008	December 1, 2008
	January 22, 2009	$ 0.07	$ 14,974	February 17, 2009	March 2, 2009
	April 23, 2009	$ 0.07	$ 14,954	May 15, 2009	June 1, 2009

Note 4. Stock-Based Compensation

For its share-based compensation plans, the Company applies the provisions of Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS 123R), which requires that the value of stock-based awards and similar awards be expensed.

The Company applies a lattice valuation model for all stock options and stock appreciation rights (collectively known as Options) granted subsequent to August 31, 2005, excluding those granted under the Company s employee stock purchase plan (ESPP). The lattice valuation model is a more flexible analysis to value employee Options because of its ability to incorporate inputs that change over time, such as volatility and interest rates, and to allow for actual exercise behavior of Option holders. The Company uses the Black-Scholes model for valuing the shares granted under the ESPP and Options granted prior to September 1, 2005. Compensation for restricted stock awards (both restricted stock and restricted stock units) is measured at fair value on the date of grant based on the number of shares expected to vest and the quoted market price of the Company s common stock. Compensation cost for all awards is recognized in operations, net of estimated forfeitures, on a straight-line basis over the requisite service period.

The Company recorded $12.0 million and $31.2 million of stock-based compensation expense in the Condensed Consolidated Statements of Operations for the three months and nine months ended May 31, 2009, respectively, net of related tax effects of $1.0 million and $1.8 million, respectively. The Company recorded $8.0 million and $23.7 million of stock-based compensation expense in the Condensed Consolidated Statements of Operations for the three months and nine months ended May 31, 2008, respectively, net of related tax effects of $1.7 million and $5.7 million, respectively. The Company capitalizes stock-based compensation costs related to awards granted to employees whose compensation costs are directly attributable to the cost of inventory. At May 31, 2009 and August 31, 2008, $0.4 million and $0.3 million, respectively, of stock-based compensation was classified as inventory costs on the Condensed Consolidated Balance Sheets.

The fair-value method is applied to non-employee awards in accordance with SFAS 123R. The measurement date for equity awards granted to non-employees is the earlier of the performance commitment date or the date the services required under the arrangement have been completed. The Company generally considers the measurement date for such non-employee awards to be the date that the award has vested. The Company re-measures the awards at each interim reporting period between the grant date and the measurement date. Non-employee awards are classified as liabilities on the Condensed Consolidated Balance Sheets and are therefore remeasured at each interim reporting period until the Options are exercised, cancelled or expire unexercised. At May 31, 2009, $31.0 thousand related to non-employee stock-based awards was classified as a liability on the Company s Condensed Consolidated Balance Sheets. The Company recognized a loss of $27.0 thousand and a gain of $0.2 million related to remeasuring the awards in the Condensed Consolidated Statement of Operations for the three months and nine months ended May 31, 2009, respectively. The Company recognized a loss of $4.0 thousand and a gain of $0.4 million in the Condensed Consolidated Statement of Operations, respectively, related to remeasuring the awards for the three months and nine months ended May 31, 2008.

8

Table of Contents

Cash received from Option exercises under all share-based payment arrangements, including the Company s ESPP, for the nine months ended May 31, 2009 and 2008 was $3.4 million and $9.4 million, respectively. These proceeds for the nine months ended May 31, 2009 and 2008 are net of $0.9 million and $2.2 million, respectively, in market value of restricted shares withheld by the Company to satisfy the minimum amount of its income tax withholding requirements. This market value was determined on the date that the restricted shares vested and resulted in the withholding of 108,985 shares and 138,726 shares of the Company s common stock during the nine months ended May 31, 2009 and 2008, respectively. The amount has been classified as treasury stock on the Condensed Consolidated Balance Sheets. The Company currently expects to satisfy share-based awards with registered shares available to be issued.

As described in Note 6 Commitments and Contingencies, the Company is involved in a putative shareholder class action and has received a subpoena from the U.S. Attorney s office for the Southern District of New York in connection with certain historical stock option grants. The Company has cooperated and intends to continue to cooperate with the U.S. Attorney s office. The Company cannot, however, predict the outcome of the litigation or that investigation.

a. Stock Option and Stock Appreciation Right Plans

The Company s 1992 Stock Option Plan (the 1992 Plan) provided for the granting to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code and for the granting of non-statutory stock options to employees and consultants of the Company. A total of 23,440,000 shares of common stock were reserved for issuance under the 1992 Plan. The 1992 Plan was adopted by the Board of Directors in November of 1992 and was terminated in October 2001 with the remaining shares transferred into a new plan created in fiscal year 2002.

In October 2001, the Company established a new Stock Option Plan (the 2002 Incentive Plan). The 2002 Incentive Plan was adopted by the Board of Directors in October 2001 and approved by the stockholders in January 2002. The 2002 Incentive Plan provides for the granting of Section 422 Internal Revenue Code and non-statutory stock options, as well as restricted stock, stock appreciation rights and other stock-based awards. The 2002 Incentive Plan has a total of 33,608,726 shares reserved for grant, including 2,608,726 shares that were transferred from the 1992 Plan when it was terminated in October 2001, 10,000,000 shares authorized in January 2004, 7,000,000 shares authorized in January 2006, 3,000,000 shares authorized in August 2007, 2,500,000 shares authorized in January 2008 and 1,500,000 shares authorized in January 2009. The Company also adopted sub-plans under the 2002 Incentive Plan for its United Kingdom employees (the CSOP Plan) and for its French employees (the FSOP Plan). The CSOP Plan and FSOP Plan are tax advantaged plans for the Company s United Kingdom and French employees, respectively. Shares are issued under the CSOP Plan and FSOP Plan from the authorized shares under the 2002 Incentive Plan.

