JABIL CIRCUIT INC
Form 10-Q
July 06, 2009
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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.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

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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.

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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.

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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.

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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.

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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

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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.

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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.

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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.

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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.

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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

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	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

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Segment income and reconciliation of

(loss)/income before income taxes and

minority interest, net of tax

	Three months ended		Nine months ended	
	May 31, 2009	May 31, 2008	May 31, 2009	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).

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.

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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

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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

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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.

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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
Total	$ 40,504	$ (493)	$ (3,534)	$ (25,956)	$ 10,521

The tables below set forth significant components and activity in the 2006 Restructuring Plan by reportable segment 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
Consumer	$ 4,089	$	$ 445	$ (318)	$ 4,216
EMS	6,294	173	364	(941)	5,890
AMS	453	(76)	44	(6)	415
Other non-reportable operating					
Total	$ 10,836	$ 97	$ 853	$ (1,265)	$ 10,521

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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
Consumer	$ 6,418	$	$ (355)	$ (1,847)	$ 4,216
EMS	33,426	(1,530)	(3,165)	(22,841)	5,890
AMS	660	(76)	(12)	(157)	415
Other non-reportable operating		1,113	(2)	(1,111)	
Total	$ 40,504	$ (493)	$ (3,534)	$ (25,956)	$ 10,521

At May 31, 2009, accrued liabilities of approximately $5.5 million related to the 2006 Restructuring Plan are expected to be paid over the next twelve months. The additional remaining accrued liabilities of $5.0 million relate primarily to the charge for certain lease commitments and employee severance and termination benefits payments and is expected to be paid primarily during the remainder of fiscal year 2009 through fiscal year 2011.

In relation to the 2006 Restructuring Plan, the Company currently expects to recognize approximately $250.0 million in total restructuring and impairment costs. The Company has substantially completed restructuring activities under the 2006 Restructuring Plan, and approximately $1.8 million of remaining contract termination costs are expected to be incurred over the remainder of fiscal year 2009 through fiscal year 2011.

Note 8. Goodwill and Other Intangible Assets

In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), the Company performs a goodwill impairment analysis using the two-step method on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability of goodwill is measured at the reporting unit level, which the Company has determined to be consistent with its operating segments by comparing the reporting unit s carrying amount, including goodwill, to the fair market value of the reporting unit. The Company consistently determines the fair market value of its reporting units based on an average weighting of both projected discounted future results and the use of comparative market multiples. The use of such market multiples (the market approach) allows the Company to compare itself to other companies based on valuation multiples to arrive at a fair value. The Company regularly evaluates itself and its divisions relative to its competitors and the Company believes the judgments used to arrive at these comparable companies are reasonable. The use of projected discounted future results (discounted cash flow approach) is based on assumptions that are consistent with the Company s estimates of future growth and the strategic plan used to manage the underlying business, and also includes a probability-weighted expectation as to the Company s future cash flows. Factors requiring significant judgment include assumptions related to future growth rates, discount factors, and tax rates, amongst other considerations. Changes in economic and operating conditions that occur after the annual impairment analysis or an interim impairment analysis, and that impact these assumptions, may result in a future goodwill impairment charge.

Based upon a combination of factors, including a significant and sustained decline in the Company s market capitalization below the Company s carrying value, the deteriorating macro-economic environment, which resulted in a significant decline in customer demand, and the illiquidity in the overall credit markets, the Company concluded that sufficient indicators of impairment existed and accordingly performed an interim goodwill impairment analysis, during the first quarter and again in the second quarter of fiscal year 2009.

During the first quarter of fiscal year 2009, the Company determined that the goodwill related to the Consumer reporting unit was impaired and recorded a preliminary non-cash goodwill impairment charge of approximately $317.7 million. The income tax expense associated with the preliminary goodwill impairment charge was $4.4 million. This included a tax benefit of $30.6 million for the write-off of tax deductible goodwill and tax expense of $35.0 million resulting from the recognition of a valuation allowance against the deferred tax assets, which related primarily to net operating losses, that the Company now believes will not be realized.

During the second quarter of fiscal year 2009, and prior to finalizing the preliminary non-cash goodwill impairment charge recorded at November 30, 2008, related to the Consumer reporting unit, the Company concluded that additional impairment indicators were present. As a result of that analysis, the Company determined that the goodwill related to the Consumer reporting unit was fully impaired and recorded an additional non-cash goodwill impairment charge of approximately $82.7 million. Further, the Company also determined that the goodwill related to the EMS reporting unit was impaired and recorded a preliminary non-cash goodwill impairment charge of approximately $622.4 million. The income tax expense associated with the goodwill impairment was $111.8 million for the fiscal quarter ended February 28, 2009. This included a tax benefit of $9.0 million for the write-off of tax deductible goodwill and income tax expense of $120.8 million resulting from the recognition of a valuation allowance against the deferred tax assets that the Company no longer believes are more likely than not to be realized.

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During the third quarter of fiscal year 2009, the Company finalized the valuation of the tangible and intangible assets and the allocation of fair value to the assets and liabilities of the EMS reporting unit with no additional impairment charges recorded. After recognition of the above non-cash goodwill impairment charge, no goodwill remained with the Consumer and EMS reporting units, respectively.

The impairment evaluation for indefinite-lived intangible assets, which for the Company is a trade name, is conducted during the fourth quarter of each fiscal year, or more frequently if events or changes in circumstances indicate that an asset may be impaired. As a result of the impairment indicators described above, during the first quarter and again in the second quarter of fiscal year 2009, the Company evaluated its trade name for impairment by comparing the discounted estimates of future revenue projections to its carrying value and determined that there was no impairment. There were no impairment indicators during the third quarter of fiscal year 2009. Significant judgments inherent in this analysis included assumptions regarding appropriate revenue growth rates, discount rates and royalty rates.

The Company reviews long-lived assets, including its intangible assets subject to amortization, which are contractual agreements, customer relationships and intellectual property, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset group to the future undiscounted net cash flows expected to be generated by those assets. If such assets are considered to be impaired, the impairment charge recognized is the amount by which the carrying amounts of the assets exceeds the fair value of the assets. As a result of the impairment indicators described above, during the first quarter and again in the second quarter of fiscal year 2009, the Company tested its long-lived assets for impairment and determined that there was no impairment. There were no impairment indicators during the third quarter of fiscal year 2009.

The following table presents the changes in goodwill allocated to the Company s reportable segments during the nine months ended May 31, 2009 (in thousands):

Reportable Segment	Balance at August 31, 2008	Adjustments	Foreign Currency Impact	Impairment Charges	Balance at May 31, 2009
Consumer	$ 423,059	$ 414	$ (23,066)	$ (400,407)	$
EMS	671,616	(302)	(48,900)	(622,414)	
AMS	24,435		(752)		23,683
Total	$ 1,119,110	$ 112	$ (72,718)	$ (1,022,821)	$ 23,683

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Intangible assets consist primarily of contractual agreements and customer relationships, which are being amortized on a straight-line basis over periods of up to ten years, intellectual property which is being amortized on a straight-line basis over a period of up to five years and a trade name which has an indefinite life. No significant residual value is estimated for the amortizable intangible assets. The value of the Company s intangible assets purchased through business acquisitions is principally determined based on valuations of the net assets acquired. The following tables present the Company s total purchased intangible assets at May 31, 2009 and August 31, 2008 (in thousands):

May 31, 2009	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Contractual agreements and customer relationships	$ 102,288	$ (43,470)	$ 58,818
Intellectual property	85,613	(47,575)	38,038
Trade name	46,480		46,480
Total	$ 234,381	$ (91,045)	$ 143,336

August 31, 2008	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Contractual agreements and customer relationships	$ 121,855	$ (53,636)	$ 68,219
Intellectual property	89,576	(33,606)	55,970
Trade names	48,646		48,646
Total	$ 260,077	$ (87,242)	$ 172,835

The weighted-average amortization period for aggregate net intangible assets at May 31, 2009 is 7.0 years, which includes a weighted-average amortization period of 9.1 years for net contractual agreements and customer relationships and a weighted-average amortization period of 4.5 years for net intellectual property.

Intangible asset amortization for the three months and nine months ended May 31, 2009 was $7.6 million and $23.3 million, respectively. Intangible asset amortization for the three months and nine months ended May 31, 2008 was $9.1 million and $27.6 million, respectively.

The estimated future amortization expense is as follows (in thousands):

Fiscal year ending August 31,	**Amount**
2009 (remaining three months)	$ 7,616
2010	27,251
2011	22,965
2012	14,601
2013	9,390
Thereafter	15,033
Total	$ 96,856

Note 9. Accounts Receivable Securitizations

a. North American Asset-Backed Securitization Program

In February 2004, the Company entered into an asset-backed securitization program with a bank, which originally provided for net cash proceeds at any one time of an amount up to $100.0 million on the sale of eligible trade accounts receivable of certain domestic operations. Subsequent to fiscal year 2004, several amendments increased the net cash proceeds available at any one time under the securitization program up to an amount of $250.0 million. Accounts receivable sold under this securitization program are accounted for as a sale in accordance with

Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (a replacement of FASB Statement No. 125),* (SFAS 140). Under the agreement, the Company continuously sells a designated pool of trade accounts receivable to a wholly-owned subsidiary, which in turn sells an ownership interest in the receivables to a conduit, administered by an unaffiliated financial institution. This wholly-owned subsidiary is a separate bankruptcy-remote entity and its assets would be available first to satisfy the creditor claims of the conduit. As the receivables sold are collected, the Company is able to sell additional receivables up to the maximum permitted amount under the program. The securitization program requires compliance with several financial covenants including an interest coverage ratio and debt to EBITDA ratio, as defined in the securitization agreement, as amended. The securitization agreement, as amended on March 18, 2009 expires on March 17, 2010.

For each pool of eligible receivables sold to the conduit, the Company retains a percentage interest in the face value of the receivables, which is calculated based on the terms of the agreement. Net receivables sold under this program are excluded from trade accounts receivable on the Consolidated Balance Sheets and are reflected as cash provided by operating activities on the Consolidated Statement of Cash Flows. The Company is assessed a fee on the unused portion of the facility ranging between 0.875% and 0.925% per annum based on the average daily unused aggregate capital during the period. Further, a usage fee on the utilized portion of the facility is equal to 1.75% per annum on the average daily outstanding aggregate capital during the immediately preceding calendar month. The investors and the securitization conduit have no recourse to the Company s assets for failure of debtors to pay when due.

The Company continues servicing the receivables sold. No servicing asset is recorded at the time of sale because the Company does not receive any servicing fees from third parties or other income related to servicing the receivables. The Company does not record any servicing liability at the time of sale as the receivable collection period is relatively short and the costs of servicing the receivables sold over the servicing period are not significant. Servicing costs are recognized as incurred over the servicing period.

At May 31, 2009, the Company had sold $314.9 million of eligible trade accounts receivable, which represents the face amount of total outstanding receivables at that date. In exchange, the Company received cash proceeds of $112.9 million and retained an interest in the receivables of approximately $202.0 million. In connection with the securitization program, the Company recognized pretax losses on the sale of receivables of approximately $0.9 million and $4.2 million during the three months and nine months ended May 31, 2009, respectively, compared to approximately $2.0 million and $9.8 million during the three months and nine months ended May 31, 2008, respectively, which are recorded as other expense on the Condensed Consolidated Statement of Operations.

b. Foreign Asset-Backed Securitization Program

On April 7, 2008, the Company entered into an asset-backed securitization program with a bank conduit. In connection with the securitization program certain of its foreign subsidiaries sell, on an ongoing basis, an undivided interest in designated pools of trade accounts receivable to a special purpose entity, which in turn borrows up to $200.0 million from the bank conduit to purchase those receivables and in which it grants security interests as collateral for the borrowings. The securitization program is accounted for as a borrowing under SFAS 140. The loan balance is calculated based on the terms of the securitization program agreements. The securitization program requires compliance with several covenants including a limitation on certain corporate actions such as mergers, consolidations and sale of substantially all assets. The Company pays interest at designated commercial paper rates plus a spread. The securitization program was amended on March 19, 2009 to extend the expiration date until March 18, 2010.

