JABIL CIRCUIT INC
Form 10-Q
April 06, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended February 28, 2010

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-14063

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 þ No o
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 o No o
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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of March 24, 2010, there were 217,695,539 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)

	February 28, 2010	August 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 794,137	$ 876,272
Trade accounts receivable, net of allowance for doubtful accounts of $14,685 at February 28, 2010 and $15,510 at August 31, 2009	1,174,614	1,260,962
Inventories	1,565,335	1,226,656
Prepaid expenses and other current assets	267,557	247,795
Income taxes receivable	32,835	37,448
Deferred income taxes	23,552	27,693
Total current assets	3,858,030	3,676,826
Property, plant and equipment, net of accumulated depreciation of $1,146,897 at February 28, 2010 and $1,131,765 at August 31, 2009	1,336,214	1,377,729
Goodwill	24,904	25,120
Intangible assets, net of accumulated amortization of $106,619 at February 28, 2010 and $98,772 at August 31, 2009	119,410	131,168
Deferred income taxes	57,427	49,673
Other assets	53,893	57,342
Total assets	$ 5,449,878	$ 5,317,858
LIABILITIES AND EQUITY		
Current liabilities:		
Current installments of notes payable, long-term debt and long-term lease obligations	$ 158,461	$ 197,575
Accounts payable	2,120,863	1,938,009
Accrued expenses	471,281	537,851
Income taxes payable	16,076	11,831
Deferred income taxes	3,376	660
Total current liabilities	2,770,057	2,685,926
Notes payable, long-term debt and long-term lease obligations, less current installments	1,037,894	1,036,873
Other liabilities	63,217	70,124
Income tax liability	86,592	78,348
Deferred income taxes	1,395	4,178

Total liabilities	3,959,155	3,875,449
Commitments and contingencies		
Equity:		
Jabil Circuit, Inc. stockholders equity:		
Common stock, $.001 par value, authorized 500,000,000 shares; issued and outstanding 209,578,080 at February 28, 2010 and 208,022,841 at August 31, 2009	218	217
Additional paid-in capital	1,472,063	1,455,214
Retained earnings (Accumulated deficit)	43,413	(13,700)
Accumulated other comprehensive income	174,036	196,972
Treasury stock at cost, 8,902,699 shares at February 28, 2010 and 8,683,917 shares at August 31, 2009	(206,829)	(203,541)
Total Jabil Circuit, Inc. stockholders equity	1,482,901	1,435,162
Noncontrolling interests	7,822	7,247
Total equity	1,490,723	1,442,409
Total liabilities and equity	$ 5,449,878	$ 5,317,858

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		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Net revenue	$ 3,004,644	$ 2,887,400	$ 6,092,900	$ 6,269,909
Cost of revenue	2,781,898	2,731,854	5,638,378	5,890,650
Gross profit	222,746	155,546	454,522	379,259
Operating expenses:				
Selling, general and administrative	146,264	111,053	277,817	242,715
Research and development	7,425	5,754	15,122	11,409
Amortization of intangibles	6,643	7,673	13,748	15,708
Restructuring and impairment charges	635	31,524	4,070	32,145
Goodwill impairment charges		705,121		1,022,821
Loss on disposal of subsidiary			15,722	
Operating income (loss)	61,779	(705,579)	128,043	(945,539)
Other expense	1,125	857	2,163	3,221
Interest income	(644)	(1,920)	(1,551)	(4,227)
Interest expense	20,030	20,077	40,146	43,811
Income (loss) before income tax	41,268	(724,593)	87,285	(988,344)
Income tax expense	11,446	142,018	28,582	154,381
Net income (loss)	29,822	(866,611)	58,703	(1,142,725)
Net (loss) income attributable to noncontrolling interests, net of income tax expense	(8)	(511)	585	(768)
Net income (loss) attributable to Jabil Circuit, Inc.	$ 29,830	$ (866,100)	$ 58,118	$ (1,141,957)
Earnings (Loss) Per Share:				
Income (loss) attributable to the stockholders of Jabil Circuit, Inc.:				
Basic	$ 0.14	$ (4.19)	$ 0.27	$ (5.53)
Diluted	$ 0.14	$ (4.19)	$ 0.27	$ (5.53)
Weighted average shares outstanding:				
Basic	213,625	206,711	214,040	206,557

Diluted	214,760	206,711	215,916	206,557
Cash dividends declared per common share	$ 0.07	$ 0.07	$ 0.14	$ 0.14

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(Unaudited)

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Net income (loss)	$ 29,822	$ (866,611)	$ 58,703	$ (1,142,725)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(33,028)	(20,110)	(25,307)	(169,138)
Change in fair market value of derivative instruments, net of tax	(888)	(22)	396	(22)
Amortization of loss on hedge arrangements, net of tax	987	600	1,975	1,200
Comprehensive (loss) income	(3,107)	(886,143)	35,767	(1,310,685)
Comprehensive (loss) income attributable to noncontrolling interests	(8)	(511)	585	(768)
Comprehensive (loss) income attributable to Jabil Circuit, Inc.	$ (3,099)	$ (885,632)	$ 35,182	$ (1,309,917)

Accumulated foreign currency translation gains were $213.4 million at February 28, 2010 and $238.7 million at August 31, 2009. 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)

	Six months ended	
	February 28, 2010	February 28, 2009
Cash flows from operating activities:		
Net income (loss)	$ 58,703	$ (1,142,725)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	142,461	146,119
Recognition of deferred grant proceeds	(979)	(1,016)
Amortization of loss on hedge arrangement	1,975	1,200
Amortization of bond issuance costs and discount	1,844	706
Recognition of stock-based compensation expense	40,493	20,005
Deferred income taxes	(4,709)	123,866
Restructuring and impairment charges	4,070	32,145
Goodwill impairment charges		1,022,821
Provision of allowance for doubtful accounts and notes receivable	(264)	7,321
Excess tax (benefit) from options exercised	(125)	(2,877)
Loss (gain) on sale of property	3,302	(2,932)
Loss on disposal of subsidiary	12,756	
Change in operating assets and liabilities, exclusive of net assets acquired:		
Trade accounts receivable	43,214	255,614
Inventories	(361,147)	70,930
Prepaid expenses and other current assets	(25,152)	(27,995)
Other assets	4,027	(3,194)
Accounts payable and accrued expenses	166,645	(188,468)
Income taxes payable	17,678	(2,326)
Net cash provided by operating activities	104,792	309,194
Cash flows from investing activities:		
Cash paid for business and intangible asset acquisitions, net of cash acquired		(1,115)
Acquisition of property, plant and equipment	(116,371)	(184,703)
Proceeds from sale of property, plant and equipment	5,325	3,909
Net cash used in investing activities	(111,046)	(181,909)
Cash flows from financing activities:		
Borrowings under debt agreements	1,948,926	2,051,879
Payments toward debt agreements and capital lease obligations	(1,988,253)	(2,162,027)
Dividends paid to stockholders	(29,921)	(29,655)
	5,832	3,395

Net proceeds from issuance of common stock under option and employee stock purchase plans		
Treasury stock minimum tax withholding	(3,288)	(231)
Excess tax benefit of options exercised	125	2,877
Net cash used in financing activities	(66,579)	(133,762)
Effect of exchange rate changes on cash and cash equivalents	(9,302)	8,490
Net (decrease) increase in cash and cash equivalents	(82,135)	2,013
Cash and cash equivalents at beginning of period	876,272	772,923
Cash and cash equivalents at end of period	$ 794,137	$ 774,936

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, 2009. Results for the three and six month periods ended February 28, 2010 are not necessarily an indication of the results that may be expected for the full fiscal year ending August 31, 2010.

Certain amounts in the prior periods financial statements have been reclassified to conform to the current period s presentation.

Note 2. Inventories

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

	February 28, 2010	August 31, 2009
Raw materials	$ 1,141,978	$ 878,739
Work in process	274,467	208,266
Finished goods	148,890	139,651
Total inventories	$ 1,565,335	$ 1,226,656

Note 3. Earnings (Loss) Per Share and Dividends

a. Earnings (Loss) Per Share

On September 1, 2009, the Company adopted accounting guidance on earnings per share which provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, be considered participating securities and therefore are included in the computation of earnings per share pursuant to the two-class method. For the Company, participating securities consist of certain unvested restricted stock awards. All prior-period earnings per share data has been retrospectively adjusted as required.

The Company calculates its basic earnings (loss) per share by dividing net income (loss) attributable to Jabil Circuit, Inc. by the weighted average number of common shares and participating securities outstanding during the period. In periods of a net loss, participating securities are not included in the basic (loss) per share calculation as such participating securities are not contractually obligated to fund losses. The Company s diluted earnings (loss) per share is calculated in a similar manner, but includes the effect of dilutive securities. To the extent these securities are anti-dilutive, they are excluded from the calculation of diluted earnings (loss) per share. The following table sets forth the calculations of basic and diluted earnings (loss) per share attributable to the stockholders of Jabil Circuit, Inc. (in thousands, except per share data):

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Numerator:				

Net income (loss) attributable to Jabil Circuit, Inc.	$ 29,830	$ (866,100)	$ 58,118	$ (1,141,957)
Denominator for basic and diluted earnings (loss) per share:				
Weighted-average common shares outstanding	209,182	206,711	208,769	206,557
Share-based payment awards classified as participating securities	4,443	(2)	5,271	(2)
Denominator for basic earnings (loss) per share	213,625	206,711	214,040	206,557
Dilutive common shares issuable under the employee stock purchase plan and upon exercise of stock options and stock appreciation rights	285		157	
Dilutive unvested non-participating restricted stock awards	850		1,719	

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	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Denominator for diluted earnings (loss) per share	214,760(1)	206,711(3)	215,916(1)	206,557(3)
Earnings (loss) per share:				
Income (loss) attributable to the stockholders of Jabil Circuit, Inc.:				
Basic	$ 0.14	$ (4.19)	$ 0.27	$ (5.53)
Diluted	$ 0.14	$ (4.19)	$ 0.27	$ (5.53)

(1) For the three months and six months ended February 28, 2010, options to purchase 5,328,227 and 6,646,807 shares of common stock, respectively, and 7,997,232 and 7,997,567 stock appreciation rights, respectively, were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

(2) For the three months and six months ended February 28, 2009, 6,675,611 and 6,660,399

participating securities, respectively, were excluded from the computation of earnings per share due to the net loss for the period.