The 2002 Incentive Plan provides that the exercise price of Options generally shall be no less than the fair market value of shares of common stock on the date of grant. Exceptions to this general rule apply to grants of Options intended to preserve the economic value of stock options and other equity-based interests held by employees of acquired entities, and grants of Options intended to provide a material inducement for a new employee to commence employment with the Company. It is and has been the Company s intention for the exercise price of Options granted under the 2002 Incentive Plan to be at least equal to the fair market value of shares of common stock on the date of grant. However, as we previously discussed in Note 2 Stock Option Litigation and Restatements to the Consolidated Financial Statements in the Annual Report on Form 10-K for the fiscal year ended August 31, 2006, a certain number of Options were identified that had a measurement date based on the date that the Compensation Committee or management (as appropriate) decided to grant the Options, instead of the date that the terms of such grants became final, and, therefore, the related Options had an exercise price less than the fair market value of shares of common stock on the final date of measurement.

As a result, the holders of the Options with an exercise price less than the fair market value of shares of common stock on the final date of measurement could have possibly incurred adverse tax consequences, however, this was remedied by the Company s actions described in the paragraph immediately below. Such adverse tax consequences related to the portions of such Options that vested after December 31, 2004 (Section 409A Affected Options) and subjected the Option holders to accelerated income taxation and a penalty tax under Internal Revenue Code Section 409A (Section 409A).

On May 12, 2008, the Company commenced an exchange offer to its non-executive officer employees who are subject to taxation in the United States to amend or replace the Section 409A Affected Options (the Exchange Offer). The purpose of the Exchange Offer was to permit eligible affected employees to avoid the adverse tax consequences that would be imposed on the Section 409A Affected Options under Section 409A. Pursuant to the Exchange Offer, the Company offered to eligible affected employees the right to have their eligible Section 409A Affected Options amended or replaced and, in certain circumstances, to receive cash payment as compensation for an increased exercise price. The replaced awards have the same terms as the original awards except for a new exercise price or a new grant date, or both, as applicable. The Exchange Offer was completed on June 13, 2008. Substantially all affected employees elected to accept the offer, which covered Options to acquire 2,055,869 shares of the Company s common stock. A similar separate offer was made to one executive officer on July 16, 2008, and resulted in 19,616 shares being tendered. Collectively, the Company paid $0.3 million to all of the affected employees, and recorded compensation expense, in connection with this offer.

Table of Contents

In October 2007, the Board of Directors approved comprehensive procedures governing the manner in which Options are granted to, among other things, substantially reduce the likelihood that future grants of Options will be made with an exercise price that is less than the fair market value of shares of common stock on the Option measurement date for financial accounting and reporting purposes. With respect to any participant who owns stock representing more than 10% of the voting power of all classes of stock of the Company, the exercise price of any incentive stock option granted is to equal at least 110% of the fair market value on the grant date and the maximum term of the Option may not exceed five years. The term of all other Options under the 2002 Incentive Plan may not exceed ten years. Beginning in fiscal year 2006, Options generally vest at a rate of one-twelfth 15 months after the grant date with an additional one-twelfth vesting at the end of each three-month period thereafter, becoming fully vested after a 48-month period. Prior to this change, Options generally vested at a rate of 12% after the first six months and 2% per month thereafter, becoming fully vested after a 50-month period.

The following table summarizes Option activity from September 1, 2008 through May 31, 2009:

	Shares Available for Grant	Options Outstanding	Aggregate Intrinsic Value (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Balance at September 1, 2008	7,262,639	16,466,315	$ 8,771	$ 24.09	5.8
Options authorized	1,500,000				
Options expired	(337,271)			$ 20.27	
Options granted	(54,890)	54,890		$ 7.96	
Options cancelled	1,194,944	(1,194,944)		$ 24.89	
Restricted stock awards (1)	(4,930,226)				
Options exercised		(1,160)		$ 5.88	
Balance at May 31, 2009	4,635,196	15,325,101	$ 7	$ 24.07	5.1
Exercisable at May 31, 2009		12,128,212	$ 0	$ 23.86	4.4

(1) Represents the maximum number of shares that can be issued based on the achievement of certain performance criteria.

The weighted-average grant-date fair value per share of Options granted during the nine months ended May 31, 2009 and 2008 was $3.50 and $8.71, respectively. The total intrinsic value of Options exercised during the nine months ended May 31, 2009 and 2008 was $3.6 thousand and $1.9 million, respectively.

At May 31, 2009, there were $28.8 million of unrecognized compensation costs related to non-vested Options that are expected to be recognized over a weighted-average period of 1.4 years. The total fair value of Options vested during the nine months ended May 31, 2009 and 2008 was $18.6 million and $13.9 million, respectively.