At May 31, 2009, the Company had $95.9 million of debt outstanding under the program. In addition, the Company incurred interest expense at a variable rate of approximately 0.51% plus a fixed spread during the three months ended May 31, 2009 in its Condensed Consolidated Statement of Operations.

c. Accounts Receivable Factoring Agreements

In October 2004, the Company entered into an agreement with an unrelated third-party for the factoring of specific trade accounts receivable of a foreign subsidiary. The factoring of trade accounts receivable under this agreement is accounted for as a sale in accordance with SFAS 140. Under the terms of the factoring agreement, the Company transfers ownership of eligible trade accounts receivable without recourse to the third-party purchaser in exchange for cash. Proceeds on the transfer reflect the face value of the account less a discount. The discount is recorded as a loss on the Consolidated Statement of Operations in the period of the sale. The factoring agreement expired in April 2009 and was extended for a six month period.

The receivables sold pursuant to this factoring agreement are excluded from trade accounts receivable on the Consolidated Balance Sheets and are reflected as cash provided by operating activities on the Consolidated Statement of Cash Flows. The Company continues to service, administer and collect the receivables sold under this program. The third-party purchaser has no recourse to the Company s assets for failure of debtors to pay when due.

At May 31, 2009, the Company had sold $16.8 million of trade accounts receivable, which represents the face amount of total outstanding receivables at that date. In exchange, the Company received cash proceeds of $16.7 million. The resulting loss on the sale of trade accounts receivable sold under this factoring agreement was $25.3 thousand and $130.0 thousand for the three months and nine months ended May 31, 2009, respectively, compared to $67.7 thousand and $190.0 thousand for the three months and nine months ended May 31, 2008, respectively.

In July 2007, the Company entered into an agreement with another unrelated third party for the factoring of specific trade accounts receivable of another foreign subsidiary. The factoring of trade accounts receivable under this agreement does not meet the criteria for recognition as a sale in accordance with SFAS 140. Under the terms of the agreement, the Company transfers ownership of eligible trade accounts receivable to the third party purchaser in exchange for cash, however, as the transaction does not qualify as a sale, the relating trade accounts receivable are included in the Company s Condensed Consolidated Balance Sheets until the cash is received by the purchaser from the Company s customer for the trade accounts receivable. There was no outstanding liability recorded on the Company s Condensed Consolidated Balance Sheets at May 31, 2009 related to cash that the Company received from the purchaser for specific trade accounts receivable, but for which the Company s customer has not remitted payment yet.

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Note 10. Retirement Benefits

During the first quarter of fiscal year 2002, the Company established a defined benefit pension plan for all permanent employees of Jabil Circuit UK Limited. This plan was established in accordance with the terms of the business sale agreement with Marconi Communications plc (Marconi). The benefit obligations and plan assets from the terminated Marconi plan were transferred to the newly established defined benefit plan. The plan, which is closed to new participants, provides benefits based on average employee earnings over a three-year service period preceding retirement. The Company s policy is to contribute amounts sufficient to meet minimum funding requirements as set forth in U.K. employee benefit and tax laws plus such additional amounts as are deemed appropriate by the Company. Plan assets are held in trust and consist of equity and debt securities.

As a result of acquiring various operations in Austria, Brazil, France, Germany, India, Japan, The Netherlands, Poland, and Taiwan, the Company assumed primarily unfunded retirement benefits to be paid based upon years of service and compensation at retirement. All permanent employees meeting the minimum service requirement are eligible to participate in the plans.

There are no domestic pension or postretirement benefit plans maintained by the Company.

On August 31, 2007, the Company adopted the recognition provisions of Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS 158). SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income.

SFAS 158 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. The measurement requirement will be effective for fiscal years ending after December 15, 2008, which is the Company s current fiscal year. The Company has previously used a May 31 measurement date for substantially all of the above referenced plans, with the exception of the Jabil Circuit UK Limited plan, which used a June 30 measurement date.

The following table provides information about net periodic benefit cost for the Company s pension plans for the periods indicated (in thousands of dollars):

	Three months ended		Nine months ended	
	May 31, 2009	**May 31, 2008**	**May 31, 2009**	**May 31, 2008**
Service cost	$ 511	$ 574	$ 1,554	$ 1,652
Interest cost	1,527	1,951	4,721	5,831
Expected long-term return on plan assets	(1,064)	(1,410)	(3,307)	(4,257)
Amortization of prior service cost	(9)	(10)	(28)	(31)
Recognized actuarial loss	293	388	909	1,171
Net periodic benefit cost	$ 1,258	$ 1,493	$ 3,849	$ 4,366

For the nine months ended May 31, 2009, the Company has made contributions of approximately $2.6 million to its defined benefit pension plans. The Company presently anticipates total fiscal year 2009 contributions to approximate $3.7 million to $4.2 million.

Note 11. Notes Payable, Long-Term Debt and Long-Term Lease Obligations

Notes payable, long-term debt and long-term lease obligations outstanding at May 31, 2009 and August 31, 2008 are summarized below (in thousands).

	May 31, 2009	August 31, 2008

5.875% Senior Notes due 2010	$ 298,937	$ 298,198
8.250% Senior Notes due 2018	396,663	396,377
Short-term factoring debt		617
Borrowings under credit facilities	21,461	55,579
Borrowings under loans	401,553	423,064
Jabil/TGP debt obligations	5,927	24,583
Securitization program obligations	95,877	170,975
Miscellaneous borrowings	8	17
Total notes payable, long-term debt and long-term lease obligations	1,220,426	1,369,410
Less current installments of notes payable, long-term debt and long-term lease obligations	156,259	269,937
Notes payable, long-term debt and long-term lease obligations, less current installments	$ 1,064,167	$ 1,099,473

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a. Bridge Facility Amendment

On December 20, 2007, the Company amended (the Amendment) its bridge credit facility that it entered into as of December 21, 2006 (the Bridge Facility). As a result of the Amendment, (1) the termination date of the Bridge Facility was extended from December 20, 2007 to June 17, 2008, (2) the Bridge Facility was converted to a $200.0 million revolving credit facility that was available only if the Company had fully drawn on the revolving credit portion of the Company s existing amended and restated five year unsecured credit facility dated as of July 19, 2007 (the Credit Facility) and (3) as described below, certain other portions of the Bridge Facility were also amended (the Bridge Facility, as so amended, shall be referred to herein as the Amended Bridge Facility). Also on December 20, 2007, the Company drew $400.0 million on the revolving credit portion of the Credit Facility in order to pay down the full $400.0 million outstanding under the term portion of the Bridge Facility.

The Amendment specified that the proceeds of the revolving credit advances under the Amended Bridge Facility were to be used for general corporate purposes of the Company and its subsidiaries. Pursuant to the Amendment, interest and fees on advances under the Amended Bridge Facility continued to be based on the Company s unsecured long-term indebtedness rating as determined by Standard & Poor s Rating Service (S&P) and Moody s Investor Service (Moody s). The interest rate was increased, such that interest was charged at either a rate equal to 0.3% to 1.5% above the base rate or a rate equal to 1.3% to 2.5% above the Eurocurrency rate, where the base rate represented the greater of Citibank, N.A. s prime rate or 0.5% plus the federal funds rate, and the Eurocurrency rate represented the applicable London Interbank Offered Rate (LIBOR), each as more fully defined in the Amended Bridge Facility. The applicable interest rate, whether based on the base rate or the Eurocurrency rate, was to have been increased by 0.25% on and after March 20, 2008. Fees included extension fees payable on March 20, 2008 and unused commitment fees based on the amount of the lenders commitments minus the principal amounts of any outstanding advances made by the lenders. Based on the Company s unsecured long-term indebtedness rating as determined by S&P and Moody s at the date of termination of the Amended Bridge Facility, the then current rate of interest (excluding the unused commitment fees and other fees) on a base rate draw would have been 0.5% above the base rate or on a Eurocurrency rate draw 1.5% above the Eurocurrency rate, as defined above.

On February 13, 2008 the Amended Bridge Facility was terminated.

b. 8.250% Notes Offering

On January 16, 2008 and May 19, 2008, the Company completed its offerings of $250.0 million and $150.0 million, respectively, in aggregate principal amounts of 8.250% senior unsecured unregistered notes due March 15, 2018, resulting in net proceeds of approximately $245.7 million and $148.5 million, respectively. On June 18, 2008, the Company commenced an offer to exchange the outstanding unregistered 8.250% Notes for registered 8.250% Notes (collectively the 8.250% Senior Notes) that are substantially identical to the unregistered notes except that the 8.250% Senior Notes are registered under the Securities Act of 1933, as amended, and do not have any transfer restrictions, registration rights or rights to additional special interest. Upon completion of the exchange offer on July 18, 2008, all outstanding unregistered notes were exchanged. The 8.250% Senior Notes were issued pursuant to an Indenture dated as of January 16, 2008, by and between the Company and The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York Trust Company, N.A.), as trustee (the Indenture), as supplemented by the Officers Certificates dated January 16, 2008 and May 19, 2008, that were delivered by certain of its officers pursuant to Sections 1.2, 3.1 and 3.3 of the Indenture.

The 8.250% Senior Notes mature on March 15, 2018. Interest on the 8.250% Senior Notes is payable on March 15 and September 15 of each year, beginning on September 15, 2008. The interest rate payable on the 8.250% Senior Notes is subject to adjustment from time to time if the credit ratings assigned to the 8.250% Senior Notes increase or decrease, as provided in the 8.250% Senior Notes. The 8.250% Senior Notes are senior unsecured obligations of the Company and rank equally with all other existing and future senior unsecured debt obligations.

The Indenture contains certain covenants, including, but not limited to, covenants limiting the Company s ability and/or its subsidiaries ability to: create certain liens; enter into sale and leaseback transactions; create, incur, issue, assume or guarantee any funded debt (applicable only to the Company s restricted subsidiaries); guarantee any of the Company s indebtedness (applicable only to the Company s subsidiaries); and consolidate or merge with, or convey, transfer or lease all or substantially all of its assets to another person. The Indenture also contains a covenant regarding the repurchase by the Company of the 8.250% Senior Notes upon a change of control repurchase event.

During the fourth quarter of fiscal year 2007, the Company entered into forward interest rate swap transactions to hedge the fixed interest rate payments for an anticipated debt issuance. The swaps were accounted for as a cash flow hedge under Financial Accounting Standards Board (FASB) Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). The notional amount of the swaps was $400.0 million. Concurrently with the pricing of the first $250.0 million of the 8.250% Senior Notes, the Company settled $250.0 million of the swaps by its payment of $27.5 million. The Company also settled the remaining $150.0 million of swaps during the second quarter of fiscal year 2008 by its payment of $15.6 million. As a result, the Company settled the amount recognized as a current liability on its Consolidated Balance Sheets. The Company also recorded $0.7 million in interest expense (as ineffectiveness) in the Consolidated Statement of Operations during the three months ended February 29,

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2008, with the remainder recorded in accumulated other comprehensive income, net of taxes, in its Consolidated Balance Sheets. On May 19, 2008, the Company issued the remaining $150.0 million of 8.250% Senior Notes and recorded no additional interest expense (as ineffectiveness) in the Consolidated Statement of Operations. The remaining portion of the amount originally recorded in accumulated other comprehensive income on the Company s Consolidated Balance Sheets will be amortized to interest expense on the Consolidated Statement of Operations over the life of the 8.250% Senior Notes.

Note 12. Derivative Financial Instruments and Hedging Activities

The Company applies SFAS 133, as amended by Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS 133*, Statement of Financial Accounting Standards No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* and Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). In accordance with these standards, all derivative instruments are recorded on the Condensed Consolidated Balance Sheets at their respective fair values. The accounting for changes in the fair value of a derivative instrument depends on the intended use and designation of the derivative instrument. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative and the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is initially reported as a component of accumulated other comprehensive income/(loss), net of tax, and is subsequently reclassified into earnings when the hedged item affects earnings. The ineffective portion of the gain or loss is recognized in current earnings. For derivative instruments that are not designated as hedges, gains and losses from changes in fair values are recognized currently in earnings.