(3) For the three months and six months ended February 28, 2009, no potential common shares relating to the Company s equity awards were included in the computation of diluted loss per share as their effect would have been anti-dilutive given the Company s net loss for the periods. Accordingly for the three months and six months ended February 28, 2009, 12,216,292 and 12,356,547 common share equivalents, which consist of stock options and restricted stock awards, and 8,010,799 and 8,005,799 stock appreciation

rights, respectively, were excluded from the computation of diluted loss per share.

b. Dividends

The following table sets forth certain information relating to the Company s cash dividends declared to common stockholders of the Company during the six months ended February 28, 2010 and 2009:

Dividend Information

	Dividend declaration date	Dividend per share	Total cash dividends declared	Date of record for dividend payment	Dividend cash payment date
			(in thousands, except for per share data)		
Fiscal year 2010:	October 22, 2009	$0.07	$15,186(1)	November 16, 2009	December 1, 2009
	January 22, 2010	$0.07	$15,238	February 16, 2010	March 1, 2010
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

(1) Of the $15.2 million in total dividends declared during the first fiscal quarter of 2010, $14.4 million was paid out of additional paid-in capital (which represents the amount of dividends declared in excess of the Company s retained earnings balance

as of the date that the dividend was declared).

Note 4. Stock-Based Compensation

The Company recognizes stock-based compensation expense, reduced for estimated forfeitures, on a straight-line basis over the requisite service period of the award, which is generally the vesting period for outstanding stock awards. The Company recorded $26.5 million and $40.5 million of gross stock-based compensation expense, which is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations for the three months and six months ended February 28, 2010, respectively. The Company recorded tax effects related to the stock-based compensation expense of $0.3 million and $0.6 million which is included in income tax expense in the Condensed Consolidated Statements of Operations for the three months and six months ended February 28, 2010, respectively. Included in the stock-based compensation expense recognized by the Company is $1.3 million and $2.2 million related to the Company s employee stock purchase plan (ESPP) during the three months and six months ended February 28, 2010, respectively. The Company recorded $5.2 million and $20.0 million of gross stock-based compensation expense, which is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations for the three months and six months ended February 28, 2009, respectively. The Company recorded tax effects related to the stock-based compensation expense of $(3.4) million and $0.8 million which is included in income tax expense in the Condensed Consolidated

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Statements of Operations for the three months and six months ended February 28, 2009, respectively. Included in the stock-based compensation expense recognized by the Company is $2.2 million and $3.1 million related to the ESPP during the three months and six months ended February 28, 2009, 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 February 28, 2010 and 2009, $0.3 million and $0.5 million of stock-based compensation expense was classified as inventory costs on the Condensed Consolidated Balance Sheets.

Cash received from exercises under all share-based payment arrangements, including the Company s ESPP, for the six months ended February 28, 2010 and 2009 was $5.8 million and $3.4 million, respectively. The proceeds for the six months ended February 28, 2010 and 2009 were offset by $3.3 million and $0.2 million, respectively, in market value of restricted shares withheld by the Company to satisfy the minimum amount of its income tax withholding requirements. The market value of the restricted shares withheld was determined on the date that the restricted shares vested and resulted in the withholding of 218,782 shares and 23,988 shares of the Company s common stock during the six months ended February 28, 2010 and 2009, respectively. The amounts have 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 lawsuit 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 cannot 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 incentive stock options within the meaning of Section 422 of the 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 41,808,726 shares reserved for grant, including 2,608,726 shares that were transferred from the 1992 Plan when it was terminated in October 2001, 7,000,000 shares authorized in January 2002, 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, 1,500,000 shares authorized in January 2009 and 8,200,000 shares authorized in January 2010. 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 all stock options and stock appreciation rights (collectively known as 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 stock appreciation rights, grants of Options intended to preserve the economic value of stock option 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 ending 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 relating 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 may incur adverse tax consequences. Such adverse tax consequences relate to the portions of such Options that vest after December 31, 2004 (Section 409A Affected Options) and subject the option holder to accelerated income taxation and a penalty tax under Internal Revenue Code Section 409A (Section 409A).

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.

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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 equal to 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 will 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 Company applies a lattice valuation model for Options granted subsequent to August 31, 2005, excluding those granted under the 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. Prior to this change, the Company used the Black-Scholes model for valuing Options. 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.

The weighted-average grant-date fair value per share of Options granted during the six months ended February 28, 2010 and 2009 was $6.36 and $3.50, respectively. The total intrinsic value of Options exercised during the six months ended February 28, 2010 and 2009 was $1.0 million and $3.6 thousand, respectively. As of February 28, 2010, there was $13.4 million of unrecognized compensation costs related to non-vested Options that is expected to be recognized over a weighted-average period of 1.2 years. The total fair value of Options vested during the six months ended February 28, 2010 and 2009 was $10.2 million and $12.1 million, respectively.

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

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Expected dividend yield	1.9%	4.4%	1.9%	4.3%
Risk-free interest rate	0.1% to 3.4%	0% to 2.6%	0.1% to 3.4%	0% to 2.9%
Weighted-average expected volatility	60.2%	67.3%	60.2%	68.1%
Weighted-average expected life	5.6 years	5.9 years	5.6 years	6.3 years

The fair-value method is also applied to non-employee awards. 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. 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 February 28, 2010 and August 31, 2009, $60.0 thousand and $47.0 thousand, respectively, related to non-employee stock-based awards were classified as a liability on the Company s Condensed Consolidated Balance Sheets and a loss of $2.0 thousand and $13.0 thousand were recorded in the Condensed Consolidated Statements of Operations for the three months and six months ended February 28, 2010, respectively, resulting from re-measurement of the awards. The Company recognized a gain of $12.0 thousand and $0.2 million in

the Condensed Consolidated Statements of Operations for the three months and six months ended February 28, 2009, respectively, resulting from re-measurement of non-employee awards.

At February 28, 2010, the Company had 111,414 Options outstanding that will be settled by the Company with cash. The Company classifies cash-settled awards as liabilities on the Condensed Consolidated Balance Sheets and measures 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 Condensed Consolidated Statements of Operations at each reporting date. At February 28, 2010 and August 31, 2009, $0.2 million and $0.1 million, respectively, related to cash settled awards were recorded as a liability on the Condensed Consolidated Balance Sheets. The Company recognized a loss of $26.9 thousand and $51.9 thousand in the Condensed Consolidated Statements of Operations of for the three months and six months ended February 28, 2010, respectively, and a gain of $36.3 thousand and $89.3 thousand for the three months and six months ended February 28, 2009, respectively, to record the awards at fair value.

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The following table summarizes Option activity from September 1, 2009 through February 28, 2010:

	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, 2009	5,128,096	15,021,674	$ 154	$ 24.04	4.9
Options authorized	8,200,000				
Options expired	(922,008)			$ 22.99	
Options granted[1]		28,570		$ 14.88	
Options cancelled	1,185,275	(1,185,275)		$ 25.22	
Restricted stock awards[2]	(4,089,962)				
Options exercised		(74,762)		$ 13.41	
Balance at February 28, 2010	9,501,401	13,790,207	$ 3,417	$ 24.13	4.7
Exercisable at February 28, 2010		12,086,269	$ 3,097	$ 24.22	4.3

(1) Represents stock appreciation rights that will be settled in cash.

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

b. Restricted Stock Awards

Beginning 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 vested during the first quarter of fiscal year 2010, which is five years from the date of grant. 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 performance-based restricted awards generally vest on a cliff vesting schedule over a three year period. The stock-based compensation expense for these restricted stock awards (including 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.

For restricted stock awards with performance conditions, stock-based compensation expense is originally 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. Throughout the requisite service period management monitors the probability of achievement of the performance condition. 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 stock-based compensation expense will be recognized as a change in accounting estimate.

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 Condensed Consolidated Statements 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 Condensed Consolidated Statements 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 Condensed Consolidated Statements of Operations in the second quarter of fiscal year 2009. During the second quarter of fiscal year 2010, it was further determined that 40% of the restricted stock awards that were granted in fiscal year 2008 with performance conditions would vest. This change in estimate resulted in the recognition of $7.1 million in stock-based compensation expense during the second quarter of fiscal year 2010. The restricted stock awards that were granted in fiscal years 2009 and 2010 continue to be recognized based on an estimated 100% performance goal, the probable outcome.

The Company began granting time-based restricted stock to employees in fiscal year 2007. The time-based restricted shares granted generally vest on a graded vesting schedule over three years. The stock-based compensation expense for these restricted stock awards (including restricted stock and restricted stock units) is measured at fair value on the date of grant based upon the quoted market price of the Company s common stock.

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. Such a market condition must be considered in the grant date fair value of the award with such fair value determination made using a lattice model, which utilizes multiple input variables to determine the probability of the Company achieving the specified market conditions. 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.

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At February 28, 2010, there was $60.9 million of total unrecognized stock-based compensation expense related to restricted stock awards granted under the 2002 Stock Incentive Plan. This expense is expected to be recognized over a weighted-average period of 1.6 years.

The following table summarizes restricted stock activity from September 1, 2009 through February 28, 2010:

	Shares	Weighted - Average Grant-Date Fair Value
Nonvested balance at September 1, 2009	10,201,552	$15.50
Changes during the period		
Shares granted[1]	5,756,799	$14.27
Shares vested	(956,001)	$15.13
Shares forfeited	(1,666,837)	$27.49
Nonvested balance at February 28, 2010	13,335,513	$13.50

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

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.

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.