The Company uses historical data to estimate the Option exercise and employee departure behavior used in the lattice valuation model. The expected term of Options granted is derived from the output of the option pricing model and represents the period of time that Options granted are expected to be outstanding. The risk-free rate for periods within the contractual term of the Options is based on the U.S. Treasury yield curve in effect at the time of grant. The volatility used for the lattice model is a constant volatility for all periods within the contractual term of the Option. The constant volatility is a weighted average of implied volatilities from traded Options and historical volatility corresponding to the contractual term of the Option. The expected dividend yield of Options granted is derived based on the expected annual dividend yield over the expected life of the Option expressed as a percentage of the stock price on the date of grant.

Following are the weighted-average and range assumptions, where applicable, used for each respective period:

	Three months ended	Nine months ended

	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Expected dividend yield	*	2.7%	4.3%	1.3%
Risk-free interest rate	*	1.1% to 3.7%	0% to 2.9%	1.1% to 4.4%
Weighted-average expected volatility	*	55.5%	68.1%	50.2%
Expected life	*	6.2 years	6.3 years	5.8 years

* Note that the Company did not grant Options during the quarter ended May 31, 2009.

At May 31, 2009, the Company has 82,844 Options outstanding that will be settled by the Company with cash. SFAS 123R requires that the Company classify cash settled awards as liabilities on the Company s Condensed Consolidated Balance Sheets and measure these awards at fair value at each reporting date until the award is ultimately settled (i.e. until the Option is exercised or canceled). All changes in fair value are recorded to the Company s Condensed Consolidated Statement of Operations at each reporting date. At May 31, 2009, $44.9 thousand related to cash settled awards was recorded as a liability on the Company s Condensed Consolidated Balance Sheets. The Company recognized a loss of $4.5 thousand for the three months ended May 31, 2009 and a gain of $84.8 thousand in the Condensed Consolidated Statement of Operations for the three months and nine months ended May 31, 2009, respectively, to record the awards at fair value.

b. Restricted Stock Awards

In fiscal year 2005, the Company granted restricted stock awards to certain key employees pursuant to the 2002 Stock Incentive Plan. The awards granted in fiscal year 2005 will vest after five years, but may vest earlier if specific performance criteria are met.

Beginning in fiscal year 2006, the Company began granting certain restricted stock awards that have performance conditions that will be measured at the end of the employee s requisite service period, which provide a range of vesting possibilities from 0% to 200%. The fair value of each award was measured on the date of grant and was originally recognized over the requisite service period based on the number of shares that would vest if the Company achieved 100% of the performance goal, which was the probable outcome at the grant date. In the fourth quarter of fiscal year 2007, the Company determined that for the restricted stock awards that were granted in fiscal year 2006 that have the aforementioned performance conditions, it was probable that the performance goal resulting in 100% of the awards being vested would not be achieved. However, it was probable that 40% of the awards would vest. This change in estimate resulted in the reversal of $9.1 million in stock-based compensation expense from the Company s Consolidated Statement of Operations in the fourth quarter of fiscal year 2007. It was further determined in the first quarter of fiscal year 2008 that for such restricted stock awards granted in fiscal year 2006, it was probable that none of the awards would vest, which resulted in an additional reversal of $5.9 million in stock-based compensation expense from the Company s Consolidated Statement of Operations. During the third quarter of fiscal year 2008, it was determined that 50% of the restricted stock awards that were granted in fiscal year 2007 with performance conditions would vest. This change in estimate resulted in a reversal of $6.9 million in stock-based compensation expense from the Company s Consolidated Statement of Operations in the third quarter of fiscal year 2008. It was further determined in the fourth quarter of fiscal year 2008 that for restricted stock awards granted in fiscal year 2007, it was probable that none of the awards would vest, which resulted in an additional reversal of $7.6 million in stock-based compensation expense from the Company s Consolidated Statement of Operations in the fourth quarter of fiscal year 2008. During the second quarter of fiscal year 2009, it was determined that none of the restricted stock awards that were granted in fiscal year 2008 with performance conditions would vest. This change in estimate resulted in a reversal of $10.2 million in stock-based compensation expense from the Company s Consolidated Statement of Operations in the second quarter of fiscal year 2009. The restricted stock awards that were granted in fiscal year 2009 continue to be recognized based on an estimated 100% performance goal, the probable outcome. If it becomes probable, based on the Company s performance, that more or less than the current estimate of the awarded shares will vest, an adjustment to compensation cost will be recognized. Alternatively, if any of the performance goals are not met, any recognized compensation cost will be reversed. In addition to restricted stock awards that have certain performance conditions, the Company has also granted certain restricted stock awards that vest over time.

Beginning in fiscal year 2008, the Company began granting certain restricted stock awards with a vesting condition that is tied to the Standard and Poor s 500 Composite Index. In accordance with SFAS 123R, such a market condition must be considered in the grant date fair value of the award which contemplates that the market condition may never be met. Stock-based compensation expense related to an award with a market condition will be recognized over the requisite service period regardless of whether the market condition is satisfied, provided that the requisite service period has been completed.