The Company is exposed to certain risks relating to its ongoing business activities. The primary risks managed by the use of derivative instruments are foreign currency fluctuation risk and interest rate risk. Forward contracts are put in place to manage the foreign currency risk associated with various commitments arising from trade accounts receivable, trade accounts payable and fixed purchase obligations. Interest rate swaps are entered into in order to manage interest rate risk associated with the Company s variable rate borrowings.

a. Derivative Instruments Designated as Hedges:

The Company, in the normal course of business, holds the following types of derivatives at May 31, 2009 that have been designated as hedging instruments under SFAS 133:

Derivative	**Risk Being Hedged**
Interest rate swap	Variability in cash flows due to interest payments on variable rate debt
Forward foreign exchange contracts	Variability in cash flows due to foreign currency exchange rate fluctuations

Derivatives are held only for the purpose of hedging such risks, not for speculation. Generally, the Company enters into hedging relationships such that the cash flows of items and transactions being hedged are expected to be offset by corresponding changes in the values of the derivatives.

i. Interest Rate Risk Management: At May 31, 2009, a hedging relationship existed that related to $100.0 million of the Company s variable rate debt. The swap is accounted for as a cash flow hedge under SFAS 133. This interest rate swap transaction effectively locks in a fixed interest rate for variable rate interest payments that are expected to be made from January 28, 2009 through January 28, 2010. Under the terms of the swap, the Company will pay a fixed rate and will receive a variable rate based on the one month USD LIBOR rate plus a credit spread.

ii. Foreign Currency Risk Management: At May 31, 2009, a hedging relationship existed that related to certain anticipated foreign currency denominated expenses, with an aggregate notional amount outstanding at May 31, 2009 and 2008 of $29.9 million and $0, respectively. The related forward foreign exchange contracts have been designated as hedging instruments and are accounted for as cash flow hedges under SFAS 133. The forward foreign exchange contract transactions will effectively lock in the value of anticipated foreign currency denominated expenses against foreign currency fluctuations. The anticipated foreign currency denominated expenses being hedged are expected to occur between June 1, 2009 and February 29, 2010.

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The following is an analysis of the changes in the net gain on cash flow hedges included in accumulated other comprehensive income (in thousands):

	Nine months ended May 31, 2009
Balance, August 31, 2008	$
Net gain for the period	(394)
Net loss transferred to earnings	(76)
Balance, May 31, 2009	$ (470)

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At May 31, 2009, the fair value of derivatives that have been designated as hedging instruments under SFAS 133 in the Condensed Consolidated Balance Sheets is as follows (in thousands):

	Fair Values of Derivative Instruments			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS 133				
Interest rate swap	Not applicable	$	Accrued expense	$ 252
Forward foreign exchange contracts	Prepaid and other assets	$ 916	Not applicable	$

Refer to Note 13 Fair Value of Financial Instruments for further discussion on the fair value measurements related to the forward foreign exchange contracts and interest rate swap.

The effect of derivative instruments designated as cash flow hedges on the Consolidated Statement of Operations for the nine months ended May 31, 2009 is as follows (in thousands):

Derivatives in SFAS 133 Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) for the Nine months ended May 31, 2009	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) for the Nine months ended May 31, 2009	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) for the Nine months ended May 31, 2009	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Interest rate swap	$ (328)	Interest expense	$ (76)	Interest expense	$
Forward foreign exchange contracts	$ 722	Cost of Revenue	$	Cost of Revenue	$ 194

b. Derivative Instruments Not Designated as Hedges:

The Company transacts business in various foreign countries and is, therefore, subject to risk of foreign currency exchange rate fluctuations. The Company enters into forward contracts to economically hedge transactional exposure associated with commitments arising from trade accounts receivable, trade accounts payable and fixed purchase obligations denominated in a currency other than the functional currency of the respective operating entity. All derivative instruments are recorded on the Condensed Consolidated Balance Sheets at their respective fair market values in accordance with SFAS 133. The Company has elected not to prepare and maintain the documentation required for the transaction to qualify as an accounting hedge and, therefore, changes in fair value are recorded in the Condensed Consolidated Statement of Operations.

The aggregate notional amount of the outstanding contracts at May 31, 2009 and 2008 was $808.8 million and $1.6 billion respectively.

At May 31, 2009, the fair value of derivative instruments not designated as hedging instruments in the Condensed Consolidated Balance Sheets is as follows (in thousands):

	Fair Values of Derivative Instruments			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value

Derivatives not designated as hedging instruments under SFAS 133				
Forward foreign exchange contracts	Prepaid expenses and other assets	$ 5,959	Accrued expense	$ 34,823

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Refer to Note 13 Fair Value of Financial Instruments for further discussion on the fair value measurements related to the forward foreign exchange contracts and interest rate swap

The effect of derivative instruments not designated as hedging instruments under SFAS 133 on the Consolidated Statement of Operations for the nine months ended May 31, 2009 is as follows (in thousands):

Derivatives not designated as hedging instruments under SFAS 133	**Location of Gain or (Loss) Recognized in Income on Derivative**	**Amount of Gain or (Loss) Recognized in Income on Derivative for the Nine Months ended May 31, 2009**	
Forward foreign exchange contracts	Cost of revenue	$	43,581

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Note 13. Fair Value of Financial Instruments

On September 1, 2008, the Company adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157) which applies to financial assets and liabilities that are being measured and reported on a fair-value basis and expands disclosures about fair-value measurements. The adoption of SFAS 157 for financial assets and liabilities did not have a material impact on the Company s existing fair-value measurement practices but requires disclosure of a fair-value hierarchy of inputs used to value an asset or a liability. The three levels of the fair-value hierarchy include: Level 1 quoted market prices in active markets for identical assets and liabilities; Level 2 inputs other than quoted market prices included in level 1 above that are observable for the asset or liability, either directly or indirectly; and Level 3 unobservable inputs for the asset or liability.

The following table presents the Company s assets and liabilities measured at fair value on a recurring basis as of May 31, 2009, aggregated by the level in the fair-value hierarchy within which those measurements fall (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Forward foreign exchange contracts	$	$ 6,875	$	$ 6,875
Liabilities:				
Interest rate swap		(252)		(252)
Forward foreign exchange contracts		(34,823)		(34,823)
Total	$	$ (28,200)	$	$ (28,200)

The Company s forward foreign exchange contracts are measured on a recurring basis based on foreign currency spot rates and forward rates quoted by banks or foreign currency dealers. At May 31, 2009, the Company recognized a net unrealized loss of approximately $28.9 million on forward foreign exchange contracts which was recorded in the cost of revenue line on the Condensed Consolidated Statement of Operations and offset by the change in the fair value of the underlying hedged assets or liabilities.

The Company s interest rate swap is measured on a recurring basis based on the LIBOR forward rate as quoted by certain financial institutions.

The $300.0 million of 5.875% Senior Notes and $400.0 million of 8.250% Senior Notes outstanding are carried at cost. The estimated fair value of these senior debentures was approximately $291.8 million and $368.0 million at May 31, 2009, respectively, and is based upon non-binding market quotes that are corroborated by observable market data (level 2 criteria).

None of the Company s financial assets or liabilities currently covered by the disclosure provisions of SFAS 157 are measured at fair value using significant unobservable inputs.

Note 14. New Accounting Pronouncements

a. Recently Adopted Accounting Pronouncements:

On September 1, 2008, the Company adopted FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the fair value option) with changes in fair value reported in earnings each reporting period. The fair value option enables some companies to reduce the volatility in reported earnings caused by measuring related assets and liabilities differently without applying the complex hedge accounting requirements under SFAS 133, to achieve similar results. The Company already records its derivative contracts and hedging activities at fair value in accordance with SFAS 133. The Company did not elect the fair value option for any other financial instruments or certain other financial assets and liabilities that were not previously required to be measured at fair value.

On September 1, 2008, the Company adopted SFAS 157 which defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements. Accordingly, SFAS 157 does not require any new fair value measurements. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007. In February 2008, FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2) was issued delaying the effective date of SFAS 157 with respect to nonfinancial assets and nonfinancial liabilities that are not remeasured on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008. The adoption of the provisions of SFAS 157 during the first fiscal quarter of 2009 did not have a material impact on the Company s consolidated financial position, results of operations or cash flows, but requires expanded annual disclosures regarding the Company s fair value measurements. The additional disclosures required by SFAS 157 are included in Note 13 Fair Value of Financial Instruments.

On September 1, 2008, the Company adopted EITF Issue No. 06-11, *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards* (EITF 06-11). EITF 06-11 requires companies to recognize a realized income tax benefit associated with dividends or dividend equivalents paid on nonvested equity-classified employee share-based payment awards that are charged to retained earnings as an increase to additional paid-in capital. The adoption of EITF 06-11 did not have a material impact on the Company s financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS 158 which requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. The requirement to recognize the funded status of a defined benefit postretirement plan was effective as of the end of the fiscal period ending after December 15, 2006. The Company has adopted this requirement and the effects are reflected in the financial statements as of August 31, 2007. The requirement to measure plan assets and benefit obligations as of the date of the employer s fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The Company does not anticipate that the adoption of the measurement requirements of this standard will have a material impact on its financial position, results of operations or cash flows.

On December 1, 2008, the Company adopted SFAS 161 which changes the disclosure requirements for derivative instruments and hedging activities. The Company will be required to provide enhanced disclosures about (a) how and why derivative instruments are used, (b) how derivative instruments and related hedged items are accounted for under SFAS 133, and its related interpretations, and (c) how derivative instruments and related hedged items affect the Company s results of operations, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The additional disclosures required by SFAS 161 are included in Note 12 Derivative Financial Instruments and Hedging Activities.

On December 1, 2008, the Company adopted FASB Staff Position No. FAS 140-4 (FSP 140-4) and FASB Interpretation No. 46(R)-8 (FIN 46(R)-8), *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. FSP 140-4 and FIN 46(R)-8 enhance disclosure regarding the transfer of financial assets and the use of variable interest entities. Adoption of this standard did not have a material impact on the Company s results of operations, financial position or cash flows. Refer to Note 9 Accounts Receivable Securitizations for further discussion.

b. Recently Issued Accounting Pronouncements:

In June 2009, the FASB issued SFAS 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167). SFAS 167 eliminates FASB Interpretation 46(R) s exceptions to consolidating qualifying special-purpose entities, contains new criteria for determining the primary beneficiary, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. SFAS 167 also contains a new requirement that any term, transaction, or arrangement that does not have a substantive effect on an entity s status as a variable interest entity, a company s power over a variable interest entity, or a company s obligation to absorb losses or its right to receive benefits of an entity must be disregarded in applying FASB Interpretation 46(R) s provisions. The elimination of the qualifying special-purpose entity concept and its consolidation exceptions means more entities will be subject to consolidation assessments and reassessments. SFAS 167 is effective as of the beginning of an enterprise s first fiscal year beginning after November 15, 2009, and for interim periods within that first period, with earlier adoption prohibited. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements.

In June 2009, the FASB issued SFAS 166, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140* (SFAS 166). SFAS 166 eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor s interest in transferred financial assets. SFAS 166 will be effective for transfers of financial assets in fiscal years beginning after November 15, 2009, and in interim periods within those fiscal years with earlier adoption prohibited. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements.

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* (SFAS 165), which provides guidance to establish general standards of accounting for, and disclosures of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 is effective for interim or fiscal periods ending after June 15, 2009, and is required to be adopted by the Company beginning in the fourth quarter of Fiscal 2009. Management is currently evaluating the impact of the adoption of SFAS 165 but does not expect the adoption to have a material impact on the Company s Condensed Consolidated Financial Statements.