The maximum number of shares that a participant may purchase in an offering period is determined in June and December. As such, there were 740,720 and 580,887 shares purchased under the ESPP during the six months ended February 28, 2010 and 2009, 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	Six months ended

	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Expected dividend yield	0.8%	0.9%	0.8%	0.9%
Risk-free interest rate	0.2%	2.1%	0.2%	2.1%
Weighted-average expected volatility	49.0%	58.1%	49.0%	58.1%
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 24 countries worldwide. Sales to unaffiliated customers are based on the Company s location that provides 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):

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	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
External net revenue:				
Mexico	$ 716,051	$ 703,635	$ 1,559,181	$ 1,295,201
China	520,147	508,981	1,137,750	1,332,168
United States	509,953	495,401	938,834	1,038,939
Hungary	282,061	327,609	522,103	530,649
Malaysia	280,272	179,035	499,842	414,492
Poland	143,348	118,037	258,996	325,847
Other	552,812	554,702	1,176,194	1,332,613
	$ 3,004,644	$ 2,887,400	$ 6,092,900	$ 6,269,909

	February 28, 2010	August 31, 2009
Long-lived assets:		
China	$ 416,081	$ 413,064
United States	251,308	252,574
Mexico	222,694	247,605
Taiwan	119,805	133,395
Malaysia	98,330	101,246
Poland	92,554	91,188
Hungary	70,537	80,618
India	72,913	76,443
Other	136,306	137,884
	$ 1,480,528	$ 1,534,017

Total foreign source net revenue represented 83.0% and 84.6% of net revenue for the three months and six months ended February 28, 2010, respectively, compared to 82.8% and 83.4% for the three months and six months ended February 28, 2009, respectively.

Sales of the Company s products are concentrated among specific customers. For the six months ended February 28, 2010, the Company s five largest customers accounted for approximately 45% of its net revenue and 49 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

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 on 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 manufacturing expenses and selling, general and administrative expenses, and does not include amortization of intangibles, stock-based compensation expense, restructuring and impairment charges, goodwill impairment charges, loss on disposal of subsidiary, other expense, interest income, interest expense, income tax expense or adjustment for net (loss) income attributable to noncontrolling interests. Total segment assets are defined as trade accounts receivable, inventories, net customer related machinery and equipment, intangible assets net of accumulated amortization 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.

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

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Net revenue				
Consumer	$ 969,306	$ 1,048,734	$ 2,190,845	$ 2,277,017
EMS	1,839,602	1,670,237	3,506,796	3,662,729
AMS	195,736	168,429	395,259	330,163
	$ 3,004,644	$ 2,887,400	$ 6,092,900	$ 6,269,909

Segment income and reconciliation of income (loss) before income taxes

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Consumer	$ (1,994)	$ 13,140	$ 31,050	$ 57,608
EMS	78,067	14,458	135,075	60,867
AMS	19,496	16,328	35,951	26,665
Total segment income	95,569	43,926	202,076	145,140
Reconciling items:				
Stock-based compensation expense	26,512	5,187	40,493	20,005
Amortization of intangibles	6,643	7,673	13,748	15,708
Restructuring and impairment charges	635	31,524	4,070	32,145
Goodwill impairment charges		705,121		1,022,821
Loss on disposal of subsidiary			15,722	
Other expense	1,125	857	2,163	3,221
Interest income	(644)	(1,920)	(1,551)	(4,227)
Interest expense	20,030	20,077	40,146	43,811
Income (loss) before income taxes	$ 41,268	$ (724,593)	$ 87,285	$ (988,344)

	February 28, 2010	August 31, 2009
Total assets		
Consumer	$ 1,455,216	$ 1,723,934
EMS	1,928,956	2,017,575
AMS	260,734	280,126
Other non-allocated assets	1,804,972	1,296,223
	$ 5,449,878	$ 5,317,858

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).

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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 consolidated 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. The Court dismissed the Second Amended Class Action Complaint with prejudice. The plaintiffs appealed this dismissal to the U.S. Court of Appeals for the Eleventh Circuit on February 20, 2009.

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On January 19, 2010, the U.S. Court of Appeals for the Eleventh Circuit affirmed the Court s prior dismissal with prejudice of the Second Amended Class Action Complaint. The plaintiffs subsequently moved for a re-hearing on the matter, which motion was denied. The only remaining avenue of potential relief for the plaintiffs is to petition the U.S. Supreme Court for a writ of certiorari by May 24, 2010. The Company believes that the Second Amended Class Action Complaint is without merit and if the dismissal of it is overturned by the U.S. Supreme Court, 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 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 re-evaluated periodically for accuracy. A rollforward of the warranty liability for the six months ended February 28, 2010 and 2009 is as follows (in thousands):

	Amount
Balance at August 31, 2009	$ 14,280
Accruals for warranties	4,237
Settlements made	(4,215)
Balance at February 28, 2010	$ 14,302

	Amount

Balance at August 31, 2008	$ 9,877
Accruals for warranties	4,433
Settlements made	(3,774)
Balance at February 28, 2009	$ 10,536

Note 7. Restructuring and Impairment Charges

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a. 2009 Restructuring Plan

On January 22, 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 currently expects to recognize approximately $64.0 million in total restructuring and impairment costs, excluding valuation allowances of $14.8 million on certain net deferred tax assets, primarily over the course of fiscal years 2009 and 2010. Of this expected total, the Company charged $0.3 million and $3.9 million of restructuring and impairment costs during the three months and six months ended February 28, 2010, respectively, to the Condensed Consolidated Statements of Operations, compared to charges of $32.7 million of restructuring and impairment costs during the three months and six months ended February 28, 2009. These charges for the three months ended February 28, 2010 related to the 2009 Restructuring Plan primarily include approximately $0.2 million related to employee severance and termination benefit costs and approximately $0.1 million related to lease commitment costs. These charges for the six months ended February 28, 2010 related to the 2009 Restructuring Plan primarily include approximately $3.3 million related to lease commitment costs and approximately $0.6 million related to fixed asset impairments. These charges for the three months and six months ended February 28, 2009 related to the 2009 Restructuring Plan include approximately $27.4 million related to employee severance and termination benefits costs, $0.1 million related to lease commitment costs and approximately $5.2 million related to fixed asset impairments.

These restructuring and impairment charges related to the 2009 Restructuring Plan incurred through February 28, 2010 of approximately $57.6 million include cash costs totaling approximately $50.6 million. These cash costs consist of employee severance and termination benefit costs of approximately $47.1 million, lease commitment costs of approximately $3.3 million and other restructuring costs of approximately $0.2 million. Non-cash costs of approximately $7.0 million primarily represent fixed asset impairment charges related to the Company s restructuring activities.

At February 28, 2010, accrued liabilities of approximately $9.3 million related to the 2009 Restructuring Plan are expected to be paid over the next twelve months. The remaining liability of approximately $2.9 million is expected to be paid primarily through fiscal year 2011.

Employee severance and termination benefit costs of approximately $0.2 million during the three months ended February 28, 2010 are primarily related to the reduction of employees across all functions of the business, partially offset by reduced estimates of severance and termination benefits that will be paid by the Company. Employee severance and termination benefit costs of approximately $27.4 million recorded during the three months and six months ended February 28, 2009 were primarily related to the reduction of employees across all functions of the business in manufacturing facilities in Europe, Asia and the Americas. To date, approximately 4,000 employees have been included in the 2009 Restructuring Plan. The lease commitment costs of approximately $0.1 million and $3.3 million recorded during the three months and six months ended February 28, 2010, respectively, primarily relate to a facility in the Americas that was substantially vacated during the Company s first quarter of fiscal year 2010. The Company identified certain fixed assets that have ceased being used by the Company and, accordingly, recorded a fixed asset impairment charge of $0.6 million for the six months ended February 28, 2010 and $5.2 million for the three months and six months ended February 28, 2009.

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 $14.8 million on net deferred tax assets for fiscal year 2009. The valuation allowances are excluded from the table below as they were recorded to income tax expense in the Condensed Consolidated Statements of Operations.

The tables below set forth the significant components and activity in the 2009 Restructuring Plan during the three months and six months ended February 28, 2010 (in thousands):

2009 Restructuring Plan Three Months Ended February 28, 2010

	Liability Balance at November 30, 2009	Restructuring Related Charges	Asset Impairment Charges and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2010
Employee severance and termination benefits	$ 25,030	$ 224	$ (832)	$ (14,436)	$ 9,986
Lease commitment costs	2,767	56		(577)	2,246
Fixed asset impairment		54	(54)		
Other		9		(9)	
Total	$ 27,797	$ 343	$ (886)	$ (15,022)	$ 12,232

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2009 Restructuring Plan Six Months Ended February 28, 2010

	Liability Balance at August 31, 2009	Restructuring Related Charges	Asset Impairment Charges and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2010
Employee severance and termination benefits	$ 30,845	$ 40	$ 312	$ (21,211)	$ 9,986
Lease commitment costs		3,247		(1,001)	2,246
Fixed asset impairment		553	(553)		
Other		44		(44)	
Total	$ 30,845	$ 3,884	$ (241)	$ (22,256)	$ 12,232

The tables below set forth the significant components and activity in the 2009 Restructuring Plan by reportable segment during the three months and six months ended February 28, 2010 (in thousands):

2009 Restructuring Plan Three Months Ended February 28, 2010

	Liability Balance at November 30, 2009	Restructuring Related Charges	Asset Impairment Charges and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2010
Consumer	$ 654	$ (11)	$ (7)	$ (36)	$ 600
EMS	25,751	354	(1,402)	(13,611)	11,092
AMS	1,392		523	(1,375)	540
Total	$ 27,797	$ 343	$ (886)	$ (15,022)	$ 12,232

2009 Restructuring Plan Six Months Ended February 28, 2010

	Liability Balance at August 31, 2009	Restructuring Related Charges	Asset Impairment Charges and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2010
Consumer	$ 709	$ (34)	$ 17	$ (92)	$ 600
EMS	26,298	3,945	(897)	(18,254)	11,092
AMS	3,838	(27)	639	(3,910)	540

Total	$ 30,845	$ 3,884	$ (241)	$ (22,256)	$ 12,232

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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 $0.3 million and $0.2 million of restructuring and impairment costs during the three months and six months ended February 28, 2010, respectively, to the Condensed Consolidated Statements of Operations, compared to reversals of $(1.2) million and $(0.6) million of restructuring and impairment costs during the three months and six months ended February 28, 2009, respectively. The restructuring and impairment costs for the three months ended February 28, 2010 consist of $0.1 million related to employee severance and termination benefit costs and $0.2 million related to lease commitment costs. The restructuring and impairment costs for the six months ended February 28, 2010 consist of $0.2 million related to employee severance and termination benefit costs. The restructuring and impairment costs (reversals) for the three months ended February 28, 2009 include $(1.4) million related to employee severance and termination benefit costs and $0.2 million related to lease commitment costs. The restructuring and impairment costs (reversals) for the six months ended February 28, 2009 include $(1.0) million related to employee severance and benefits costs and $0.4 million related to lease commitments.