The following table summarizes restricted stock activity from September 1, 2008 through May 31, 2009:

	Shares	Weighted - Average Grant-Date Fair Value
Nonvested balance at September 1, 2008	5,989,884	$ 24.17
Changes during the period		
Shares granted (1)	5,534,807	$ 7.40
Shares vested	(501,776)	$ 21.97
Shares forfeited	(604,581)	$ 22.63

Nonvested balance at May 31, 2009	10,418,334	$	15.45

(1) Represents the maximum number of shares that can vest based on the achievement of certain performance criteria.

11

Table of Contents

At May 31, 2009, there was $32.5 million of total unrecognized compensation cost related to restricted stock awards granted under the 2002 Stock Incentive Plan. That cost is expected to be recognized over a weighted-average period of 1.5 years.

c. Employee Stock Purchase and Award Plans

The ESPP was adopted by the Company s Board of Directors in October 2001 and approved by the shareholders in January 2002. Initially there were 2,000,000 shares reserved under the ESPP. An additional 2,000,000 shares and 3,000,000 shares were authorized for issuance under the ESPP and approved by stockholders in January 2006 and January 2009, respectively. The Company also adopted a sub-plan under the ESPP for its Indian employees. The Indian sub-plan is a tax advantaged plan for the Company s Indian employees. Shares are issued under the Indian sub-plan from the authorized shares under the ESPP. As of May 31, 2009, a total of 3,997,275 shares had been issued under the ESPP.

Employees are eligible to participate in the ESPP after 90 days of employment with the Company. The ESPP permits eligible employees to purchase common stock through payroll deductions, which may not exceed 10% of an employee s compensation, as defined in the ESPP, at a price equal to 85% of the fair market value of the common stock at the beginning or end of the offering period, whichever is lower. The ESPP is intended to qualify under section 423 of the Internal Revenue Code. Unless terminated sooner, the ESPP will terminate on October 17, 2011.

Awards under the ESPP are generally granted in June and December. As such, there were 580,887 and 432,202 shares purchased under the ESPP during the nine months ended May 31, 2009 and 2008, respectively.

The fair value of shares issued under the ESPP was estimated on the commencement date of each offering period using the Black-Scholes option pricing model. The following weighted-average assumptions were used in the model for each respective period:

	Three months ended		Nine months ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Expected dividend yield	0.9%	1.1%	0.9%	1.1%
Risk-free interest rate	2.1%	5.0%	2.1%	5.0%
Weighted-average expected volatility	58.1%	30.2%	58.1%	30.2%
Expected life	.5 years	.5 years	.5 years	.5 years

Note 5. Concentration of Risk and Segment Data

a. Concentration of Risk

The Company operates in 22 countries worldwide. Revenues from unaffiliated customers are based on the Company s location providing the electronics design, production, product management or aftermarket services. The following table sets forth external net revenue, net of intercompany eliminations, and long-lived asset information where individual countries represent a material portion of the total (in thousands):

	Three months ended		Nine months ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
External net revenue:				
Mexico	$ 653,757	$ 523,830	$ 1,948,958	$ 1,581,677
China	496,704	669,601	1,828,872	2,089,094
U.S.	407,111	651,780	1,446,050	1,900,443
Hungary	303,644	180,275	834,293	573,031
Malaysia	191,749	261,318	606,241	753,639
Poland	80,060	161,535	405,907	793,893
Other	482,076	639,930	1,814,689	1,823,052
	$ 2,615,101	$ 3,088,269	$ 8,885,010	$ 9,514,829

Table of Contents

	May 31, 2009	August 31, 2008
Long-lived assets:		
China	$ 422,870	$ 481,770
U.S.	268,144	359,451
Mexico	233,775	188,823
Taiwan	134,675	633,301
Malaysia	104,662	117,344
India	84,657	294,322
Hungary	77,666	149,010
Other	222,014	460,403
	$ 1,548,463	$ 2,684,424

Foreign source revenue represented 84.4% and 83.7% of net revenue for the three months and nine months ended May 31, 2009 compared to 78.9% and 80.0% for the three months and nine months ended May 31, 2008.

Sales of the Company s products are concentrated among specific customers. For the nine months ended May 31, 2009, the Company s five largest customers accounted for approximately 43% of its net revenue and 50 customers accounted for approximately 90% of its net revenue. Sales to the above customers were reported in the Consumer, Electronic Manufacturing Services (EMS) and Aftermarket Services (AMS) operating segments.

b. Segment Data

Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information* (SFAS 131), establishes standards for reporting information about segments in financial statements. Operating segments are defined as components of an enterprise that engage in business activities from which it may earn revenues and incur expenses; for which separate financial information is available; and whose operating results are regularly reviewed by the chief operating decision maker to assess the performance of the individual segment and make decisions about resources to be allocated to the segment.

The Company derives its revenue from providing comprehensive electronics design, production, product management and aftermarket services. Management, including the Chief Executive Officer, evaluates performance and allocates resources on a divisional basis for manufacturing and service operating segments. The Company s operating segments consist of three segments Consumer, EMS and AMS.

Net revenue for the operating segments is attributed to the division in which the product is manufactured or service is performed. An operating segment s performance is evaluated based upon its pre-tax operating contribution, or segment income. Segment income is defined as net revenue less cost of revenue, segment selling, general and administrative expenses, segment research and development expenses and an allocation of corporate selling, general and administrative expenses, and does not include amortization of intangibles, stock-based compensation expense, restructuring and impairment charges, goodwill impairment charges, other expense, interest income, interest expense, income taxes or minority interest. Total segment assets are defined as trade accounts receivable, inventories, customer related machinery and equipment, intangible assets and goodwill. All other non-segment assets are reviewed on a global basis by management. Transactions between operating segments are generally recorded at amounts that approximate arm s length.