In June 2008, the FASB issued Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-6-1). FSP EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities as defined in EITF 03-6, *Participating Securities and the Two-Class Method under FASB Statement No. 128,* and therefore should be included in computing earnings per share using the two-class method. According to FSP EITF 03-6-1, a share-based payment award is a participating security when the award includes nonforfeitable rights to dividends or dividend equivalents. The rights result in a noncontingent transfer of value each time an entity declares a dividend or dividend equivalent during the award s vesting period. However, the award would not be considered a participating security if the holder forfeits the right to receive dividends or dividend equivalents in the event

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that the award does not vest. FSP EITF 03-6-1 is effective for financial statements issued in fiscal years beginning after December 15, 2008, and interim periods within those years. When adopted, its requirements are applied by recasting previously reported EPS. The Company is currently evaluating the requirements of FSP EITF 03-6-1 and has not yet determined the impact of adoption.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, *Business Combinations* (SFAS 141R). SFAS 141R states all assets and liabilities of an acquired business (whether full, partial or step acquisitions) will be recorded at fair value. Certain forms of contingent consideration and certain acquired contingencies will be recorded at fair value at the acquisition date. SFAS 141R also states acquisition costs will generally be expensed as incurred and restructuring costs will be expensed in periods after the acquisition date. The Company will be required to apply this new standard prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS 141R amends certain provisions of SFAS 109 such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS 141 would also apply the provisions of SFAS 141R. The Company will apply the provisions of SFAS 141R to business combinations with an acquisition date beginning in fiscal year 2010.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS 160). SFAS 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company s equity. It also requires that the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company is currently evaluating the requirements of SFAS 160 and has not yet determined the impact of adoption, if any, on its financial position, results of operations or cash flows.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

References in this report to the Company , Jabil , we , our , or us mean Jabil Circuit, Inc. together with its subsidiaries, except where the context otherwise requires. This Quarterly Report on Form 10-Q contains certain statements that are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act) which are made in reliance upon the protections provided by such acts for forward-looking statements. These forward-looking statements (such as when we describe what will , may or should occur, what we plan , intend , estimate , believe , expect or anticipate will occur, and other similar statements) include, but are not limited to, statements regarding future sales and operating results, future prospects, anticipated benefits of proposed (or future) acquisitions and new facilities, growth, the capabilities and capacities of business operations, any financial or other guidance and all statements that are not based on historical fact, but rather reflect our current expectations concerning future results and events. We make certain assumptions when making forward-looking statements, any of which could prove inaccurate, including, but not limited to, statements about our future operating results and business plans. Therefore, we can give no assurance that the results implied by these forward-looking statements will be realized. Furthermore, the inclusion of forward-looking information should not be regarded as a representation by the Company or any other person that future events, plans or expectations contemplated by the Company will be achieved. The ultimate correctness of these forward-looking statements is dependent upon a number of known and unknown risks and events, and is subject to various uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance or achievements expressed or implied by these statements. The following important factors, among others, could affect future results and events, causing those results and events to differ materially from those expressed or implied in our forward-looking statements:

- *business conditions and growth or declines in our customers industries, the electronic manufacturing services industry and the general economy;*
- *the results of litigation related to our past stock option grants and any ramifications thereof;*
- *variability of our operating results;*
- *our dependence on a limited number of major customers;*
- *the potential consolidation of our customer base, and the movement, and potential further movement, by some of our customers of a portion of their manufacturing from us in order to more fully utilize their excess internal manufacturing capacity;*
- *availability of components;*
- *our dependence on certain industries;*
- *seasonality;*
- *the variability of customer requirements;*
- *our substantial international operations, and the resulting risks related to our operating internationally;*

our ability to successfully negotiate definitive agreements and consummate acquisitions, and to integrate operations following the consummation of acquisitions;

our ability to take advantage of our past, current and possible future restructuring efforts to improve utilization and realize savings and whether any such activity will adversely affect our cost structure, our ability to service customers and our labor relations;

our ability to maintain our engineering, technological and manufacturing process expertise;

other economic, business and competitive factors affecting our customers, our industry and our business generally; and

other factors that we may not have currently identified or quantified.

For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations sections contained elsewhere in this document, as well as our Annual Report on Form 10-K for the fiscal year ended August 31, 2008, any subsequent Reports on Form 10-Q and Form 8-K and other filings with the Securities and Exchange Commission. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

All forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report on Form 10-Q, and we do not undertake any obligation to publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur, or of which we hereafter become aware. You should read this document and the documents that we incorporate by reference into this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We may not update these forward-looking statements, even if our situation changes in the future. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

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Item 2: MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are one of the leading providers of worldwide electronic manufacturing services and solutions. We provide comprehensive electronics design, production, product management and aftermarket services to companies in the aerospace, automotive, computing, consumer, defense, industrial, instrumentation, medical, networking, peripherals, solar, storage and telecommunications industries. We currently depend, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our net revenue. Based on net revenue for the nine months ended May 31, 2009 our largest customers currently include Cisco Systems, Inc., EchoStar Corporation, Hewlett-Packard Company, International Business Machines Corporation, NetApp. Inc., Nokia Corporation, Nokia Siemens Networks S.p.A., Pace plc, Research in Motion Limited and Royal Philips Electronics.

We offer our customers electronics design, production, product management and aftermarket solutions that are responsive to their manufacturing needs. Our business units are capable of providing our customers with varying combinations of the following services:

- integrated design and engineering;
- component selection, sourcing and procurement;
- automated assembly;
- design and implementation of product testing;
- parallel global production;
- enclosure services;
- systems assembly, direct order fulfillment and configure to order; and
- aftermarket services.

We currently conduct our operations in facilities that are located in Austria, Belgium, Brazil, China, England, France, Germany, Hungary, India, Ireland, Italy, Japan, Malaysia, Mexico, The Netherlands, Poland, Scotland, Singapore, Taiwan, Ukraine, Vietnam and the U.S. Our global manufacturing production sites allow customers to manufacture products simultaneously in the optimal locations for their products. Our services allow customers to improve supply-chain management, reduce inventory obsolescence, lower transportation costs and reduce product fulfillment time. We have identified our global presence as a key to assessing our business performance.

We manage our business and operations in three divisions Consumer, Electronic Manufacturing Services (EMS) and Aftermarket Services (AMS). We believe that these divisions provide cost-effective solutions for our customers by grouping business units with similar needs together into divisions, each with full accountability for design, operations, supply chain management and delivery. Our Consumer division has dedicated resources designed to meet the particular needs of the consumer products industry and focuses on cell phones and mobile products, televisions, set-top boxes and peripheral products such as printers. Our EMS division focuses on business sectors such as, aerospace, automotive, computing, defense, industrial, instrumentation, medical, networking, solar, storage and telecommunications businesses. Our AMS division provides warranty and repair services to customers in a broad range of industries, including certain of our manufacturing customers.

The industry in which we operate is composed of companies that provide a range of manufacturing and design services to companies that utilize electronics components. The industry experienced rapid change and growth through the 1990 s as an increasing number of companies chose to outsource an increasing portion, and, in some cases, all of their manufacturing requirements. In mid-2001, the industry s revenue declined as a result of significant cut-backs in customer production requirements, which was consistent with the overall downturn in the technology sector at the time. In response to this downturn in the technology sector, we implemented restructuring programs to reduce our cost structure and further align our manufacturing capacity with the geographic production demands of our customers. Industry revenues began to stabilize in 2003 and companies generally began, and continue, to turn to outsourcing versus internal manufacturing. In addition, the number of industries serviced, as well as the market penetration in certain industries, by electronic manufacturing service providers has increased over the past several years. We believe further growth opportunities exist for our industry to penetrate the worldwide electronics markets. The U.S., Europe and certain countries in Asia, however, are currently in the midst of a period of declining gross domestic product. These economic conditions have had a negative impact on our results of operations due to reduced customer demand which is expected to continue for at least the next several fiscal quarters. Such economic conditions led us to implement the 2009 Restructuring Plan discussed below. Also, as a result of recent economic conditions, some of our customers have moved a portion of their manufacturing from us in order to more fully utilize their excess internal manufacturing capacity. This movement, and possible future movements, if any occur, may negatively impact our results of operations.

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Summary of Results

Net revenues for the third quarter of fiscal year 2009 decreased approximately 15.3% to $2.6 billion compared to $3.1 billion for the same period of fiscal year 2008 due to decreases in all of our sectors, except for the peripheral sector and the AMS division. These decreases were largely due to the reductions in customer demand resulting from the downturn in the global macro-economic environment in which we operate.

During the second quarter of fiscal year 2009, our Board of Directors approved a restructuring plan to better align our manufacturing capacity in certain geographies and to reduce our worldwide workforce by approximately 3,000 employees in order to reduce operating expenses (the 2009 Restructuring Plan). These restructuring activities are intended to address the current market conditions and properly size our manufacturing facilities to increase the efficiencies of our operations. Based on the analysis completed to date, we currently expect to recognize approximately $64.0 million in pre-tax restructuring and impairment costs and reduce our worldwide headcount by approximately 2,500 employees over the course of fiscal years 2009 and 2010. In addition, we have recorded a valuation allowance of $13.5 million on certain deferred tax assets during the second quarter of fiscal year 2009. The restructuring charges include pre-tax employee severance and termination benefit costs, contract termination costs and other related restructuring costs. The impairment charges include pre-tax fixed asset impairment costs, as well as valuation allowances against net deferred tax assets. This information will be subject to the finalization of timetables for the transition of functions, consultation with employees and their representatives as well as the statutory severance requirements of the particular legal jurisdictions impacted, and the amount and timing of the actual charges may vary due to a variety of factors. Based on the ongoing assessment of market conditions, it is possible that we may perform additional restructuring activities in the future. For further discussion of this restructuring program and the restructuring and impairment costs recognized, refer to Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Restructuring and Impairment Charges and Note 7 Restructuring and Impairment Charges to the Condensed Consolidated Financial Statements. See also Risk Factors We face risks arising from the restructuring of our operations.

The following table sets forth, for the three-month and nine-month periods indicated, certain key operating results and other financial information (in thousands, except per share data).

	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
Gross profit	$ 148,589	$ 210,182	$ 527,848	$ 637,801
Operating (loss)/income	$ (7,807)	$ 63,091	$ (953,346)	$ 163,622
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
(Loss)/earnings per share diluted	$ (0.14)	$ 0.19	$ (5.66)	$ 0.37
Cash dividend per share declared	$ 0.07	$ 0.07	$ 0.21	$ 0.21

Key Performance Indicators

Management regularly reviews financial and non-financial performance indicators to assess the Company s operating results. The following table sets forth, for the quarterly periods indicated, certain of management s key financial performance indicators.

	Three months ended			
	May 31, 2009	February 28, 2009	November 30, 2008	August 31, 2008
Sales cycle	22 days	20 days	24 days	20 days
Inventory turns	8 turns	8 turns	8 turns	8 turns
Days in trade accounts receivable	40 days	36 days	44 days	40 days
Days in inventory	46 days	46 days	46 days	45 days
Days in accounts payable	64 days	62 days	66 days	65 days

The sales cycle is calculated as the sum of days in trade accounts receivable and days in inventory, less the days in accounts payable; accordingly, the variance in the sales cycle quarter over quarter is a direct result of changes in these indicators. During the three months ended May 31, 2009, days in trade accounts receivable increased four days to 40 days from the prior sequential quarter as a result of lower utilization of our accounts receivable securitization program during the quarter. During the three months ended May 31, 2009, days in inventory and inventory turns remained consistent at 46 days and eight turns, respectively, as compared to the prior consecutive quarter. During the three months ended May 31, 2009, days in accounts payable increased two days to 64 days as compared to 62 days in the prior sequential quarter, as a result of the timing of purchases and cash payments during the quarter.

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Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements and related disclosures in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. It has been difficult to make predictions and estimates based on our historical experience due to the uncertain economic circumstances present in the macro-economic environment. We have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. For further discussion of our significant accounting policies, refer to Note 1 Description of Business and Summary of Significant Accounting Policies to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 31, 2008.

Revenue Recognition

We derive revenue principally from the product sales of electronic equipment built to customer specifications. We also derive revenue to a lesser extent from aftermarket services, design services and excess inventory sales. Revenue from product sales and excess inventory sales is generally recognized, net of estimated product return costs, when goods are shipped; title and risk of ownership have passed; the price to the buyer is fixed or determinable; and recoverability is reasonably assured. Aftermarket service related revenue is recognized upon completion of the services. Design service related revenue is generally recognized upon completion and acceptance by the respective customer. We assume no significant obligations after product shipment.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts related to receivables not expected to be collected from our customers. This allowance is based on management s assessment of specific customer balances, considering the age of receivables and financial stability of the customer. If there is an adverse change in the financial condition and circumstances of our customers, or if actual defaults are higher than provided for, an addition to the allowance may be necessary.

Inventory Valuation

We purchase inventory based on forecasted demand and record inventory at the lower of cost or market. Management regularly assesses inventory valuation based on current and forecasted usage and other lower of cost or market considerations. If actual market conditions or our customers product demands are less favorable than those projected, additional valuation adjustments may be necessary.

Long-Lived Assets

We review property, plant and equipment and amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property, plant and equipment is measured by comparing its carrying value to the undiscounted projected cash flows that the asset(s) or asset groups(s) are expected to generate. If the carrying amount of an asset or an asset group is not recoverable, we recognize an impairment loss based on the excess of the carrying amount of the long-lived asset over its respective fair value, which is generally determined as either the present value of estimated future cash flows or the appraised value. The impairment analysis is based on significant assumptions of future results made by management, including revenue and cash flow projections. Circumstances that may lead to impairment of property, plant and equipment include unforeseen decreases in future performance or industry demand and the restructuring of our operations resulting from a change in our business strategy. For further discussion of our current restructuring program, refer to Note 7 Restructuring and Impairment Charges to the Condensed Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Restructuring and Impairment Charges.

We have recorded intangible assets, including goodwill, in connection with business acquisitions. Estimated useful lives of amortizable intangible assets are determined by management based on an assessment of the period over which the asset is expected to contribute to future cash flows. The allocation of amortizable intangible assets impacts the amounts allocable to goodwill.