These restructuring and impairment charges related to the 2006 Restructuring Plan incurred through February 28, 2010 of $207.6 million include cash costs totaling $158.7 million, of which $1.5 million was paid in the fourth quarter of fiscal year 2006, $64.8 million was paid in fiscal year 2007, $57.2 million was paid in fiscal year 2008, $27.1 million was paid in fiscal year 2009, $2.7 million was paid in the first two quarters of fiscal year 2010 and $5.4 million is expected to be paid primarily through fiscal year 2011. The cash costs consist of employee severance and termination benefit costs of approximately $144.1 million, costs related to lease commitments of approximately $20.8 million and other restructuring costs of approximately $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.

At February 28, 2010, accrued liabilities of approximately $2.4 million related to the 2006 Restructuring Plan are expected to be paid over the next twelve months. The additional remaining accrued liabilities of $3.1 million relate primarily to the charges for certain lease commitment costs and employee severance and termination benefits payments that are expected to be paid primarily through fiscal year 2011.

Employee severance and termination benefits of $0.1 million and $0.2 million recorded in the three months and six months ended February 28, 2010, respectively, are primarily related to the reduction of employees across all functions of the business, partially offset by reduced estimates of severance and termination benefits that will be paid by the Company. Employee severance and termination benefit cost reversals of $(1.4) million and $(1.0) million recorded in the three months and six months ended February 28, 2009, respectively, were due to revised estimates of severance and termination benefits that will be paid by the Company. Approximately 10,500 employees have been included in the 2006 Restructuring Plan to date. Lease commitment costs of $0.2 million recorded in the six months ended February 28, 2010 and lease commitment costs of $0.2 million and $0.4 million recorded in the three months and six months ended February 28, 2009, respectively, primarily relate to future lease payments for a facility that was vacated in the Americas.

The Company has substantially completed restructuring activities under the 2006 Restructuring Plan. Approximately $0.9 million of remaining contract termination costs are expected to be incurred over the remainder of fiscal year 2010 and fiscal year 2011.

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, 2009. The valuation allowances are excluded from the table below as they were recorded to income tax expense in the Condensed Consolidated Statements 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, 2009 for further discussion of the Company s net deferred tax assets and provision for income taxes.

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The tables below set forth the significant components and activity in the 2006 Restructuring Plan during the three months and six months ended February 28, 2010 (in thousands):

2006 Restructuring Plan Three Months Ended February 28, 2010

	Liability Balance at November 30, 2009	Restructuring Related Charges	Asset Impairment Charges and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2010
Employee severance and termination benefits	$ 4,729	$ 50	$ (414)	$ (367)	$ 3,998
Lease commitment costs	1,418	242	(1)	(560)	1,099
Other	438		(41)		397
Total	$ 6,585	$ 292	$ (456)	$ (927)	$ 5,494

2006 Restructuring Plan Six Months Ended February 28, 2010

	Liability Balance at August 31, 2009	Restructuring Related Charges	Asset Impairment Charges and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2010
Employee severance and termination benefits	$ 5,736	$ 173	$ (176)	$ (1,735)	$ 3,998
Lease commitment costs	2,057	13	2	(973)	1,099
Other	419		(22)		397
Total	$ 8,212	$ 186	$ (196)	$ (2,708)	$ 5,494

The tables below set forth the significant components and activity in the 2006 Restructuring Plan by reportable segment during the three months and six months ended February 28, 2010 (in thousands):

2006 Restructuring Plan Three Months Ended February 28, 2010

	Liability Balance at November 30, 2009	Restructuring Related Charges	Asset Impairment Charges and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2010
Consumer	$ 3,566	$ (82)	$ (304)	$ (176)	$ 3,004

EMS	2,585	374	(111)	(751)	2,097
AMS	434		(41)		393
Total	$ 6,585	$ 292	$ (456)	$ (927)	$ 5,494

2006 Restructuring Plan Six Months Ended February 28, 2010

	Liability Balance at August 31, 2009	Restructuring Related Charges	Asset Impairment Charges and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2010
Consumer	$ 3,606	$ (7)	$ (146)	$ (449)	$ 3,004
EMS	4,190	193	(27)	(2,259)	2,097
AMS	416		(23)		393
Total	$ 8,212	$ 186	$ (196)	$ (2,708)	$ 5,494

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Note 8. Goodwill and Other Intangible Assets

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. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second test is performed to measure the amount of loss, if any.

The Company completed its annual impairment test for goodwill during the fourth quarter of fiscal year 2009 and determined that no impairment existed as of the date of the impairment test.

The following table presents the changes in goodwill allocated to the Company s reportable segments during the six months ended February 28, 2010 (in thousands):

	August 31, 2009				February 28, 2010		
Reportable Segment	Gross Balance	Accumulated Impairment Balance	Adjustments	Foreign Currency Impact	Gross Balance	Accumulated Impairment Balance	Net Balance
EMS	$ 622,414	$ (622,414)	$	$	$ 622,414	$ (622,414)	$
Consumer	400,407	(400,407)			400,407	(400,407)	
AMS	25,120			(216)	24,904		24,904
Total	$ 1,047,941	$ (1,022,821)	$	$ (216)	$ 1,047,725	$ (1,022,821)	$ 24,904

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. The Company completed its annual impairment test for its indefinite-lived intangible asset during the fourth quarter of fiscal year 2009 and determined that no impairment existed as of the date of the impairment test. 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 February 28, 2010 and August 31, 2009 (in thousands):

February 28, 2010	Gross carrying amount	Accumulated amortization	Net carrying amount
Contractual agreements and customer relationships	$ 93,073	$ (44,991)	$ 48,082
Intellectual property	85,098	(61,628)	23,470
Trade name	47,858		47,858
Total	$ 226,029	$ (106,619)	$ 119,410

August 31, 2009	Gross carrying amount	Accumulated amortization	Net carrying amount
Contractual agreements and customer relationships	$ 99,583	$ (46,313)	$ 53,270
Intellectual property	83,729	(52,459)	31,270

Trade names	46,628		46,628
Total	$ 229,940	$ (98,772)	$ 131,168

The weighted-average amortization period for aggregate net intangible assets at February 28, 2010 is 6.9 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.

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

Fiscal year ending August 31,	Amount
2010 (remaining six months)	$ 12,320
2011	22,169
2012	14,044
2013	8,978
2014	7,679
Thereafter	6,362
Total	$ 71,552

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. The securitization program is accounted for as a sale. 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 was to expire on March 17, 2010. See Note 15 Subsequent Events for further discussion of the Company s North American asset-backed securitization program.

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 Condensed Consolidated Balance Sheets and are reflected as cash provided by operating activities on the Condensed Consolidated Statements 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 February 28, 2010, the Company had sold $387.4 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 $184.1 million and retained an interest in the receivables of approximately $203.3 million. In connection with the securitization program, the Company recognized pretax losses on the sale of receivables of approximately $1.0 million and $2.0 million during the three months and six months ended February 28, 2010 compared to approximately $0.9 million and $3.2 million during the three months and six months ended February 28, 2009, which are recorded in other expense in the Condensed Consolidated Statements 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. 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, as amended on March 19, 2009, was to expire on March 18, 2010. See Note 15 Subsequent Events for further discussion of the Company s foreign asset-backed securitization program.

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At February 28, 2010, the Company had $111.2 million of debt outstanding under the program. In addition, the Company incurred interest expense of $0.7 million and $1.4 million recorded in the Condensed Consolidated Statements of Operations during the three months and six months ended February 28, 2010, respectively, compared to $0.5 million and $2.5 million for the three months and six months ended February 28, 2009, respectively.

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. 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 in the Condensed Consolidated Statements of Operations in the period of the sale. The factoring agreement was extended in September 2009 and expires on March 31, 2010.

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 Statements 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 February 28, 2010, the Company had sold $18.1 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 $18.1 million. The resulting loss on the sale of trade accounts receivable sold under this factoring agreement was $19.2 thousand and $41.2 thousand for the three months and six months ended February 28, 2010 compared to $42.6 thousand and $103.9 thousand for the three months and six months ended February 28, 2009 which was recorded to other expense in the Condensed Consolidated Statements of Operations.

In July 2007 and August 2009, the Company entered into separate agreements with unrelated third parties (the Purchasers) for the factoring of specific trade accounts receivable of another foreign subsidiary. The factoring of trade accounts receivable under these agreements does not meet the criteria for recognition as a sale. Under the terms of the agreements, the Company transfers ownership of eligible trade accounts receivable to the Purchasers 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 Purchasers from the Company s customer for the trade accounts receivable. The Company had an outstanding liability of approximately $0.8 million and $1.5 million on the Condensed Consolidated Balance Sheets at February 28, 2010 and August 31, 2009, respectively, related to these agreements.

Note 10. Retirement Benefits

The Company sponsors defined benefit pension plans in several countries in which it operates. The pension obligations relate primarily to the following: (a) a funded retirement plan in the United Kingdom, which provides benefits based on average employee earnings over a three-year service period preceding retirement and (b) primarily unfunded retirement plans mainly in Taiwan, France, Germany, Japan, The Netherlands, Poland and Austria, which provide benefits based upon years of service and compensation at retirement.

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

The components of net periodic benefit cost for the Company s pension plans are as follows (in thousands):

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Service cost	$ 390	$ 523	$ 788	$ 1,043
Interest cost	1,475	1,520	2,985	3,194
Expected long-term return on plan assets	(1,093)	(1,050)	(2,212)	(2,243)
Amortization of prior service cost	(30)	(9)	(61)	(19)

Recognized actuarial loss	316	289	640	617
Net periodic benefit cost	$ 1,058	$ 1,273	$ 2,140	$ 2,592

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For the six months ended February 28, 2010, the Company has made contributions of approximately $2.1 million to its defined benefit pension plans. The Company presently anticipates total fiscal year 2010 contributions to approximate $3.6 million to $4.3 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 February 28, 2010 and August 31, 2009 are summarized below (in thousands).