The following table sets forth operating segment information (in thousands):

	Three months ended		Nine months ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Net revenue				
Consumer	$ 920,753	$ 813,015	$ 3,197,770	$ 2,905,692
EMS	1,507,437	2,112,980	5,170,166	6,104,148
AMS	186,911	162,274	517,074	504,989
	$ 2,615,101	$ 3,088,269	$ 8,885,010	$ 9,514,829

Table of Contents

Segment income and reconciliation of

(loss)/income before income taxes and

minority interest, net of tax

	Three months ended May 31, 2009	Three months ended May 31, 2008	Nine months ended May 31, 2009	Nine months ended May 31, 2008
Consumer	$ (4,296)	$ (2,219)	$ 53,311	$ 39,488
EMS	12,394	76,521	73,262	199,934
AMS	20,913	11,013	47,578	35,820
Total segment income	29,011	85,315	174,151	275,242
Reconciling items:				
Stock-based compensation expense	13,039	9,696	33,044	29,439
Amortization of intangibles	7,612	9,058	23,320	27,635
Restructuring cost and impairment charges	16,167	3,470	48,312	54,546
Goodwill impairment charge			1,022,821	
Other expense	948	2,010	4,169	9,815
Interest income	(1,087)	(3,051)	(5,314)	(9,255)
Interest expense	19,043	21,213	62,854	70,509
(Loss)/income before income taxes and minority interest, net of tax	$ (26,711)	$ 42,919	$ (1,015,055)	$ 92,553

	May 31, 2009	August 31, 2008
Total assets		
Consumer	$ 1,668,534	$ 2,134,318
EMS	1,963,409	3,006,485
AMS	323,863	223,561
Other non-allocated assets	1,213,249	1,667,773
	$ 5,169,055	$ 7,032,137

See Note 7 Restructuring and Impairment Charges for a discussion of the Company s restructuring plans initiated in fiscal years 2009 and 2006.

Note 6. Commitments and Contingencies

a. Legal Proceedings

i. Private Litigation Related to Certain Historical Stock Option Grant Practices

In April and May of 2006, shareholder derivative lawsuits were filed in State Circuit Court in Pinellas County, Florida on behalf of a purported shareholder of the Company naming the Company as a nominal defendant, and naming certain of the Company s officers and directors as defendants. Those lawsuits were subsequently consolidated (the Consolidated State Derivative Action). The Consolidated State Derivative Action alleged breaches of certain fiduciary duties to the Company by backdating certain stock option grants between August 1998 and October 2004 to make it appear that they were granted on a prior date when the Company s stock price was lower. Subsequently, two similar federal derivative suits were filed and consolidated in January 2007 into one action (the Consolidated Federal Derivative Action).

14

Table of Contents

On May 3, 2006, the Company s Board of Directors appointed a Special Committee that reviewed the allegations asserted in all of the above derivative actions and concluded that the evidence did not support a finding of intentional manipulation of stock option grant pricing by any member of management. In addition, the Special Committee concluded that it was not in the Company s best interests to pursue the derivative actions and stated that it would assert that position on the Company s behalf in each of the pending derivative lawsuits. The Special Committee identified certain factors related to the controls surrounding the process of accounting for option grants that contributed to the accounting errors that led to a restatement of certain of the Company s historical financial statements.

In September 2007, the Company reached an agreement to resolve the Consolidated State Derivative Action and the Consolidated Federal Derivative Action that did not involve the Company paying any monetary damages, but it did adopt several new policies and procedures to improve the process through which equity awards are determined, approved and accounted for. In April 2008, the State Court entered an order dismissing the Consolidated State Action and finding that the proposed settlement was fair, adequate and reasonable, and that awarded the plaintiffs counsel $700.0 thousand in attorney fees and costs ($575.0 thousand of which was paid by the Company s Directors and Officers insurance carriers and $125.0 thousand of which was paid by the Company). On April 25, 2008, the Federal Court approved the proposed settlement agreement and dismissed the Consolidated Federal Action.