In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), we perform a goodwill impairment analysis using the two-step method on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability of goodwill is measured at the reporting unit level, which we have determined to be consistent with our operating segments by comparing the reporting unit s carrying amount, including goodwill, to the fair market value of the reporting unit. We consistently determine the fair market value of our reporting units based on an average weighting of both projected discounted future results and the use of comparative market multiples. The use of comparative market multiples (the market approach) allows us to compare ourselves to companies based on valuation multiples to arrive at a fair value. We regularly evaluate our Company and our divisions relative to our competitors and we believe the judgments used to arrive at these comparable companies are reasonable. The use of projected discounted future results (discounted cash flow approach) is based on assumptions that are consistent with our estimates of future growth and the strategic plan used to manage the underlying business and also includes a probability-weighted expectation as to our future cash flows. Factors requiring significant judgment include assumptions related to future growth rates, discount factors, and tax rates, amongst other considerations. Changes in economic and operating conditions that occur after the annual impairment analysis or an interim impairment analysis, and that impact these assumptions, may result in a future goodwill impairment charge.

Based upon a combination of factors, including a significant and sustained decline in our market capitalization below our carrying value, the deteriorating macro-economic environment, which resulted in a significant decline in customer demand, and illiquidity in the overall credit markets, we concluded that sufficient indicators of impairment existed and, accordingly, performed an interim goodwill impairment analysis, during the first quarter and again in the second quarter of fiscal year 2009.

During the first quarter of fiscal year 2009, we determined that the goodwill related to the Consumer reporting unit was impaired and recorded a preliminary non-cash goodwill impairment charge of approximately $317.7 million. The income tax expense associated with the preliminary goodwill impairment charge was $4.4 million. This included a tax benefit of $30.6 million for the write-off of tax deductible goodwill and tax expense of $35.0 million resulting from the recognition of a valuation allowance against the deferred tax assets, which related primarily to net operating losses, that we now believe will not be realized.

During the second quarter of fiscal year 2009, and prior to finalizing the preliminary non-cash goodwill impairment charge recorded at November 30, 2008, related to the Consumer reporting unit, we concluded that additional impairment indicators were present. As a result of that analysis, we determined that the goodwill related to the Consumer reporting unit was fully impaired and recorded an additional non-cash goodwill impairment charge of approximately $82.7 million. Further, we also determined that the goodwill related to the EMS reporting unit was impaired and recorded a preliminary non-cash goodwill impairment charge of approximately $622.4 million. The income tax expense associated with the goodwill impairment was $111.8 million for the fiscal quarter ended February 28, 2009. This included a tax benefit of $9.0 million for the write-off of tax deductible goodwill and income tax expense of $120.8 million resulting from the recognition of a valuation allowance against the deferred tax assets that we no longer believe are more likely than not to be realized.

During the third quarter of fiscal year 2009, we finalized the valuation of the tangible and intangible assets and the allocation of fair value to the assets and liabilities of the EMS reporting unit with no additional impairment charges recorded. After recognition of the above non-cash goodwill impairment charge, no goodwill remained with the Consumer and EMS reporting units, respectively.

The non-cash goodwill impairment charge of $1.0 billion for the nine months ended May 31, 2009 did not impact our cash balance or debt covenant compliance.

The impairment evaluation for indefinite-lived intangible assets, which for us is a trade name, is conducted during the fourth quarter of each fiscal year, or more frequently if events or changes in circumstances indicate that an asset may be impaired. As a result of the impairment indicators described above, during the first quarter and again in the second quarter of fiscal year 2009, we evaluated our trade name for impairment by comparing the discounted estimates of future revenue projections to its carrying value and determined that there was no impairment. Additionally, we noted that there were no impairment indicators present during the third quarter of fiscal year 2009. Significant judgments inherent in this analysis included assumptions regarding appropriate revenue growth rates, discount rates and royalty rates.

We review long-lived assets, including intangible assets subject to amortization, which for us are our contractual agreements, customer relationships and intellectual property, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset group to the future undiscounted net cash flows expected to be generated by those assets. If such assets are considered to be impaired, the impairment charge recognized is the amount by which the carrying amounts of the assets exceeds the fair value of the assets. As a result of the impairment indicators described above, during the first quarter and again in the second quarter of fiscal year 2009, we tested our long-lived assets for impairment and determined that there was no impairment. Additionally, no impairment indicators were present during the third quarter of fiscal year 2009.

Restructuring and Impairment Charges

We have recognized restructuring and impairment charges related to reductions in workforce, re-sizing and closure of certain facilities, and the transition of production from certain facilities into other new and existing facilities. These charges were recorded pursuant to formal plans developed and approved by management and our Board of Directors. The recognition of restructuring and impairment charges requires that we make certain judgments and estimates regarding the nature, timing and amount of costs associated with these plans. The estimates of future liabilities may change, requiring additional restructuring and impairment charges or the reduction of liabilities already recorded. At the end of each reporting period, we evaluate the remaining accrued balances to ensure that no excess accruals are retained and the utilization of the provisions are for their intended purpose in accordance with the restructuring programs. For further discussion of our restructuring programs, refer to Note 7 Restructuring and Impairment Charges to the Condensed Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Restructuring and Impairment Charges.

Retirement Benefits

We have pension and postretirement benefit costs and liabilities in certain foreign locations that are developed from actuarial valuations. Actuarial valuations require management to make certain judgments and estimates of discount rates, compensation rate increases and return on plan assets. We evaluate these assumptions on a regular basis taking into consideration current market conditions and historical market data. The discount rate is used to state expected future cash flows at a present value on the measurement date. This rate represents the market rate for high-quality fixed income investments. A lower discount rate increases the present value of benefit obligations and increases pension expense. When considering the expected long-term rate of return on pension plan assets, we take into account current and expected asset allocations, as well as historical and expected returns on plan assets. Other assumptions include demographic factors such as retirement, mortality and turnover. For further discussion of our pension and postretirement benefits, refer to Note 10 Retirement Benefits to the Condensed Consolidated Financial Statements.

Income Taxes

We estimate our income tax provision in each of the jurisdictions in which we operate, a process that includes estimating exposures related to examinations by taxing authorities. We must also make judgments regarding the ability to realize the deferred tax assets. The carrying value of our net deferred tax assets is based on our belief that it is more likely than not that we will generate sufficient future taxable income in certain jurisdictions to realize these deferred tax assets. A valuation allowance has been established for deferred tax assets that we do not believe meet the more likely than not criteria established by Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (SFAS 109). Our judgments regarding future taxable income may change due to changes in market conditions, changes in tax laws or other factors. If our assumptions and consequently our estimates change in the future, the valuation allowances we have established may be increased or decreased, resulting in a respective increase or decrease in either income tax expense or goodwill.

In June of 2006, the Financial Accounting Standards Board (the FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* (FIN 48), which clarifies the accounting for uncertainty in income taxes in an enterprise s financial statements in accordance with SFAS 109. FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. For further discussion related to our income taxes, refer to Note 4 Income Taxes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 31, 2008.

Stock-Based Compensation

In accordance with the provisions of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payments* (SFAS 123R) and the Securities and Exchange Commission Staff Accounting Bulletin No. 107 (SAB 107), we began recognizing stock-based compensation expense in our consolidated statement of operations on September 1, 2005. The fair value of options granted prior to September 1, 2005 were valued using the Black-Scholes model while the stock appreciation rights granted after this date were valued using a lattice valuation model. Option pricing models require the input of subjective assumptions, including the expected life of the option or stock appreciation right, risk-free rate, expected dividend yield and the price volatility of the underlying stock. Judgment is also required in estimating the number of stock awards that are expected to vest as a result of satisfaction of time-based vesting schedules or the achievement of certain performance conditions. If actual results or future changes in estimates differ significantly from our current estimates, stock-based compensation could increase or decrease. For further discussion of our stock-based compensation, refer to Note 4 Stock-Based Compensation to the Condensed Consolidated Financial Statements and Risk Factors The matters relating to the Special Committee s review of our historical stock option granting practices and the restatement of our Consolidated Financial Statements have resulted in expanded litigation and regulatory proceedings against us and may result in future litigation, which could have a material adverse effect on us.

Recent Accounting Pronouncements

See Note 14 New Accounting Pronouncements to the Condensed Consolidated Financial Statements for a discussion of recent accounting pronouncements.

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Results of Operations

The following table sets forth, for the periods indicated, certain statements of operations data expressed as a percentage of net revenue:

	Three months ended		Nine months ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	94.3%	93.2%	94.1%	93.3%
Gross profit	5.7%	6.8%	5.9%	6.7%
Operating expenses:				
Selling, general and administrative	4.8%	4.1%	4.1%	3.8%
Research and development	0.3%	0.3%	0.2%	0.3%
Amortization of intangibles	0.3%	0.3%	0.3%	0.3%
Restructuring and impairment charges	0.6%	0.1%	0.5%	0.6%
Goodwill impairment charge	0.0%		11.5%	
Operating (loss)/ income	(0.3)%	2.0%	(10.7)%	1.7%
Other expense	0.0%	0.1%	0.1%	0.1%
Interest income	0.0%	(0.1)%	(0.1)%	(0.1)%
Interest expense	0.7%	0.7%	0.7%	0.7%
(Loss)/income before income taxes and minority interest, net of tax	(1.0)%	1.3%	(11.4)%	1.0%
Income tax expense	0.1%	0.1%	1.8%	0.2%
Minority interest, net of tax	0.0%	0.0%	0.0%	0.0%
Net (loss)/income	(1.1)%	1.2%	(13.2)%	0.8%

Net Revenue. Our net revenue for the three months ended May 31, 2009 decreased 15.3% to $2.6 billion, from $3.1 billion for the three months ended May 31, 2008. The decrease for the three months ended May 31, 2009 from the same period of the previous fiscal year was due to decreased sales levels across most of our industry sectors. Specific decreases include a 48% decrease in the sale of other products; a 46% decrease in the sale of display products; a 42% decrease in the sale of automotive products; a 39% decrease in the sale of networking products; a 26% decrease in the sale of computing and storage products; a 25% decrease in the sale of telecom products; a 13% decrease in the sale of instrumentation and medical products; and an 8% decrease in the sale of peripheral products. These decreases were largely driven by reduced production levels as a result of softened customer demand due to the weakened macro-economic environment. These decreases were partially offset by a 15% increase in the sale of aftermarket services products and a 57% increase in the sale of mobility products predominately related to the production of new products with an existing customer within the sector.

Our net revenue for the nine months ended May 31, 2009 decreased 6.6% to $8.9 billion, from $9.5 billion for the nine months ended May 31, 2008. The decrease for the nine months ended May 31, 2009 from the same period of the previous fiscal year was due to decreased sales levels across most industry sectors. Specific decreases include a 45% decrease in the sale of display products; a 32% decrease in the sale of other products; a 25% decrease in the sale of networking products; a 23% decrease in the sale of automotive products; a 14% decrease in the sale of computing and storage products; a 4% decrease in the sale of telecom products; and a 4% decrease in the sale of instrumentation and medical products. These decreases were largely driven by reduced production levels as a result of softened customer demand due to the weakened macro-economic environment. These decreases were partially offset by a 6% increase in the sale of peripheral products; a 2% increase in the sale of aftermarket services products; and a 50% increase in the sale of mobility products predominately related to the production of new products with an existing customer within the sector.

A portion of our net revenue is attributable to businesses we acquire. Generally, we assess revenue on a global customer basis regardless of whether the growth is associated with organic growth or as a result of an acquisition. Accordingly, we do not differentiate or report separately revenue increases generated by acquisitions as opposed to existing business. In addition, the added cost structures associated with our acquisitions have historically been relatively insignificant when compared to our overall cost structure.

The following table sets forth, for the periods indicated, revenue by industry sector expressed as a percentage of net revenue. The distribution of revenue across our industry sectors has fluctuated, and will continue to fluctuate, as a result of numerous factors, including but not limited to the following: fluctuations in customer demand as a result of the weakened macro-economic environment; our continuing efforts to rationalize the economic performance of certain sectors, most specifically in the automotive and display sectors; seasonality in our business; and business growth from new and existing customers, including production of new products in the mobility sector.

	Three months ended		Nine months ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
EMS				
Automotive	3%	5%	4%	4%
Computing and Storage	11%	13%	11%	13%
Instrumentation and Medical	20%	19%	19%	18%
Networking	16%	22%	16%	21%
Telecommunications	6%	7%	6%	6%
Other	2%	3%	2%	2%
Total EMS	**58%**	**69%**	**58%**	**64%**
Consumer Electronics				
Display	3%	5%	5%	8%
Mobility	21%	11%	19%	12%
Peripherals	11%	10%	12%	11%
Total Consumer Electronics	**35%**	**26%**	**36%**	**31%**
AMS	**7%**	**5%**	**6%**	**5%**
Total	**100%**	**100%**	**100%**	**100%**

Foreign source revenue represented 84.4% and 83.7% of net revenue for the three months and nine months ended May 31, 2009, respectively. This is compared to 78.9% and 80.0% of net revenue for the three months and nine months ended May 31, 2008, respectively. We currently expect our foreign source revenue to slightly increase as compared to current levels over the course of the next twelve months.