	February 28, 2010	August 31, 2009
5.875% Senior Notes due 2010 (a)	$ 5,064	$ 5,064
7.750% Senior Notes due 2016 (b)	300,923	300,063
8.250% Senior Notes due 2018	396,949	396,758
Short-term factoring debt	780	1,468
Borrowings under credit facilities	2,498	21,313
Borrowings under loans	378,917	384,485
Securitization program obligations	111,203	125,291
Miscellaneous borrowings	21	6
Total notes payable, long-term debt and long-term lease obligations	1,196,355	1,234,448
Less current installments of notes payable, long-term debt and long-term lease obligations	158,461	197,575
Notes payable, long-term debt and long-term lease obligations, less current installments	$ 1,037,894	$ 1,036,873

The $5.1 million of 5.875% senior unsecured notes (the 5.875% Senior Notes), $312.0 million of 7.750% senior unsecured notes (the 7.750% Senior Notes) and $400.0 million of 8.250% senior unsecured notes (the 8.250% Senior Notes) outstanding are carried at the principal amount of each note, less any unamortized discount. The estimated fair value of these senior notes was approximately $5.1 million, $322.1 million and $428.0 million, respectively, at February 28, 2010. The fair value estimates are based upon non-binding market quotes that are corroborated by observable market data (level 2 criteria).

a. 5.875% Senior Notes Tender Offer

During the fourth quarter of fiscal year 2003, the Company issued a total of $300.0 million, seven-year, publicly-registered 5.875% Senior Notes at 99.803% of par, resulting in net proceeds of approximately $297.2 million. The 5.875% Senior Notes mature on July 15, 2010 and pay interest semiannually on January 15 and July 15. Also, the 5.875% Senior Notes are the Company s senior unsecured obligations and rank equally with all other existing and future senior unsecured debt obligations. The Company is subject to covenants such as limitations on the Company s and/or its subsidiaries ability to: consolidate or merge with, or convey, transfer or lease all or substantially all of the Company s assets to, another person; create certain liens; enter into sale and leaseback transactions; create, incur, issue, assume or guarantee funded debt (which only applies to the Company s restricted subsidiaries); and guarantee any of its indebtedness (which only applies to its subsidiaries). During the fourth quarter of fiscal year 2009, the Company repurchased $294.9 million in aggregate principal amount of the 5.875% Senior Notes, pursuant to a public cash tender offer, in which it also paid an early tender premium, accrued interest and associated fees and expenses. The extinguishment of the validly tendered 5.875% Senior Notes resulted in a charge of $10.5 million, which was recorded to other expense in the Condensed Consolidated Statements of Operations for the fiscal year ended August 31, 2009.

b. 7.750% Senior Notes Offering

During the fourth quarter of fiscal year 2009, the Company issued a total of $312.0 million, seven-year, publicly-registered 7.750% Senior Notes at 96.1% of par, resulting in net proceeds of approximately $300.0 million.

The 7.750% Senior Notes mature on July 15, 2016 and pay interest semiannually on January 15 and July 15. Also, the 7.750% Senior Notes are the Company s senior unsecured obligations and rank equally with all other existing and future senior unsecured debt obligations. The Company is subject to covenants such as limitations on the Company s and/or its subsidiaries ability to: consolidate or merge with, or convey, transfer or lease all or substantially all of the Company s assets to, another person; create certain liens; enter into sale and leaseback transactions; create, incur, issue, assume or guarantee funded debt (which only applies to the Company s restricted subsidiaries); and guarantee any of its indebtedness (which only applies to its subsidiaries). The Company is also subject to a covenant regarding its repurchase of the 7.750% Senior Notes upon a change of control repurchase event.

Note 12. Derivative Financial Instruments and Hedging Activities

The Company is directly and indirectly affected by changes in certain market conditions. These changes in market conditions may adversely impact the Company s financial performance and are referred to as market risks. The Company, where deemed appropriate,

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uses derivatives as a risk management tool to mitigate the potential impact of certain market risks. The primary market risks managed by the Company through the use of derivatives instruments are foreign currency fluctuation risk and interest rate risk.

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 (AOCI), net of tax, and is subsequently reclassified into the line item in the Condensed Consolidated Statements of Operations in which the hedged items are recorded in the same period in which the hedged item affects earnings. The ineffective portion of the gain or loss is recognized immediately in current earnings. For derivative instruments that are not designated as hedging instruments, gains and losses from changes in fair values are recognized currently in earnings.

For derivatives accounted for as hedging instruments, the Company formally designates and documents, at inception, the financial instruments as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, the Company formally assesses, both at inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in the cash flows on the related underlying exposures.

a. Foreign Currency Risk Management

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. At February 28, 2010, a hedging relationship existed that related to certain anticipated foreign currency denominated expenses, with an aggregate notional amount outstanding at February 28, 2010 of $123.2 million. The related forward foreign exchange contracts have been designated as hedging instruments and are accounted for as cash flow hedges. 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 March 1, 2010 and November 30, 2010.

In addition to derivatives that are designated and qualify for hedge accounting, the Company also 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. The aggregate notional amount of these outstanding contracts at February 28, 2010 and 2009 was $431.5 million and $1.3 billion, respectively.

The following table presents the Company s assets and liabilities related to foreign forward exchange contracts measured at fair value on a recurring basis as of February 28, 2010, 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	$	$ 17,989	$	$ 17,989
Liabilities:				
Forward foreign exchange contracts		(15,652)		(15,652)
Total	$	$ 2,337	$	$ 2,337

The Company s forward foreign exchange contracts are measured on a recurring basis at fair value, based on foreign currency spot rates and forward rates quoted by banks or foreign currency dealers.

The following table presents the fair value of the Company s derivative instruments located on the Condensed Consolidated Balance Sheets utilized for foreign currency risk management purposes at February 28, 2010 (in thousands):

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	Fair Values of Derivative Instruments			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Forward foreign exchange contracts	Prepaid expenses and other current assets	$9,589	Accrued expense	$9,463
Derivatives not designated as hedging instruments				
Forward foreign exchange contracts	Prepaid expenses and other current assets	$8,400	Accrued expense	$6,189

The following table presents the impact that changes in fair value of derivatives utilized for foreign currency risk management purposes and designated as hedging instruments had on AOCI and earnings during the six months ended February 28, 2010 (in thousands):

Derivatives in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) for the Six months ended February 28, 2010	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) for the Six months ended February 28, 2010	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Six months ended February 28, 2010
Forward foreign exchange contracts	$ (4,508)	Revenue	$ (7,299)	Revenue	$ 44
Forward foreign exchange contracts	$ 4,369	Cost of revenue	$ 6,966	Cost of revenue	$ 1,626
	$ (14)		$ (14)		$ 31

Forward foreign exchange contracts	Selling, general and administrative	Selling, general and administrative

As of February 28, 2010, the Company estimates that it will reclassify into earnings during the next twelve months gains on hedging arrangements of approximately $0.6 million from the amounts recorded in AOCI as the anticipated cash flows occur.

The following table presents the impact that changes in fair value of derivatives utilized for foreign currency risk management purposes and not designated as hedging instruments had on earnings during the six months ended February 28, 2010 (in thousands):

Derivatives not designated as hedging instruments	**Location of Gain (Loss) Recognized in Income on Derivative**	**Amount of Gain (Loss) Recognized in Income on Derivative for the Six Months ended February 28, 2010**
Forward foreign exchange contracts	Cost of revenue	$ 11,327

At February 28, 2010, the Company recognized a net unrealized gain of approximately $2.2 million for the three months ended February 28, 2010 on forward foreign exchange contracts not designated as hedging instruments which was recorded to the cost of revenue line in the Condensed Consolidated Statements of Operations and offset by the change in the fair value of the underlying hedged assets or liabilities.

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b. Interest Rate Risk Management

The Company enters into interest rate swaps to manage interest rate risk associated with the Company s variable rate borrowings. During the second quarter of fiscal year 2010, a hedging relationship existed related to interest payments associated with $100.0 million of the Company s variable rate debt. The interest rate swap liability was settled during the quarter through the Company s payment of $0.1 million. At February 28, 2010, the Company had no assets or liabilities related to interest rate swaps and $0.1 million remains in AOCI until the underlying interest payment effects earnings. The following table presents the impact that changes in the fair value of the derivative utilized for interest rate risk management and designated as a hedging instrument had on AOCI and earnings for the six months ended February 28, 2010 (in thousands):

Derivatives in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) for the Six months ended February 28, 2010	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) for the Six months ended February 28, 2010	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Six months ended February 28, 2010
Interest rate swap	$ (13)	Interest expense	$ (214)	Interest expense	$

As of February 28, 2010, the Company estimates that it will reclassify into earnings during the next twelve months interest expense of approximately $0.1 million from the amount recorded in AOCI as the anticipated cash flows occur for the above noted interest rate swap.

The changes related to cash flow hedges included in AOCI are as follows (in thousands):

	Six months ended February 28, 2010
Balance, August 31, 2009	$ 143
Net loss for the period	(165)
Net loss transferred to earnings	561

Balance, February 28, 2010	$	539

Note 13. Loss on Disposal of Subsidiary

On October 27, 2009, the Company sold its subsidiary, Jabil Circuit Automotive, SAS, an automotive electronics manufacturing subsidiary located in Western Europe to JCA Acquisition Company Limited, an unrelated third-party. As a result of this sale, the Company recorded a loss on disposition of $15.7 million in the first quarter of 2010, which included transaction-related costs of approximately $4.2 million. These costs are recorded to loss on disposal of subsidiary on the Condensed Consolidated Statements of Operations, which is a component of operating income. Jabil Circuit Automotive had net revenue and an operating loss of $15.5 million and $1.4 million, respectively from the beginning of the 2010 fiscal year through the date of disposition.

Note 14. New Accounting Guidance

a. Recently Adopted Accounting Guidance

In August 2009, the Financial Accounting Standards Board (FASB) issued new accounting guidance concerning measuring liabilities at fair value, which resulted in a change in the Company s accounting policy effective September 1, 2009. The new accounting guidance provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain valuation techniques. Additionally, it clarifies that a reporting entity is not required to adjust the fair value of a liability for the existence of a restriction that prevents the transfer of the liability. The adoption did not have a significant impact on the Company s consolidated financial statements.