In addition to the derivative actions, on September 18, 2006, a putative shareholder class action was filed in the U.S. District Court for the Middle District of Florida, Tampa Division against the Company and various present and former officers and directors, including Forbes I.J. Alexander, Scott D. Brown, Laurence S. Grafstein, Mel S. Lavitt, Chris Lewis, Timothy Main, Mark T. Mondello, William D. Morean, Lawrence J. Murphy, Frank A. Newman, Steven A. Raymund, Thomas A. Sansone and Kathleen A. Walters on behalf of a proposed class of plaintiffs comprised of persons that purchased the Company s shares between September 19, 2001 and June 21, 2006. A second putative class action, containing virtually identical legal claims and allegations of fact was filed on October 12, 2006. The two actions were consolidated into a single proceeding (the Consolidated Class Action) and on January 18, 2007, the Court appointed The Laborers Pension Trust Fund for Northern California and Pension Trust Fund for Operating Engineers as lead plaintiffs in the action. On March 5, 2007, the lead plaintiffs filed a consolidated class action complaint (the Consolidated Class Action Complaint). The Consolidated Class Action Complaint is purported to be brought on behalf of all persons who purchased the Company s publicly traded securities between September 19, 2001 and December 21, 2006, and names the Company and certain of its current and former officers, including Forbes I.J. Alexander, Scott D. Brown, Wesley B. Edwards, Chris A. Lewis, Mark T. Mondello, Robert L. Paver and Ronald J. Rapp, as well as certain of the Company s directors, Mel S. Lavitt, William D. Morean, Frank A. Newman, Laurence S. Grafstein, Steven A. Raymund, Lawrence J. Murphy, Kathleen A. Walters and Thomas A. Sansone, as defendants. The Consolidated Class Action Complaint alleged violations of Sections 10(b), 20(a), and 14(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules promulgated thereunder. The Consolidated Class Action Complaint alleged that the defendants engaged in a scheme to fraudulently backdate the grant dates of options for various senior officers and directors, causing the Company s consolidated financial statements to understate management compensation and overstate net earnings, thereby inflating the Company s stock price. In addition, the complaint alleged that the Company s proxy statements falsely stated that it had adhered to its option grant policy of granting options at the closing price of its shares on the trading date immediately prior to the date of the grant. Also, the complaint alleged that the defendants failed to timely disclose the facts and circumstances that led the Company, on June 12, 2006, to announce that it was lowering its prior guidance for net earnings for the third quarter of fiscal year 2006. On April 30, 2007, the plaintiffs filed a First Amended Consolidated Class Action Complaint asserting claims substantially similar to the Consolidated Class Action Complaint it replaced but adding additional allegations relating to the restatement of earnings previously announced in connection with the correction of errors in the calculation of compensation expense for certain stock option grants. The Company filed a motion to dismiss the First Amended Consolidated Class Action Complaint on June 29, 2007. The plaintiffs filed an opposition to the Company s motion to dismiss, and the Company then filed a reply memorandum in further support of its motion to dismiss on September 28, 2007. On April 9, 2008, the Court dismissed the First Amended Consolidated Class Action Complaint without prejudice and with leave to amend such complaint on or before May 12, 2008.

On May 12, 2008, plaintiffs filed a Second Amended Class Action Complaint. The Second Amended Class Action Complaint asserts substantially the same causes of action against the same defendants, predicated largely on the same allegations of fact as in the First Amended Consolidated Class Action Complaint except insofar as the plaintiffs added KPMG LLP, the Company s independent registered public accounting firm, as a defendant and added additional allegations with respect to (a) pre-class period option grants, (b) the professional background of certain defendants, (c) option grants to non-executive employees, (d) the restatement of the Company s financial results for certain periods between 1996 and 2005 and (e) trading by the named plaintiffs and certain of the defendants during the class period. The Second Amended Class Action Complaint also includes an additional claim for insider trading against certain defendants pursuant to Rules 10b-5 and 10b5-1 promulgated pursuant to the Exchange Act. The Company filed a motion to dismiss the Second Amended Class Action Complaint.

Table of Contents

On January 26, 2009, the Court dismissed the Second Amended Class Action Complaint with prejudice. The plaintiffs appealed this dismissal on February 20, 2009. The Company believes that the Second Amended Class Action Complaint is without merit and it will continue to vigorously defend the action, although no assurance can be given as to the ultimate outcome of any such further proceedings.

ii. Securities Exchange Commission Informal Inquiry and U.S. Attorney Subpoena Related to Certain Historical Stock Option Grant Practices

In addition to the private litigation described above, the Company was notified on May 2, 2006 by the Staff of the Securities and Exchange Commission (the SEC) of an informal inquiry concerning the Company s stock option grant practices. In May 2006, the Company received a subpoena from the U.S. Attorney s office for the Southern District of New York requesting certain stock option related material. Such information was subsequently provided and the Company did not hear further from such U.S. Attorney s office. In addition, the Company s review of its historical stock option practices led it to review certain transactions proposed or effected between fiscal years 1999 and 2002 to determine if it properly recognized revenue associated with those transactions. The Audit Committee of the Company s Board of Directors engaged independent legal counsel to assist it in reviewing certain proposed or effected transactions with certain customers that occurred during this period. The review determined that there was inadequate documentation to support the Company s recognition of certain revenues received during the period. The Company s Audit Committee concluded that there was no direct evidence that any of the Company s employees intentionally made or caused false accounting entries to be made in connection with these transactions, and the Company concluded that the impact was immaterial. The Company provided the SEC with the report that this independent counsel produced regarding these revenue recognition issues, the Special Committee s report regarding the Company s stock option grant practices, and the other information requested and cooperated fully with the Special Committee, the SEC and the U.S. Attorney s office.