Gross Profit. Gross profit decreased to 5.7% and 5.9% of net revenue for the three months and nine months ended May 31, 2009, respectively, from 6.8% and 6.7% of net revenue for the three months and nine months ended May 31, 2008, respectively. The decrease in gross profit as a percentage of net revenue for the three months and nine months ended May 31, 2009, respectively, versus the same period of fiscal year 2008 was primarily due to our revenues decreasing at a higher rate than certain of our fixed costs as we continue to seek to reduce our costs in order to align with lower demand levels and our excess capacity given current macro-economic conditions.

Selling, General and Administrative. Selling, general and administrative expenses for the three months ended May 31, 2009 decreased to $125.4 million (4.8% of net revenue) compared to $126.6 million (4.1%) for the three months ended May 31, 2008. Selling, general and administrative expenses for the nine months ended May 31, 2009 increased to $368.1 million (4.1% of net revenue) compared to $367.6 million (3.8% of net revenue) for the nine months ended May 31, 2008. On an absolute dollar basis, selling general and administrative expenses remained relatively constant between these periods.

Certain of our selling, general and administrative costs are generally necessary to support our business and the need for such support does not immediately change as a result of our revenues increasing or decreasing. On a percentage basis, the increase in selling, general and administrative expenses, therefore, was primarily due to our revenues decreasing at a higher rate than certain of our selling, general and administrative costs as compared to the three months and nine months ended May 31, 2008.

Research and Development. Research and development expenses for the three months and nine months ended May 31, 2009 decreased to $7.2 million (0.3% of net revenue) and $18.6 million (0.2% of net revenue), respectively, from $8.0 million (0.3% of net revenue) and $24.4 million (0.3% of net revenue) for the three and nine months ended May 31, 2008, respectively. The decrease is attributed primarily to the repositioning of certain design resources to lower-cost regions as well as reduced spending in the consumer sectors.

Amortization of Intangibles. We recorded $7.6 million and $23.3 million of amortization of intangible assets for the three months and nine months ended May 31, 2009, respectively, as compared to $9.1 million and $27.6 million for the three months and nine months ended May 31, 2008, respectively. The decrease is primarily attributable to certain intangible assets that became fully amortized since May 31, 2008 and, therefore, for which we are no longer recognizing amortization expense. For additional information regarding purchased intangibles, see Note 8 Goodwill and Other Intangible Assets to the Condensed Consolidated Financial Statements.

Restructuring and Impairment Charges.

a. 2009 Restructuring Plan

In conjunction with the 2009 Restructuring Plan, we currently expect 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. Of this expected total, we 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.

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

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.

Upon its completion, the 2009 Restructuring Plan is expected to yield annualized cost savings of approximately $55.0 million. The majority of these annual cost savings is expected to be reflected as a reduction in cost of revenue, with a small portion being reflected as a reduction of selling, general and administrative expense. We began to realize cost savings of approximately $3.0 million in the third quarter of fiscal year 2009. These quarterly cost savings reflect a reduction in employee expense of $2.5 million, a reduction in depreciation expense of $0.4 million and a reduction in lease commitment costs of $0.1 million.

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As part of the 2009 Restructuring Plan, we have 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, we 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 restructuring and impairment charge of $48.8 million for the nine months ended May 31, 2009 as they were recorded through the provision for income taxes on the Condensed Consolidated Statement of Operations.

b. 2006 Restructuring Plan

Upon the approval by our Board of Directors, we initiated a restructuring plan in the fourth quarter of fiscal year 2006 (the 2006 Restructuring Plan). We have substantially completed restructuring activities under this plan and expect to incur the remaining costs over the remainder of fiscal year 2009 with certain contract termination costs to be incurred through fiscal year 2011.

During the three months and nine months ended May 31, 2009, we recorded $0.1 million and $(0.5) million of restructuring and impairment costs, respectively, compared to $3.5 million and $54.5 million of additional restructuring and impairment charges recognized for 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.

At May 31, 2009, liabilities of approximately $5.5 million related to the 2006 Restructuring Plan are expected to be paid out over the next twelve months. The remaining liability of $5.0 million relates primarily to the charge for certain lease commitments and employee severance and termination benefits payments and is expected to be paid primarily during the remainder of fiscal year 2009 through 2011.

As of May 31, 2009, as a result of the restructuring activities completed through May 31, 2009 related to the 2006 Restructuring Plan, we expect to avoid annual costs of approximately $151.5 million that would otherwise have been incurred if the restructuring activities had not been completed. The expected avoided annual costs consist of a reduction in employee related expenses of approximately $137.7 million, a reduction in depreciation expense associated with impaired fixed assets of approximately $8.5 million, and a reduction in rent expense associated with leased buildings that have been vacated of approximately $5.3 million. The majority of these annual cost savings will be reflected as a reduction in cost of revenue, with a small portion being reflected as a reduction in selling, general and administrative expense. These annual costs savings are expected to be offset by decreased revenues associated with certain products that are approaching the end-of-life stage; decreased revenues as a result of shifting production to plants located in lower cost regions where competitive environmental pressures require that we pass those cost savings onto our customers; and incremental employee related costs expected to be incurred by those plants to which the production will be shifted. After considering these cost savings offsets, we began to realize the full net annualized cost savings of approximately $39.0 million during the third quarter of fiscal year 2009. For further discussion of the restructuring programs, see Note 7 Restructuring and Impairment Charges to the Condensed Consolidated Financial Statements.

Goodwill Impairment Charge. We recorded a non-cash goodwill impairment charge in the amount of $1.0 billion for the nine months ended May 31, 2009 to reduce the carrying amount of our goodwill to its estimated fair value based upon the results of two interim impairment tests conducted during the first and second quarters of fiscal year 2009. We performed these impairment tests based upon a combination of factors, including a significant and sustained decline in our market capitalization below our carrying value, the deteriorating macro-economic environment, which resulted in a significant decline in customer demand, and illiquidity in the overall credit markets. The total goodwill impairment charge included $400.4 million in the Consumer reporting segment and $622.4 million in the EMS reporting segment. We did not record a non-cash goodwill impairment charge for the three months ended May 31, 2009. A further significant and sustained decline in our stock price and market capitalization, a significant decline in our expected future cash flows, a significant adverse change in the business climate or slower growth rates, however, could result in the need to perform an impairment analysis under SFAS 142 in future periods. For further discussion of goodwill impairment charges recorded, see Note 8 Goodwill and Other Intangible Assets to the Condensed Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Long-Lived Assets.

Other Expense. We recorded other expense of $0.9 million and $4.2 million for the three months and nine months ended May 31, 2009, respectively, as compared to other expense of $2.0 million and $9.8 million for the three months and nine months ended May 31, 2008, respectively. The decrease in other expense for the three months and nine months ended May 31, 2009 compared to the three months and nine months ended May 31, 2008, was primarily due to the net cash proceeds available at any one time under the North American asset-backed securitization program decreasing from $325.0 million to $280.0 million in May 2008 and subsequently, in May 2009 further decreasing to $250.0 million, as well as decreased interest rates during the period. For further discussion of our North American asset-backed securitization program, see Note 9 Accounts Receivable Securitization to the Condensed Consolidated Financial Statements.

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Interest Income. Interest income decreased to $1.1 million and $5.3 million for the three months and nine months ended May 31, 2009, respectively, from $3.1 million and $9.3 million for the three months and nine months ended May 31, 2008, respectively. The decrease was primarily due to lower overall interest rates during the three months and nine months ended May 31, 2009.

Interest Expense. Interest expense decreased to $19.0 million and $62.9 million for the three months and nine months ended May 31, 2009, respectively, from $21.2 million and $70.5 million for the three months and nine months ended May 31, 2008, respectively, primarily due to lower variable interest rates and lower utilization of the foreign asset-backed securitization program during the three months and nine months ended May 31, 2009 as compared to the same periods in fiscal year 2008.

Income Taxes. Income tax expense reflects an effective tax rate of (9.5)% and (15.5)% for the three months and nine months ended May 31, 2009, respectively, as compared to an effective rate of 10.9% and 18.8% for the three months and nine months ended May 31, 2008, respectively. The effective tax rate for the three months and nine months ended May 31, 2009 differs from previous periods due to the impairment of non-deductible goodwill and the corresponding valuation allowances against certain deferred tax assets that are no longer more likely than not to be realized. The tax rate is predominantly a function of the mix of tax rates in the various jurisdictions in which we do business. Most of our international operations have historically been taxed at a lower rate than in the U.S., primarily due to tax incentives granted to our sites in Brazil, China, Hungary, India, Malaysia and Poland that expire at various dates through 2017. Such tax incentives are subject to conditions with which we expect to continue to comply.

Acquisitions and Expansion

We have made a number of acquisitions that were accounted for using the purchase method of accounting. Our condensed consolidated financial statements include the operating results of each business from the date of acquisition. See Risk Factors We may not achieve expected profitability from our acquisitions.

Seasonality

Production levels for our Consumer division and the automotive industry sector of our EMS division are subject to seasonal influences. We may realize greater net revenue during our first fiscal quarter due to high demand for consumer products during the holiday selling season. Therefore, quarterly results should not be relied upon as necessarily indicative of results for the entire fiscal year.

Dividends

The following table sets forth certain information relating to our cash dividends declared to common stockholders during fiscal years 2008 and 2009.

Dividend Information

	Dividend declaration date	Dividend per share	Total of cash dividends declared	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
	July 16, 2008	$ 0.07	$ 14,739	August 15, 2008	September 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

We currently expect to continue to declare and pay quarterly dividends of an amount similar to our past declarations. However, the declaration and payment of future dividends are discretionary and will be subject to determination by our Board of Directors each quarter following its review of our financial performance.

Liquidity and Capital Resources

At May 31, 2009, our principal sources of liquidity consisted of cash, available borrowings under our credit facilities and the accounts receivable securitization programs. The following table sets forth, for the periods indicated, selected consolidated cash flow information (in thousands).

	Nine months ended	
	May 31, 2009	May 31, 2008
Net cash provided by operating activities	$ 387,442	$ 419,364
Net cash used in investing activities	(227,674)	(265,512)
Net cash (used in)/ provided by financing activities	(177,025)	109,935
Effect of exchange rate changes on cash	13,249	(67,343)
Net (decrease)/increase in cash and cash equivalents	$ (4,008)	$ 196,444

Net cash provided by operating activities for the nine months ended May 31, 2009 was approximately $387.4 million. This consisted primarily of a $1.0 billion non-cash goodwill impairment charge, $218.3 million in non-cash depreciation and amortization expense, a $48.3 million restructuring and impairment charge, a decrease of $266.6 million in trade accounts receivable, a $248.4 million decrease in inventories, a change in deferred income taxes of $107.3 million principally related to valuation allowances recorded against certain deferred tax assets and certain other items of net cash provided by operating activities offset by a $1.2 billion net loss and a decrease in accounts payable and accrued expenses of $394.2 million. The decrease in accounts payable and accrued expenses was primarily driven by the timing of purchases and cash payments during the first nine months of fiscal year 2009. The decrease in accounts receivable was predominately attributable to a reduction in sales levels and focused efforts to improve cash collections that was partially offset by reduced utilization of our securitization program. The decrease in inventories was primarily due to focused efforts during the second quarter and third quarter of fiscal year 2009 to reduce inventory levels to better align with current customer demand.

Net cash used in investing activities for the nine months ended May 31, 2009 was $227.7 million. This consisted primarily of capital expenditures of $235.2 million for investments in information technology infrastructure and capacity to support the ongoing production of new programs within the mobility sector and $1.1 million for cash payments related to recent business acquisitions. These expenditures were offset by $8.6 million of proceeds from the sale of property and equipment.

Net cash used in financing activities for the nine months ended May 31, 2009 was $177.0 million. This resulted from our receipt of approximately $3.0 billion of proceeds from borrowings under existing debt agreements, which primarily included an aggregate of $2.7 billion of borrowings under the revolving portion of the Credit Facility and $179.7 million of borrowings under our short-term Indian working capital facilities. This was offset by repayments in an aggregate amount of $3.2 billion during the nine months ended May 31, 2009, which primarily included $2.7 billion toward repayment of borrowings under the revolving portion of the Credit Facility and $214.6 million toward repayment of borrowings under our short-term Indian working capital facilities. In addition we paid $44.6 million of dividends to stockholders during the nine months ended May 31, 2009.