Effective July 2009, the FASB codified accounting literature into a single source of authoritative accounting principles, except for certain authoritative rules and interpretive releases issued by the SEC. Since the codification did not alter existing U.S. GAAP, it did not have an impact on the Company s consolidated financial statements. All references to pre-codified U.S. GAAP have been removed from this Form 10-Q.

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In December 2007, the FASB issued new accounting and disclosure guidance related to noncontrolling interests in subsidiaries (previously referred to as minority interests), which resulted in a change in the Company s accounting policy effective September 1, 2009. Among other things, the new guidance requires that a noncontrolling interest in a subsidiary be accounted for as a component of equity separate from the parent s equity, rather than as a liability. It also requires that consolidated net income be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interests. The new guidance is being applied prospectively, except for the presentation and disclosure requirements, which have been applied retrospectively. The adoption of this guidance did not have a significant impact on the Company s consolidated financial statements.

In December 2007, the FASB amended its guidance on accounting for business combinations. The new accounting guidance resulted in a change in the Company s accounting policy effective September 1, 2009, and is being applied prospectively to all business combinations subsequent to the effective date. Among other things, the new guidance amends the principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree and the goodwill acquired. It also establishes new disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. The adoption of this accounting guidance did not have a significant impact on the Company s consolidated financial statements, and the impact it will have on the Company s consolidated financial statements in future periods will depend on the nature and size of business combinations completed subsequent to the date of adoption.

In June 2008, the FASB issued accounting guidance on earnings per share which provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, be considered participating securities and therefore included in the computation of earnings per share pursuant to the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and any participating securities as if all earnings for the period had been distributed. The Company s participating securities consist of unvested restricted stock awards. The new accounting guidance resulted in a change in the Company s accounting policy effective September 1, 2009 and requires that all prior-period earnings per share data that is presented be adjusted retrospectively. The adoption of this accounting guidance did not have a significant impact on the Company s consolidated financial statements. Refer to Note 3 Earnings (Loss) Per Share and Dividends for further discussion on adoption of this accounting guidance.

In September 2006, the FASB issued accounting guidance that provided a common definition of fair value and established a framework to make the measurement of fair value under U.S. GAAP more consistent and comparable. It also required expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. In February 2008, the FASB issued accounting guidance which permitted a one-year deferral of the application of such fair value accounting guidance for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company adopted the non-deferred portion of this accounting guidance as of September 1, 2008 and the deferred portion as of September 1, 2009. The adoption did not have a significant impact on the Company s consolidated financial statements.

b. Recently Issued Accounting Guidance

In October 2009, the FASB issued new accounting guidance for revenue recognition with multiple deliverables. This guidance impacts the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting. Additionally, this new accounting guidance modifies the manner in which the transaction consideration is allocated across the separately identified deliverables by no longer permitting the residual method of allocating arrangement consideration. The new guidance is effective for the Company prospectively for revenue arrangements entered into or materially modified beginning in the first quarter of fiscal 2011. Early adoption is permitted. This accounting guidance is not expected to have a significant impact on the Company s consolidated financial statements.

In October 2009, the FASB issued new guidance for the accounting for certain revenue arrangements that include software elements. These new guidance amends the scope of pre-existing software revenue guidance by removing

from the guidance non-software components of tangible products and certain software components of tangible products. This new guidance is effective for the Company prospectively for revenue arrangements entered into or materially modified beginning in the first quarter of fiscal 2011. Early adoption is permitted. The Company does not expect the impact of this new guidance to be material to its consolidated financial statements.

In June 2009, the FASB amended its guidance on accounting for variable interest entities (VIE). The new accounting guidance will result in a change in the Company s accounting policy effective September 1, 2010. Among other things, the new guidance requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE; requires continuous

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assessments of whether an enterprise is the primary beneficiary of a VIE; enhances disclosures about an enterprise s involvement with a VIE; and amends certain guidance for determining whether an entity is a VIE. Under the new guidance, a VIE must be consolidated if the enterprise has both (a) the power to direct the activities of the VIE that most significantly impact the entity s economic performance, and (b) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company does not expect the impact of this new guidance to be material to its consolidated financial statements.

In June 2009, the FASB issued new accounting guidance on accounting for transfers of financial assets. This guidance amends previous guidance by including: the elimination of 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. Additionally, the guidance requires extensive new disclosure regarding an entity s involvement in a transfer of financial assets. This new guidance will be effective for the Company on September 1, 2010. The Company does not expect the adoption of this guidance to have a material impact on its consolidated statement of operations. However, under the current North American asset-backed securitization structure accounts receivable will no longer qualify for sale treatment and will be accounted for as a secured borrowing. As such, short-term debt will be recognized and accounts receivable will remain on the Company s consolidated balance sheets until the point of cash receipt from the customer. The secured borrowing will be recognized as a financing activity on the Company s consolidated statement of cash flows as of September 1, 2010.

In December 2008, the FASB issued new accounting guidance that requires enhanced annual disclosures about the plan assets of a company s defined benefit pension and other postretirement plans intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements, using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. The Company will provide the required disclosures beginning with the Company s Form 10-K for the year ending August 31, 2010. This accounting guidance is not expected to have a significant impact on the Company s consolidated financial statements.

Note 15. Subsequent Events

The Company evaluated subsequent events that have occurred through the date of the filing of the Company s second quarter Form 10-Q.

a. North American Asset-Backed Securitization Program

On March 17, 2010, the Company amended its North American asset-backed securitization program which was due to expire on March 17, 2010. As a result, the program was extended until March 16, 2011, pricing was adjusted to reflect current market conditions and the purchase limit was decreased to $200.0 million. For further discussion on the North American asset-backed securitization program, refer to Note 9 Accounts Receivable Securitization.

b. Foreign-Asset Backed Securitization Program

On March 18, 2010, the Company amended its foreign asset-back securitization program which was due to expire on March 18, 2010. As a result, the program was extended until March 17, 2011, pricing was adjusted to reflect current market conditions and the purchase limit was decreased to $100.0 million. For further discussion on the foreign asset-backed securitization program, refer to Note 9 Accounts Receivable Securitization.

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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;

variability of our operating results;

our dependence on a limited number of major customers;

the potential consolidation of our customer base, and the potential 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;

our production levels are subject to the variability of customer requirements, including seasonal influences on the demand for certain end products;

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;

the results of litigation related to our past stock option grants and any ramifications thereof;

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, 2009, 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 revenue, net of estimated product return costs (net revenue), for the six months ended February 28, 2010 our largest customers currently include Cisco Systems, Inc., DIRECTV, Inc., EchoStar Corporation, Hewlett-Packard Company, International Business Machines Corporation, LG Electronics Inc., NetApp. Inc., Nokia Corporation, Pace plc and Research in Motion Limited. For the three months and six months ended February 28, 2010, we had net revenues of approximately $3.0 billion and $6.1 billion, respectively, and net income attributable to Jabil Circuit, Inc. of approximately $29.8 million and $58.1 million, respectively.

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, Russia, Scotland, Singapore, Taiwan, Turkey, Ukraine, the U.S. and Vietnam. 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 generally began to stabilize in 2003 and companies turned 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. After several years of growth, our net revenues for fiscal year 2009 declined by approximately 8.6% to $11.7 billion as compared to $12.8 billion for fiscal year 2008. This decline was largely the result of a deteriorating macro-economic environment within the last fifteen to eighteen months which resulted in illiquidity in the overall credit markets and a significant economic downturn in the North American, European and Asian markets. Such economic conditions led us to implement the 2009 Restructuring Plan. See Note 7 Restructuring and Impairment Charges to the Condensed Consolidated Financial Statements. Also, as a result of recent economic conditions, some of our customers have moved a portion of

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their manufacturing from us in order to more fully utilize their excess internal manufacturing capacity. This movement, and possible future movements, may negatively impact our results of operations.

Though significant uncertainty remains regarding the extent and timing of the economic recovery, we continue to see signs of stabilization as the overall credit markets have significantly improved and it appears that the global economic stimulus programs put in place are having a positive impact, particularly in China. We will continue to monitor the current economic environment and its potential impact on both the customers that we serve as well as our end-markets and closely manage our costs and capital resources so that we can respond appropriately as circumstances continue to change.

Summary of Results

Net revenues for the second quarter of fiscal year 2010 increased approximately 4.1% to $3.0 billion compared to $2.9 billion for the same period of fiscal year 2009 largely due to increases in the instrumentation and medical and networking sectors. These increases were largely due to new customer wins and new program wins with existing customers.

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 were intended to address 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 a total of approximately 4,000 employees over the course of fiscal years 2009 and 2010. In addition, we recorded a valuation allowance of $14.8 million on certain net deferred tax assets related to the 2009 Restructuring Plan. 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 six-month periods indicated, certain key operating results and other financial information (in thousands, except per share data).

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Net revenue	$3,004,644	$2,887,400	$6,092,900	$ 6,269,909
Gross profit	$ 222,746	$ 155,546	$ 454,522	$ 379,259
Operating income (loss)	$ 61,779	$ (705,579)	$ 128,043	$ (945,539)
Net income (loss) attributable to Jabil Circuit, Inc	$ 29,830	$ (866,100)	$ 58,118	$(1,141,957)
Income (loss) per share basic	$ 0.14	$ (4.19)	$ 0.27	$ (5.53)
Income (loss) per share diluted	$ 0.14	$ (4.19)	$ 0.27	$ (5.53)
Cash dividend per share declared	$ 0.07	$ 0.07	$ 0.14	$ 0.14

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			
	February 28, 2010	**November 30, 2009**	**August 31, 2009**	**May 31, 2009**
Sales cycle	17 days	16 days	16 days	22 days
Inventory turns	7 turns	8 turns	9 turns	8 turns
Days in trade accounts receivable	35 days	41 days	41 days	40 days
Days in inventory	51 days	45 days	42 days	46 days

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	Three months ended			
	February 28, 2010	November 30, 2009	August 31, 2009	May 31, 2009
Days in accounts payable	69 days	70 days	67 days	64 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 February 28, 2010, days in trade accounts receivable decreased six days to 35 days as compared to the prior sequential quarter as a result of timing of sales and focused efforts on cash collection during the quarter, as well as related seasonality factors. During the three months ended February 28, 2010, days in inventory increased six days to 51 days and inventory turns decreased one turn to seven turns as compared to the prior consecutive quarter primarily due to the ramp up of inventory levels to support new business wins, as well as raw material shortages due to an unforeseen constrained materials environment which has caused material component lead times to be extended. For further discussion of material shortages see Risk Factors We depend on a limited number of suppliers for components that are critical to our manufacturing processes. A shortage of these components or an increase in their price could interrupt our operations and reduce our profits. During the three months ended February 28, 2010, days in accounts payable decreased one day to 69 days as compared to 70 days in the prior sequential quarter, as a result of the timing of purchases and cash payments during the quarter.