The Company received a letter from the SEC Division of Enforcement on November 24, 2008, advising the Company that the Division had completed its investigation and did not intend to recommend that the SEC take any enforcement action.

iii. Other Litigation

The Company is party to certain other lawsuits in the ordinary course of business. The Company does not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on the Company s financial position, results of operations or cash flows.

b. Warranty Provision

The Company maintains a provision for limited warranty repair of shipped products, which is established under the terms of specific manufacturing contract agreements. The warranty liability is included in accrued expenses on the Company s Condensed Consolidated Balance Sheets. The warranty period varies by product and customer industry sector. The provision represents management s estimate of probable liabilities, calculated as a function of sales volume and historical repair experience, for each product under warranty. The estimate is reevaluated periodically for accuracy. A rollforward of the warranty liability for the nine months ended May 31, 2009 and 2008 is as follows (in thousands):

	Amount
Balance at August 31, 2008	$ 9,877
Accruals for warranties	7,106
Settlements made	(4,102)
Balance at May 31, 2009	$ 12,881

	Amount
Balance at August 31, 2007	$ 7,575
Accruals for warranties	6,312
Settlements made	(4,079)
Balance at May 31, 2008	$ 9,808

16

Table of Contents

Note 7. Restructuring and Impairment Charges

a. 2009 Restructuring Plan

During the second quarter of fiscal year 2009, the Company s Board of Directors approved a restructuring plan to better align the Company s manufacturing capacity in certain geographies and to reduce its worldwide workforce in order to reduce operating expenses (the 2009 Restructuring Plan). These restructuring activities are intended to address the current market conditions and properly size the Company s manufacturing facilities to increase the efficiencies of the Company s operations. In conjunction with the 2009 Restructuring Plan, the Company charged $16.1 million and $48.8 million of restructuring and impairment costs during the three months and nine months ended May 31, 2009, respectively, to the Condensed Consolidated Statement of Operations. The restructuring and impairment costs for the three months ended May 31, 2009 include $14.8 million related to employee severance and termination benefit costs, $1.2 million related to fixed asset impairments and $0.1 million related to other restructuring costs. The restructuring and impairment costs for the nine months ended May 31, 2009 include $42.2 million related to employee severance and termination benefit costs, $0.1 million related to lease commitments, $6.4 million related to fixed asset impairments, and $0.1 million related to other restructuring costs.

These restructuring and impairment charges related to the 2009 Restructuring Plan incurred through May 31, 2009 of $48.8 million include cash costs totaling $42.4 million, of which $9.7 million was paid in the nine months ended May 31, 2009. The cash costs consist of employee severance and termination benefit costs of approximately $42.2 million, approximately $0.1 million of costs related to lease commitments, and approximately $0.1 million of other restructuring costs. Non-cash costs of approximately $6.4 million primarily represent fixed asset impairment charges related to the Company s restructuring activities.

Employee severance and termination benefit costs of $14.8 million and $42.2 million recorded in the three months and nine months ended May 31, 2009, respectively, are related to the reduction of employees across all functions of the business in manufacturing facilities in Europe, Asia and the Americas. To date, approximately 2,500 employees have been included in the 2009 Restructuring Plan. The Company identified certain fixed assets that have ceased being used by the Company and, accordingly, recorded a fixed asset impairment charge of $1.2 million and $6.4 million in the three months and nine months ended May 31, 2009, respectively.

In addition, as part of the 2009 Restructuring Plan, management determined that it was more likely than not that certain deferred tax assets would not be realized as a result of the contemplated restructuring activities. Therefore, the Company recorded a valuation allowance of $13.5 million on deferred tax assets as a result of the 2009 Restructuring Plan. The valuation allowances are excluded from the table below as they were recorded through the provision for income taxes on the Condensed Consolidated Statement of Operations.

The tables below set forth the significant components and activity in the 2009 Restructuring Plan during the three months and nine months ended May 31, 2009 (in thousands):

2009 Restructuring Plan Three Months Ended May 31, 2009

	Liability Balance at February 28, 2009	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash (Payments) Proceeds	Liability Balance at May 31, 2009
Employee severance and termination benefits	$ 25,502	$ 14,814	$ 3,281	$ (8,348)	$ 35,249
Fixed asset impairment		1,184	(1,184)		
Other		72		(72)	
Total	$ 25,502	$ 16,070	$ 2,097	$ (8,420)	$ 35,249

2009 Restructuring Plan Nine Months Ended May 31, 2009

	Liability Balance at August 31, 2008	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash (Payments) Proceeds	Liability Balance at May 31, 2009
Employee severance and termination benefits	$	$ 42,218	$ 2,584	$ (9,553)	$ 35,249
Lease commitment costs		83	1	(84)	
Fixed asset impairment		6,432	(6,432)		
Other		72		(72)	
Total	$	$ 48,805	$ (3,847)	$ (9,709)	$ 35,249

Table of Contents

The tables below set forth significant components and activity in the 2009 Restructuring Plan by reportable segment during the three months and nine months ended May 31, 2009 (in thousands):

2009 Restructuring Plan Three Months Ended May 31, 2009

	Liability Balance at February 28, 2009	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash (Payments) Proceeds	Liability Balance at May 31, 2009
Consumer	$ 1,537	$ 2,238	$ (279)	$ (2,741)	$ 755
EMS	23,965	13,832	2,376	(5,679)	34,494
Total	$ 25,502	$ 16,070	$ 2,097	$ (8,420)	$ 35,249

2009 Restructuring Plan Nine Months Ended May 31, 2009

	Liability Balance at August 31, 2008	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash (Payments) Proceeds	Liability Balance at May 31, 2009
Consumer	$	$ 7,983	$ (3,981)	$ (3,247)	$ 755
EMS		40,822	134	(6,462)	34,494
Total	$	$ 48,805	$ (3,847)	$ (9,709)	$ 35,249

At May 31, 2009, accrued liabilities of approximately $32.2 million related to the 2009 Restructuring Plan are expected to be paid over the next twelve months. The remaining liability of $3.0 million is expected to be paid through fiscal year 2011.