We may need to finance day-to-day working capital needs, as well as future growth and any corresponding working capital needs, with additional borrowings under our revolving credit facilities described below, as well as additional public and private offerings of our debt and equity. Currently, we have a shelf registration statement with the Securities and Exchange Commission (the SEC) registering the potential sale of an indeterminate amount of debt and equity securities in the future, from time to time, to augment our liquidity and capital resources.

During the second quarter of fiscal year 2004, we entered into an asset-backed securitization program with a bank, which originally provided for net cash proceeds at any one time of an amount up to $100.0 million on the sale of eligible trade accounts receivable of certain domestic operations. Subsequent to fiscal year 2004, several amendments have increased the net cash proceeds available at any one time under the securitization program up to an amount of $250.0 million and extended the program until March 17, 2010. Under this agreement, we continuously sell a designated pool of trade accounts receivable to a wholly-owned subsidiary, which in turn sells an ownership interest in the receivables to a conduit, administered by an unaffiliated financial institution. This wholly-owned subsidiary is a separate bankruptcy-remote entity and its assets would be available first to satisfy the claims of the conduit. As the receivables sold are collected, we are able to sell additional receivables up to the maximum permitted amount under the program. The securitization program requires compliance with several financial covenants including an interest coverage ratio and debt to EBITDA ratio, as defined in the securitization agreements, as amended. For each pool of eligible receivables sold to the conduit, we retain a percentage interest in the face value of the receivables, which is calculated based on the terms of the agreement. Net receivables sold under this program are excluded from trade accounts receivable on the Condensed

Consolidated Balance Sheets and are reflected as cash provided by operating activities on the Condensed Consolidated Statement of Cash Flows. We continue to service, administer and collect the receivables sold under this program. We pay a fee on the unused portion of the facility ranging between 0.875% and 0.925% per annum based on the average daily unused aggregate capital during the period. Further, we pay a usage fee on the utilized portion of the facility equal to 1.75% per annum on the average daily outstanding aggregate capital during the immediately preceding calendar month. The investors and the securitization conduit have no recourse to our assets for failure of debtors to pay when due. At May 31, 2009, we had sold $314.9 million of eligible trade accounts receivable, which represents the face amount of total outstanding receivables at that date. In exchange, we received cash proceeds of $112.9 million and retained an interest in the receivables of approximately $202.0 million. In connection with the securitization program, we recognized pretax losses on the sale of receivables of approximately $0.9 million and $4.2 million during the three months and nine months ended May 31, 2009, respectively, and $2.0 million and $9.8 million for the three months and nine months ended May 31, 2008, respectively, which are recorded as other expense on the Condensed Consolidated Statement of Operations.

During the first quarter of fiscal year 2005, we entered into an agreement with an unrelated third-party for the factoring of specific trade accounts receivable of a foreign subsidiary. Under the terms of the factoring agreement, we transfer ownership of eligible trade accounts receivable without recourse to the third-party purchaser in exchange for cash. Proceeds on the transfer reflect the face value of the account less a discount. The discount is recorded as a loss on the Condensed Consolidated Statement of Operations in the period of the sale. The factoring agreement expired in April 2009 and was extended for a six month period. The receivables sold pursuant to this factoring agreement are excluded from trade accounts receivable on the Condensed Consolidated Balance Sheets and are reflected as cash provided by operating activities on the Condensed Consolidated Statement of Cash Flows. We continue to service, administer and collect the receivables sold under this program. The third-party purchaser has no recourse to our assets for failure of debtors to pay when due. At May 31, 2009, we had sold $16.8 million of trade accounts receivable, which represents the face amount of total outstanding receivables at that date. In exchange, we received cash proceeds of $16.7 million. The resulting loss on the sale of trade accounts receivable sold under this factoring agreement was $25.3 thousand and $130.0 thousand for the three months and nine months ended May 31, 2009, respectively, and $67.7 thousand and $190.0 thousand for the three months and nine months ended May 31, 2008, respectively.

Notes payable, long-term debt and long-term lease obligations outstanding at May 31, 2009 and August 31, 2008 are summarized below (in thousands).

	May 31, 2009	**August 31, 2008**
5.875% Senior Notes due 2010 (a)	$ 298,937	$ 298,198
8.250% Senior Notes due 2018 (b)	396,663	396,377
Short-term factoring debt (c)		617
Borrowings under credit facilities (d)	21,461	55,579
Borrowings under loans (e)	401,553	423,064
Jabil/TGP debt obligations (f)	5,927	24,583
Securitization program obligations (g)	95,877	170,975
Miscellaneous borrowings	8	17
Total notes payable, long-term debt and long-term lease obligations	$ 1,220,426	$ 1,369,410
Less current installments of notes payable, long-term debt and long-term lease obligations	156,259	269,937
Notes payable, long-term debt and long-term lease obligations, less current installments	$ 1,064,167	$ 1,099,473

(a) During the fourth quarter of fiscal year 2003, we issued a total of $300.0 million, seven-year, 5.875% Senior Notes (the 5.875% Senior Notes) at 99.803% of par, resulting in net proceeds of approximately $297.2 million. The 5.875% Senior Notes were offered pursuant to our shelf registration statement. The 5.875% Senior Notes mature on July 15, 2010 and pay interest semiannually on January 15 and July 15. We are subject to covenants such as: limitation upon our consolidation, merger or sale; limitation upon our liens; limitation upon our sales and leasebacks; limitation upon our subsidiaries funded debt; limitation on guarantees given by our subsidiaries for our indebtedness; our corporate existence; reports; and compliance and notice requirements.

In July 2003, we entered into an interest rate swap transaction to effectively convert the fixed interest rate of our 5.875% Senior Notes to a variable rate. The swap, which was to expire in 2010, was accounted for as a fair value hedge under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities* (SFAS 133). The notional amount of the swap was $300.0 million, which is related to the 5.875% Senior Notes. Under the terms of the swap, we paid an interest rate equal to the six-month

London Interbank Offered Rate (LIBOR) set in arrears, plus a fixed spread of 1.945%. In exchange, we received a fixed rate of 5.875%. The swap transaction qualified for the shortcut method of recognition under SFAS 133, therefore no portion of the swap was treated as ineffective. The interest rate swap was terminated on June 3,

2005. The fair value of the interest rate swap of $4.5 million was recorded in long-term liabilities, with the corresponding offset recorded as a decrease to the carrying value of the 5.875% Senior Notes, on the Condensed Consolidated Balance Sheets at the termination date. In addition, we had recorded $0.4 million of interest receivable from the issuing bank as of the termination date. Upon termination, we made a net $4.1 million cash payment to the issuing bank to derecognize the interest rate swap and the accrued interest. The $4.5 million decrease to the carrying value of the 5.875% Senior Notes on the Condensed Consolidated Balance Sheets will be amortized to operations through interest expense over the remaining term of the debt.

(b) During the second and third quarters of fiscal year 2008, we completed our offering of $250.0 million and $150.0 million, respectively, in aggregate principal amount of 8.250% senior unsecured unregistered notes due March 15, 2018, resulting in net proceeds of approximately $245.7 million and $148.5 million, respectively. On June 18, 2008, we commenced an offer to exchange the outstanding unregistered 8.250% Notes for registered 8.250% Notes (collectively the 8.250% Senior Notes) that are substantially identical to the unregistered notes except that the 8.25% Senior Notes are registered under the Securities Act and do not have any transfer restrictions, registration rights or rights to additional special interest. Upon completion of the exchange offer on July 18, 2008, all outstanding unregistered notes were exchanged. The 8.250% Senior Notes were issued pursuant to an Indenture dated as of January 16, 2008, by and between the Company and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee (the Indenture), as supplemented by the Officers Certificates dated January 16, 2008 and May 19, 2008, that were delivered by certain of our officers pursuant to Sections 1.2, 3.1 and 3.3 of the Indenture.

The 8.250% Senior Notes will mature on March 15, 2018. Interest on the 8.250% Senior Notes will be payable on March 15 and September 15 of each year, beginning on September 15, 2008. The interest rate payable on the 8.250% Senior Notes is subject to adjustment from time to time if the credit ratings assigned to the 8.250% Senior Notes increase or decrease, as provided in the 8.250% Senior Notes. The 8.250% Senior Notes are our senior unsecured obligations and rank equally with all other existing and future senior unsecured debt obligations.

The Indenture contains certain covenants, including, but not limited to, covenants limiting our ability and/or our subsidiaries ability to: create certain liens; enter into sale and leaseback transactions; create, incur, issue, assume or guarantee any funded debt (applicable only to our restricted subsidiaries); guarantee any of our indebtedness (applicable only to our subsidiaries); and consolidate or merge with, or convey, transfer or lease all or substantially all of our assets to another person. The Indenture also contains a covenant regarding our repurchase of the 8.250% Senior Notes upon a change of control repurchase event.

During the fourth quarter of fiscal year 2007, we entered into forward interest rate swap transactions to hedge the fixed interest rate payments for an anticipated debt issuance. The swaps are accounted for as a cash flow hedge under SFAS 133. The notional amount of the swaps was $400.0 million. Concurrently with the pricing of the first $250.0 million of the 8.250% Senior Notes, we settled $250.0 million of the swaps by our payment of $27.5 million. We also settled the remaining $150.0 million of swaps during the second quarter of fiscal year 2008 by our payment of $15.6 million. As a result, we settled the amount recognized as a current liability on our Condensed Consolidated Balance Sheets. We also recorded $0.7 million in interest expense (as ineffectiveness) in the Condensed Consolidated Statement of Operations during the three months ended May 31, 2008, with the remainder recorded in accumulated other comprehensive income, net of taxes, in our Condensed Consolidated Balance Sheets. On May 19, 2008, we issued the remaining $150.0 million of 8.250% Senior Notes and recorded no additional interest expense (as ineffectiveness) in the Condensed Consolidated Statement of Operations. The effective portion of the swaps remaining on our Condensed Consolidated Balance Sheets will be amortized to interest expense on the Condensed Consolidated Statement of Operations over the life of the 8.250% Senior Notes.

(c) During the fourth quarter of fiscal year 2007, we entered into an agreement with an unrelated third party for the factoring of specific trade accounts receivable of a foreign subsidiary. The factoring of trade accounts receivable under this agreement does not meet the criteria for recognition as a sale in accordance with SFAS 140. Under the terms of the agreement, we transfer ownership of eligible trade accounts receivable to the third party purchaser in exchange for cash, however, as the transaction does not qualify as a sale, the relating trade accounts receivable are included in our Condensed Consolidated Balance Sheets until the cash is received by the purchaser from our customer for the trade accounts receivable. We did not have a liability outstanding on our Condensed Consolidated Balance Sheets at May 31, 2009 related to cash that we have received from the purchaser for specific trade accounts receivable, but for which our customer has not remitted payment yet.

(d) Various of our foreign subsidiaries have entered into several credit facilities to finance their future growth and any corresponding working capital needs. These credit facilities are denominated in various foreign currencies, including Indian rupees, as well as U.S. dollars. At May 31, 2009, these credit facilities incur interest at both fixed and variable rates ranging from 3.1% to 5.7% and range in outstanding amounts from $3.0 million to $18.5 million.

(e) During the second quarter of fiscal year 2007, we entered into a three-year loan agreement to borrow $20.3 million from a software vendor in connection with various software licenses that we purchased from them. The software licenses were capitalized and are being amortized over a three-year period. The loan agreement is non-interest bearing and payments are due quarterly through October 2009. At May 31, 2009, $3.4 million is outstanding under this loan agreement.

During the third quarter of fiscal year 2005, we negotiated a five-year, 400.0 million Indian rupee construction loan for an Indian subsidiary with an Indian branch of a global bank. Under the terms of the loan, we pay interest on outstanding borrowings based on a fixed rate of 7.45%. The construction loan expires on April 15, 2010 and all outstanding borrowings are then due and payable. The 400.0 million Indian rupee principal outstanding is equivalent to approximately $8.5 million based on currency exchange rates at May 31, 2009.