Critical Accounting Policies and Estimates

The preparation of our Condensed 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. 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, 2009.

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, customer inventory-related contractual obligations 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 group(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

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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 or adverse economic conditions. 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.

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. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second test is performed to measure the amount of loss, if any.

We completed our annual impairment test for goodwill during the fourth quarter of fiscal year 2009 and determined that no impairment existed as of the date of the impairment test.

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. We assess whether an uncertain tax position taken or expected to be taken in a tax return meets the threshold for recognition and measurement in the consolidated financial statements. Our judgments regarding future taxable income as well as tax positions taken or expected to be taken in a tax return 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 and/or tax reserves established may be increased or decreased, resulting in a respective increase or decrease in income tax expense. 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, 2009.

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Stock-Based Compensation

We began recognizing stock-based compensation expense in our Condensed Consolidated Statements 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 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 expense 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 Condensed Consolidated Financial Statements have resulted in litigation and regulatory inquiries and may result in future litigation, which could have a material adverse effect on us.

Recent Accounting Guidance

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

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		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	92.6%	94.6%	92.5%	94.0%
Gross profit	7.4%	5.4%	7.5%	6.0%
Operating expenses:				
Selling, general and administrative	4.9%	3.8%	4.6%	3.9%
Research and development	0.2%	0.2%	0.2%	0.1%
Amortization of intangibles	0.2%	0.3%	0.2%	0.3%
Restructuring and impairment charges	0.0%	1.1%	0.1%	0.5%
Goodwill impairment charges		24.4%		16.3%
Loss on disposal of subsidiary			0.3%	
Operating income (loss)	2.1%	(24.4)%	2.1%	(15.1)%
Other expense	0.0%	0.0%	0.0%	0.0%
Interest income	(0.0)%	(0.0)%	(0.0)%	(0.1)%
Interest expense	0.7%	0.7%	0.7%	0.7%
Income (loss) before income tax	1.4%	(25.1)%	1.4%	(15.7)%
Income tax expense	0.4%	4.9%	0.5%	2.5%
Net income (loss)	1.0%	(30.0)%	0.9%	(18.2)%
Net income (loss) attributable to noncontrolling interests, net of income tax expense	0.0%	0.0%	0.0%	0.0%

Net income (loss) attributable to Jabil Circuit, Inc	1.0%	(30.0)%	0.9%	(18.2)%

For the Three and Six Months Ended February 28, 2010 Compared to the Three and Six Months Ended February 28, 2009

Net Revenue. Our net revenue for the three months ended February 28, 2010 increased 4.1% to $3.0 billion from $2.9 billion for the three months ended February 28, 2009. Specific increases include a 32% increase in the sale of instrumentation and medical products; a 16% increase in the sale of aftermarket services; a 9% increase in the sale of networking products; and a 5% increase in the sale of digital home office products. These increases were largely due to new customer wins and new programs with existing customers. These increases were partially offset by a 16% decrease in the sale of mobility products; an 8% decrease in the sale of computing and storage products; and a 16% decrease in the sale of other products. These decreases were largely driven by reduced production levels as a result of softened customer demand due to the weakened macro-economic environment and the constrained

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materials environment during the three months ended February 28, 2010, as well as our decision to largely exit the automotive sector in conjunction with the sale of our subsidiary Jabil Circuit Automotive, SAS.

Our net revenue for the six months ended February 28, 2010 decreased 2.8% to $6.1 billion from $6.3 billion for the six months ended February 28, 2009. Specific decreases include a 20% decrease in the sale of other products; a 16% decrease in the sale of digital home office products; a 16% decrease in the sale of telecom products; a 16% decrease in the sale of computing and storage products; and a 10% decrease in the sale of networking products. These decreases were largely driven by reduced production levels as a result of softened customer demand due to the weakened macro-economic environment and the constrained materials environment during the six months ended February 28, 2010, as well as largely exiting the automotive sector as discussed above. These decreases were partially offset by a 20% increase in the sale of aftermarket services products; an 18% increase in the sale of instrumentation and medical products; and an 8% increase in the sale of mobility products predominately related to the production of new products with an existing customer within the sector.

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; efforts to de-emphasize the economic performance of certain sectors, most specifically, our former automotive sector; seasonality in our business; and business growth from new and existing customers, including production of new products in the mobility sector. During the first quarter of fiscal year 2010, we began to report the display and peripheral sectors as a combined sector called digital home office. In addition, the automotive sector is no longer reported separately and has been combined in the other sector.

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
EMS				
Computing and Storage	11%	12%	10%	12%
Instrumentation and Medical	23%	19%	23%	19%
Networking	18%	17%	16%	17%
Telecommunications	5%	5%	5%	5%
Other	4%	5%	4%	4%
Total EMS	**61%**	**58%**	**58%**	**57%**
Consumer Electronics				
Digital Home Office	15%	15%	15%	16%
Mobility	17%	21%	21%	21%
Total Consumer Electronics	**32%**	**36%**	**36%**	**37%**
AMS	**7%**	**6%**	**6%**	**6%**
Total	**100%**	**100%**	**100%**	**100%**

Foreign source revenue represented 83.0% and 84.6% of net revenue for the three months and six months ended February 28, 2010, respectively. This is compared to 82.8% and 83.4% of net revenue for the three months and six months ended February 28, 2009, 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 increased to $222.7 million (7.4% of net revenue) and $454.5 million (7.5% of net revenue) for the three months and six months ended February 28, 2010, respectively, from $155.5 million (5.4% of net revenue) and $379.3 million (6.0% of net revenue) for the three months and six months ended February 28, 2009, respectively. The increase in gross profit on an absolute basis and as a percentage of net revenue for the three months and six months ended February 28, 2010 versus the same period in the prior fiscal year was primarily due to increased revenue due to new customer wins and new programs with existing customers, as well as the realization of certain cost savings associated with initiatives that we commenced in fiscal year 2009 to reduce our cost structure in order to better align with lower demand levels and increased capacity utilization which allows us to better leverage our

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cost structure. This increase was partially offset by our failure to realize an incremental amount of revenue due to supply constraints with certain materials, which, if realized, would have likely had a positive impact on our gross profit and net income.

Selling, General and Administrative. Selling, general and administrative expenses increased to $146.3 million (4.9% of net revenue) and $277.8 million (4.6% of net revenue) for the three months and six months ended February 28, 2010 from $111.1 million (3.8% of net revenue) and $242.7 million (3.9% of net revenues) for the three months and six months ended February 28, 2009. The increase in selling, general and administrative expenses is largely due to increases in stock-based compensation expense during fiscal year 2010. During the second fiscal quarter of 2010, $7.1 million of expense was recognized as it was determined that a portion of the restricted stock awards granted in fiscal year 2008 with performance conditions would vest and $4.7 million of expense was recognized related to the modification of certain existing equity awards to include retirement eligibility provisions. In addition, there was a $10.2 million reversal of previously recognized stock-based compensation expense during the second fiscal quarter of 2009 as a result of a change in estimate related to performance based restricted stock awards that were no longer considered probable of vesting.

Research and Development. Research and development expenses increased to $7.4 million (0.2% of net revenue) and $15.1 million (0.2% of net revenue) for the three months and six months ended February 28, 2010, respectively, compared to $5.8 million (0.2% of net revenue) and $11.4 million (0.1% of net revenue) for the three months and six months ended February 28, 2009, respectively. The increase is attributed primarily to our increased focus on vertical integration capabilities in our mobility sector and increased capabilities and proficiencies in digital home office and printer markets.

Amortization of Intangibles. We recorded $6.6 million and $13.7 million of amortization of intangible assets for the three months and six months ended February 28, 2010, respectively, as compared to $7.7 million and $15.7 million for the three months and six months ended February 28, 2009, respectively. The decrease is primarily attributable to certain intangible assets that became fully amortized since February 28, 2009. For additional information regarding purchased intangibles, see Note 8 Goodwill and Other Intangible Assets to the Condensed Consolidated Financial Statements.

Loss on Disposal of Subsidiary. On October 27, 2009, we sold the operations of Jabil Circuit Automotive, SAS, an automotive electronic manufacturing subsidiary located in Western Europe to JCA Acquisition Company Limited, an unrelated third-party. In connection with this sale, we recorded a loss on disposition of approximately $15.7 million, which includes approximately $4.2 million in transaction costs incurred in connection with the sale.

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 $14.8 million on certain net deferred tax assets, primarily over the course of fiscal years 2009 and 2010. Of this expected total, we charged $0.3 million and $3.9 million of restructuring and impairment costs during the three months and six months ended February 28, 2010, respectively, to our Condensed Consolidated Statements of Operations, compared to charges of $32.7 million of restructuring and impairment costs during the three months and six months ended February 28, 2009. The charges related to the 2009 Restructuring Plan incurred during the three months ended February 28, 2010 include approximately $0.2 million related to employee severance and termination benefit costs and approximately $0.1 million related to lease commitment costs. The charges related to the 2009 Restructuring Plan incurred during the six months ended February 28, 2010 include approximately $3.3 million related to lease commitment costs and approximately $0.6 million related to fixed asset impairments.