In relation to the 2009 Restructuring Plan, the Company currently expects to recognize approximately $64.0 million in total restructuring and impairment costs, excluding valuation allowances of $13.5 million on certain deferred tax assets, primarily over the course of fiscal years 2009 and 2010.

b. 2006 Restructuring Plan

In conjunction with the restructuring plan that was approved by the Company s Board of Directors in the fourth quarter of fiscal year 2006 (the 2006 Restructuring Plan), the Company recorded $0.1 million and $(0.5) million of restructuring and impairment costs during the three months and nine months ended May 31, 2009, respectively, compared to a charge of $3.5 million and $54.5 million of restructuring and impairment costs during the three months and nine months ended May 31, 2008, respectively. The restructuring and impairment costs for the three months ended May 31, 2009 include $(0.1) million related to employee severance and termination benefit costs and $0.2 million related to lease commitments. The restructuring and impairment costs for the nine months ended May 31, 2009 include $(1.2) million related to employee severance and termination benefit costs and $0.7 million related to lease commitments. The restructuring and impairment costs for the three months ended May 31, 2008 include $2.1 million related to employee severance and termination benefit costs, $0.8 million related to lease commitments, $0.5 million related to fixed asset impairments and $0.1 million related to other restructuring costs. The restructuring and impairment costs for the nine months ended May 31, 2008 include $46.7 million related to employee severance and termination benefit costs, $7.0 million related to lease commitments, $0.3 million related to fixed asset impairments and $0.5 million related to other restructuring costs.

These restructuring and impairment charges related to the 2006 Restructuring Plan incurred through May 31, 2009 of $208.5 million include cash costs totaling $159.6 million, of which $1.5 million was paid in the fourth fiscal quarter of 2006, $64.8 million was paid in fiscal year 2007, $57.2 million was paid in fiscal year 2008, $26.0 million was paid in the first three fiscal quarters of 2009 and $10.1 million is expected to be paid primarily during the remainder of fiscal year 2009 through fiscal year 2011. The cash costs consist of employee severance and termination benefit costs of approximately $145.2 million, costs related to lease commitments of approximately $20.6 million and other restructuring costs of $2.1 million. These cash costs were off-set by approximately $8.3 million of cash proceeds received in connection with facility closure costs. Non-cash costs of approximately $48.9 million primarily represent fixed asset impairment charges related to the Company s restructuring activities.

Table of Contents

Employee severance and termination benefit costs of $(0.1) million and $(1.2) million recorded in the three months and nine months ended May 31, 2009, respectively, were due to revised estimates of severance and termination benefits that will be paid by the Company. Employee severance and termination benefit costs of $2.1 million and $46.7 million recorded in the three months and nine months ended May 31, 2008, are related to the reduction of employees across all functions of the business in manufacturing facilities in Europe, Asia and the Americas. Approximately 10,500 employees have been included in the 2006 Restructuring Plan to date. Lease commitment costs of $0.2 million and $0.7 million recorded in the three months and nine months ended May 31, 2009, respectively, compared to $0.8 million and $7.0 million recorded in the three months and nine months ended May 31, 2008, respectively, primarily relate to future lease payments for facilities that were vacated in the Americas and Europe.

In addition, as part of the 2006 Restructuring Plan, management determined that it was more likely than not that certain entities within foreign jurisdictions would not be able to utilize their deferred tax assets as a result of the contemplated restructuring activities. Therefore, the Company recorded valuation allowances of $38.8 million on net deferred tax assets as part of the 2006 Restructuring Plan prior to September 1, 2008. The valuation allowances are excluded from the table below as they were recorded through the provision for income taxes on the Consolidated Statement of Operations. See Note 4 Income Taxes to the Consolidated Financial Statements in the Annual Report on Form 10-K for the fiscal year ended August 31, 2008 for further discussion of the Company s net deferred tax assets and provision for income taxes.

The tables below set forth the significant components and activity in the 2006 Restructuring Plan during the three months and nine months ended May 31, 2009 (in thousands):

2006 Restructuring Plan Three Months Ended May 31, 2009

	Liability Balance at February 28, 2009	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash (Payments) Proceeds	Liability Balance at May 31, 2009
Employee severance and termination benefits	$ 7,377	$ (124)	$ 810	$ (493)	$ 7,570
Lease commitment costs	3,087	221		(771)	2,537
Other	372		43	(1)	414
Total	$ 10,836	$ 97	$ 853	$ (1,265)	$ 10,521

2006 Restructuring Plan Nine Months Ended May 31, 2009

	Liability Balance at August 31, 2008	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash (Payments) Proceeds	Liability Balance at May 31, 2009
Employee severance and termination benefits	$ 36,210	$ (1,156)	$ (3,489)	$ (23,995)	$ 7,570
Lease commitment costs	3,865	663	(32)	(1,959)	2,537
Other	429		(13)	(2)	414