During the third quarter of fiscal year 2005, we negotiated a five-year, 25.0 million Euro construction loan for a Hungarian subsidiary with a Hungarian branch of a global bank. Under the terms of the loan facility, we pay interest on outstanding borrowings based on the Euro Interbank Offered Rate plus a spread of 0.925%. Quarterly principal repayments began in September 2006 to repay the amount of proceeds drawn under the construction loan. The construction loan expires on April 13, 2010. At May 31, 2009, borrowings of 5.8 million Euros (approximately $8.2 million based on currency exchange rates at May 31, 2009) were outstanding under the construction loan.

During the fourth quarter of fiscal year 2007, we entered into the five-year revolving Credit Facility. This agreement provides for a revolving credit portion in the initial amount of $800.0 million, subject to potential increases up to $1.0 billion, and provides for a term portion in the amount of $400.0 million. Some or all of the lenders under the Credit Facility and their affiliates have various other relationships with us and our subsidiaries involving the provision of financial services, including cash management, loans, letter of credit and bank guarantee facilities, investment banking and trust services. We, along with some of our subsidiaries, have entered into foreign exchange contracts and other derivative arrangements with certain of the lenders and their affiliates. In addition, many, if not most, of the agents and lenders under the Credit Facility held positions as agent and/or lender under our old revolving credit facility and the Bridge Facility. The revolving credit portion of the Credit Facility terminates on July 19, 2012, and the term loan portion of the Credit Facility requires payments of principal in annual installments of $20.0 million each, with a final payment of the remaining principal due on July 19, 2012. Interest and fees on Credit Facility advances are based on our unsecured long-term indebtedness rating as determined by S&P and Moody s. Interest is charged at a rate equal to either 0% to 0.75% above the base rate or 0.375% to 1.75% above the Eurocurrency rate, where the base rate represents the greater of Citibank, N.A. s prime rate or 0.50% above the federal funds rate, and the Eurocurrency rate represents the applicable London Interbank Offered Rate, each as more fully defined in this credit agreement. Fees include a facility fee based on the revolving credit commitments of the lenders, a letter of credit fee based on the amount of outstanding letters of credit, and a utilization fee to be added to the revolving credit interest rate and any letter of credit fee during any period when the aggregate amount of outstanding advances and letters of credit exceeds 50% of the total revolving credit commitments of the lenders. Based on our current senior unsecured long-term indebtedness rating as determined by S&P and Moody s, the current rate of interest (including the applicable facility and utilization fee) on a full draw under the revolving credit would be 0.275% above the base rate or 0.875% above the Eurocurrency rate, and the current rate of interest on the term portion would be the base rate or 0.875% above the Eurocurrency rate. We, along with our subsidiaries, are subject to the following financial covenants: (1) a maximum ratio of (a) Debt (as defined in the credit agreement) to (b) Consolidated EBITDA (as defined in the credit agreement) and (2) a minimum ratio of (a) Consolidated EBITDA to (b) interest payable on, and amortization of debt discount in respect of, Debt and loss on sales of trade accounts receivables pursuant to our securitization program. In addition, we are subject to other covenants, such as: limitation upon liens; limitation upon mergers, etc; limitation upon accounting changes; limitation upon subsidiary debt; limitation upon sales, etc of assets; limitation upon changes in nature of business; payment restrictions affecting subsidiaries; compliance with laws, etc; payment of taxes, etc; maintenance of insurance; preservation of corporate existence, etc; visitation rights; keeping of books; maintenance of properties, etc; transactions with affiliates; and reporting requirements (collectively referred to herein as Restrictive Financial Covenants). During the third quarter of fiscal year 2009, we borrowed $920.0 million against the revolving credit portion of the Credit Facility. These borrowings were repaid in full during the third quarter. A draw in the amount of $400.0 million has been made under the term portion of the Credit Facility and $380.0 million remains outstanding at May 31, 2009.

In addition to the loans described above, at May 31, 2009 we have additional loans outstanding to fund working capital needs. These additional loans total approximately $1.5 million and are denominated in Euros. The loans are due and payable within 12 months and are classified as short term on the Condensed Consolidated Balance Sheets.

(f) Through the acquisition of Green Point we assumed certain liabilities, including short and long term debt obligations totaling approximately $102.2 million at the date of acquisition. At May 31, 2009, approximately $5.9 million of debt is outstanding under these short term mortgage and credit facilities, with current interest rates ranging from 2.2% to 2.4%. At May 31, 2009, approximately $0.4 million of fixed assets, including buildings and land, were pledged as collateral on the mortgage facility outstanding. At May 31, 2009, approximately $0.1 million of long term debt is outstanding and is classified as long term on the Condensed Consolidated Balance Sheets. The long term debt amount represents a credit facility outstanding and denominated in New Taiwan dollars which will mature in fiscal year 2011 and incurs interest at a rate that fluctuates based upon changes in various base rate interest rates.

(g) On April 7, 2008, we entered into a foreign asset-backed securitization program with a bank conduit. In connection with the foreign securitization program certain of our foreign subsidiaries sell, on an ongoing basis, an undivided interest in designated pools of trade accounts receivable to a special purpose entity, which in turn borrows up to $200.0 million from the bank conduit to purchase those receivables and in which it grants security interests as collateral for the borrowings. The securitization program is accounted for as a borrowing under SFAS 140. The loan balance is calculated based on the terms of the securitization program agreements. The foreign securitization program requires compliance with several covenants including a limitation on certain corporate actions such as mergers, consolidations and sale of substantially all assets. We pay interest at designated commercial paper rates plus a spread. The foreign securitization program expires on March 18, 2010. At May 31, 2009, we had $95.9 million of debt outstanding under the program. In addition, we incurred interest expense at a variable rate of approximately 0.51% plus a fixed spread during the three months ended May 31, 2009 in our Condensed Consolidated Statement of Operations.

At May 31, 2009, our principal sources of liquidity consisted of cash, available borrowings under our credit facilities and our asset-backed securitization programs.

At May 31, 2009 and August 31, 2008, we were in compliance with all Restrictive Financial Covenants under the Credit Facility and our securitization programs.

Our working capital requirements and capital expenditures could continue to increase in order to support future expansions of our operations through construction of greenfield operations or acquisitions. It is possible that future expansions may be significant and may require the payment of cash. Future liquidity needs will also depend on fluctuations in levels of inventory and shipments, changes in customer order volumes and timing of expenditures for new equipment.

We currently anticipate that during the next twelve months, our capital expenditures will be in the range of $150.0 million to $250.0 million, principally for machinery and equipment and for information technology infrastructure upgrades. We believe that our level of resources, which include cash on hand, available borrowings under our revolving credit facilities, additional proceeds available under our accounts receivable securitization program and funds provided by operations, will be adequate to fund these capital expenditures, the payment of any declared quarterly dividends, payments for current and future restructuring activities, and our working capital requirements for the next twelve months.

Should we desire to consummate significant additional acquisition opportunities or undertake significant additional expansion activities, our capital needs would increase and could possibly result in our need to increase available borrowings under our revolving credit facilities or access public or private debt and equity markets. There can be no assurance, however, that we would be successful in raising additional debt or equity on terms that we would consider acceptable.

In April 2009, our Board of Directors authorized us to retire up to all $300.0 million of our 5.875% Senior Notes through (i) privately negotiated transactions at such terms and prices as may be negotiated; (ii) a cash tender offer to all holders of our 5.875% Senior Notes to purchase any and all of our 5.875% Senior Notes; or (iii) some combination of (i) and (ii). As of the date of filing this Quarterly Report on Form 10-Q, we have not retired any of our 5.875% Senior Notes.

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Our contractual obligations for short and long-term debt arrangements, future interest on notes payable and long-term debt, future minimum lease payments under non-cancelable operating lease arrangements estimated future benefit plan payments and capital commitments as of May 31, 2009 are summarized below. We do not participate in, or secure financing for, any unconsolidated limited purpose entities. We generally do not enter into non-cancelable purchase orders for materials until we receive a corresponding purchase commitment from our customer. Non-cancelable purchase orders do not typically extend beyond the normal lead time of several weeks at most. Purchase orders beyond this time frame are typically cancelable.

	Payments due by period (in thousands)				
	Total	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Contractual Obligations					
Notes payable, long-term debt and long-term lease obligations	$ 1,220,426	$ 156,259	$ 347,504	$ 320,000	$ 396,663
Future interest on notes payable and long-term debt	331,292	57,244	79,820	67,453	126,775
Operating lease obligations	222,479	53,676	70,208	49,355	49,240
Estimated future benefit plan payments	72,323	5,527	10,884	16,958	38,954
Capital commitments (a)					
Total contractual cash obligations (b)	$ 1,846,520	$ 272,706	$ 508,416	$ 453,766	$ 611,632

(a) During the first fiscal quarter of 2009, the Company committed $10.0 million to an independent private equity limited partnership which invests in companies that address resource limits in energy, water and materials (commonly referred to as the CleanTech sector). Of that amount, the Company has invested $2.0 million at May 31, 2009. The remaining commitment of $8.0 million is callable over the next five years by the general partner. As the timing of capital calls have no specified dates, this commitment has been excluded from the above table as we cannot currently determine when such commitment calls will occur.

(b) At May 31, 2009, we have $2.6 million recorded as a current liability for uncertain tax positions under FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* (FIN 48). We are not able to reasonably estimate the timing of long-term payments, or the amount by which our liability will increase or decrease over time; therefore, the long-term portion of our FIN 48 liability of $85.6 million has not been included in the contractual obligations table.

Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risks

We transact business in various foreign countries and are, therefore, subject to risk of foreign currency exchange rate fluctuations. We enter into forward contracts to economically hedge transactional exposure associated with commitments arising from trade accounts receivable, trade accounts payable and fixed purchase obligations denominated in a currency other than the functional currency of the respective operating entity. All derivative instruments are recorded on the Condensed Consolidated Balance Sheets at their respective fair market values in accordance with SFAS 133. Except for certain foreign currency contracts, with a notional amount outstanding at May 31, 2009 of $29.9 million and a fair value of $0.9 million, which are recorded in prepaid and other current assets at May 31, 2009, we have elected not to prepare and maintain the documentation required for the transactions to qualify as accounting hedges and, therefore, changes in fair value are recorded in the Condensed Consolidated Statement of Operations.

The aggregate notional amount of outstanding contracts at May 31, 2009 that do not qualify as accounting hedges was $808.8 million. The fair value of these contracts amounted to a $6.0 million asset recorded in prepaid and other current assets and a $34.8 million liability recorded in accrued expenses on the Condensed Consolidated Balance Sheets. The forward contracts will generally expire in less than four months, with five months being the maximum term of the contracts outstanding at May 31, 2009. Upon expiration of the contracts, the change in fair value will be reflected in cost of revenue on the Condensed Consolidated Statement of Operations. The forward contracts are denominated in British pounds, Chinese yuan renminbi, Euro dollars, Hungarian forints, Japanese yen, Malaysian ringgits, Mexican pesos, Singapore dollars, Taiwanese dollars and U.S. dollars.

Interest Rate Risk

A portion of our exposure to market risk for changes in interest rates relates to our domestic investment portfolio. We do not use derivative financial instruments in our investment portfolio. We place cash and cash equivalents with various major financial institutions. We protect our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate these risks by generally investing in investment grade securities and by frequently positioning the portfolio to try to respond appropriately to a reduction in credit rating of any investment issuer, guarantor or depository to levels below the credit ratings dictated by our investment policy. The portfolio typically includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity. At May 31, 2009, there were no significant outstanding investments.

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We pay interest on several of our outstanding borrowings at interest rates that fluctuate based upon changes in various base interest rates. There were $506.2 million in borrowings outstanding under these facilities at May 31, 2009. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and Note 11 Notes Payable, Long-Term Debt and Long-Term Lease Obligations to the Condensed Consolidated Financial Statements for additional information regarding our outstanding debt obligations.

In the second quarter of fiscal year 2009, we entered into an interest rate swap related to $100.0 million of our variable rate debt. The swap is accounted for as a cash flow hedge under SFAS 133. The interest rate swap transaction effectively locks in a fixed interest rate for variable rate interest payments that are expected to be made from January 28, 2009 through January 28, 2010. Under the terms of the swap, we will pay a fixed rate and will receive a variable rate based on the one month USD LIBOR rate plus a credit spread.

Item 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation required by Rules 13a-15 and 15d-15 under the Exchange Act (the Evaluation), under the supervision and with the participation of our President and Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15 and 15d-15 under the Exchange Act (Disclosure Controls) as of May 31, 2009. Based on the Evaluation, our CEO and CFO concluded that the design and operation of our Disclosure Controls were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) accumulated and communicated to our senior management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

For our fiscal quarter ended May 31, 2009, we did not identify any modifications to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.