The $57.6 million in restructuring and impairment charges related to the 2009 Restructuring Plan incurred through February 28, 2010 includes cash costs totaling approximately $50.6 million, of which approximately $19.2 million was paid in fiscal year 2009 and approximately $22.3 million was paid in the six months ended February 28, 2010. The cash costs of approximately $50.6 million consist of employee severance and termination benefit costs of approximately $47.1 million, lease commitment costs of approximately $3.3 million and other restructuring costs of approximately $0.2 million. Non-cash costs of approximately $7.0 million primarily represent fixed asset impairment

charges related to our restructuring activities.

At February 28, 2010, accrued liabilities of approximately $9.3 million related to the 2009 Restructuring Plan are expected to be paid over the next twelve months. The remaining liability of $2.9 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 are 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. These expected annualized cost savings reflect a reduction in employee expense of approximately $41.8 million, a reduction in depreciation expense of approximately $5.9 million, a reduction in lease commitment costs of approximately $0.1 million, a reduction of other manufacturing costs of approximately $3.8 million and a reduction of selling, general and administrative expenses of approximately $3.4 million. Of the $55.0 million of expected annualized cost savings, we have realized a cumulative cost savings of approximately $32.0 million by the end of the second quarter of fiscal year 2010.

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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 $14.8 million on net deferred tax assets related to the 2009 Restructuring Plan. The valuation allowance is excluded from the restructuring and impairment charge of $57.6 million incurred through February 28, 2010 as it was recorded through income tax expense on our Condensed Consolidated Statements 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 2010 with certain contract termination costs to be incurred through fiscal year 2011.

During the three months and six months ended February 28, 2010, we recorded approximately $0.3 million and $0.2 million of restructuring and impairment charges, respectively, compared to $(1.2) million and $(0.6) million of restructuring and impairment charge reversals recognized for the three months and six months ended February 28, 2009, respectively. The restructuring and impairment costs for the three months ended February 28, 2010 is comprised of approximately $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 six months ended February 28, 2010 is comprised of approximately $0.2 million related to employee severance and termination benefit costs.

At February 28, 2010, liabilities of approximately $2.4 million related to the 2006 Restructuring Plan are expected to be paid out over the next twelve months. The remaining liability of $3.1 million relates primarily to the charge for certain lease commitments and employee severance and termination benefits payments and is expected to be paid primarily through fiscal year 2011.

As of February 28, 2010, as a result of the restructuring activities completed through February 28, 2010 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 partially 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 Charges. We recorded non-cash goodwill impairment charges of $1.0 billion for the full fiscal year ended August 31, 2009 (which included a $0.7 billion charge for the three months ended February 28, 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. After recognition of these charges, no goodwill remained with the Consumer and EMS reporting units, respectively, and approximately $25.1 million remained with the AMS reporting unit. For further discussion of goodwill impairment charges recorded, see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Long-Lived Assets and Note 6 Goodwill and Other Intangible Assets to the Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Long-Lived Assets in the Annual Report on Form 10-K for the fiscal year ended August 31, 2009.

Other Expense. We recorded other expense totaling $1.1 million and $2.2 million for the three months and six months ended February 28, 2010, respectively, as compared to other expense of $0.9 million and $3.2 million for the three and six months ended February 28, 2009, respectively. The increase in expense for the three months ended February 28, 2010 compared to the three months ended February 28, 2009 was primarily due to an increase in the loss on the sale of accounts receivable under our North American asset-backed securitization program of $0.1 million which was primarily due to an increase in the amount of receivables sold under the program during the quarter ended February 28, 2010. The decrease in expense for the six months ended February 28, 2010 compared to the six months ended February 28, 2009 was primarily due to a decrease in the loss on the sale of accounts receivable under our North American securitization program of $1.1 million which was primarily due to a decrease in the amount of receivables

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sold under the program during the six months ended February 28, 2010. The net cash proceeds available at any one time under the North American asset-backed securitization program were decreased from $280.0 million to $250.0 million during fiscal year 2009. For further discussion of our accounts receivable securitization program, see Note 9 Accounts Receivable Securitizations to the Condensed Consolidated Financial Statements. See also Note 15 Subsequent Events to the Condensed Consolidated Financial Statements for discussion surrounding an amendment that was executed related to the securitization program subsequent to February 28, 2010.

Interest Income. Interest income decreased to $0.6 million and $1.6 million for the three months and six months ended February 28, 2010, respectively, from $1.9 million and $4.2 million for the three months and six months ended February 28, 2009, respectively. The decrease was primarily due to lower overall interest rates during the periods.

Interest Expense. Interest expense decreased to $20.0 million and $40.1 million for the three months and six months ended February 28, 2010, respectively, from $20.1 million and $43.8 million for the three months and six months ended February 28, 2009 primarily due to lower overall interest rates during the periods.

Income Taxes. Income tax expense reflects an effective tax rate of 27.7% and 32.7% for the three months and six months ended February 28, 2010, respectively, as compared to an effective tax rate of (19.6)% and (15.6)% for the three months and six months ended February 28, 2009, respectively. The effective tax rate differs from the previous period due to the impairment of non-deductible goodwill and the corresponding valuation allowances against certain deferred tax assets that were no longer more likely than not to be realized during the three months and six months ended February 28, 2009, respectively. 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 2020. Such tax incentives are subject to conditions with which we expect to continue to comply. See Risk Factors We are subject to the risk of increased taxes and Note 4 Income Taxes to the Consolidated Financial Statements in the Annual Report on Form 10-K for the fiscal year ended August 31, 2009 for further discussion.

Non-U.S. GAAP Core Financial Measures

The following discussion and analysis of our financial condition and results of operations include certain non-U.S. GAAP financial measures as identified in the reconciliation below. The non-U.S. GAAP financial measures disclosed herein do not have standard meaning and may vary from the non-U.S. GAAP financial measures used by other companies or how we may calculate those measures in other instances from time to time. Non-U.S. GAAP financial measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. GAAP. Also, our core financial measures should not be construed as an inference by us that our future results will be unaffected by those items which are excluded from our core financial measures.

Management believes that the non-U.S. GAAP core financial measures set forth below are useful to facilitate evaluating the past and future performance of our ongoing manufacturing operations over multiple periods on a comparable basis by excluding the effects of the amortization of intangibles, restructuring and impairment charges, goodwill impairment charges, certain distressed customer charges, loss on disposal of subsidiary, certain deferred tax valuation allowance charges, and stock-based compensation expense and related charges. Among other uses, management uses non-U.S. GAAP core financial measures as a factor in determining employee performance when determining incentive compensation.

We are reporting core operating income and core earnings to provide investors with an additional method for assessing operating income and earnings from what we believe are our core manufacturing operations. Most of the items that are excluded also impacted certain balance sheet assets, resulting in all or a portion of an asset being written off without a corresponding recovery of cash we may have previously spent with respect to the asset. In the case of restructuring charges, we may be making associated cash payments in the future. In addition, although we excluded stock-based compensation expense (which we anticipate continuing to incur in the future) because it is a non-cash expense, the associated stock issued may result in an increase in our outstanding shares of stock, which may result in the dilution of our stockholders ownership interest. We encourage you to evaluate these items and the limitations in excluding them.

Included in the table below is a reconciliation of the non-U.S. GAAP financial measures to the most directly comparable U.S. GAAP financial measures as provided in our condensed consolidated financial statements (in thousands):

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Operating income (loss) (U.S. GAAP)	$ 61,779	$ (705,579)	$ 128,043	$ (945,539)
Amortization of intangibles	6,643	7,673	13,748	15,708
Stock-based compensation and related charges	26,512	5,187	40,493	20,005
Restructuring and impairment charges	635	31,524	4,070	32,145
Goodwill impairment charges		705,121		1,022,821
Loss on disposal of subsidiary			15,722	
Distressed customer charges		7,256		7,256
Core operating income (Non-U.S. GAAP)	$ 95,569	$ 51,182	$ 202,076	$ 152,396

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	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Net income (loss) attributable to Jabil Circuit, Inc. (U.S. GAAP)	$ 29,830	$ (866,100)	$ 58,118	$ (1,141,957)
Amortization of intangibles, net of tax	6,635	9,673	13,728	15,226
Stock-based compensation and related charges, net of tax	26,178	8,600	39,888	19,210
Restructuring and impairment charges, net of tax	646	45,155	4,084	45,618
Goodwill impairment charges, net of tax		696,080		1,018,157
Loss on disposal of subsidiary, net of tax			15,722	
Distressed customer charges, net of tax		6,408		6,408
Deferred tax valuation allowance charges		127,449		127,449
Core earnings (Non-U.S. GAAP)	$ 63,289	$ 27,265	$ 131,540	$ 90,111
Common shares used in the calculations of basic earnings (loss) per share:				
Basic weighted average shares outstanding (U.S. GAAP)[1]	213,625	206,711	214,040	206,557
Adjustments:				
Share-based payment awards classified as participating securities		6,676		6,660
Basic weighted average shares outstanding (Non-U.S. GAAP)	213,625	213,387	214,040	213,217
Common shares used in the calculations of diluted earnings (loss) per share:				
Diluted weighted average shares outstanding (U.S. GAAP)[1]	214,760	206,711	215,916	206,557
Adjustments:				
Share-based payment awards classified as participating securities		6,676		6,660
Dilutive common shares issuable under the ESPP and upon exercise of options and stock appreciation rights		69		69
Dilutive unvested non-participating restricted stock awards				
Diluted weighted average shares outstanding (Non-U.S. GAAP)	214,760	213,456	215,916	213,286

Earnings (loss) per share: (U.S. GAAP)				
Basic	$ 0.14	$ (4.19)	$ 0.27	$ (5.53)
Diluted	$ 0.14	$ (4.19)	$ 0.27	$ (5.53)
Core earnings per share: (Non-U.S. GAAP)				
Basic	$ 0.30	$ 0.13	$ 0.61	$ 0.42
Diluted	$ 0.29	$ 0.13	$ 0.61	$ 0.42

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(1) For the three months and six months ended February 28, 2009, no potential common shares relating to our equity awards were included in the U.S. GAAP computation of basic and diluted loss per share as their effect would have been anti-dilutive given the Company s net loss for the periods.

Core operating income for the second quarter of fiscal 2010 increased 86.7% to $95.6 million compared to $51.2 million for the second quarter of fiscal 2009. Core earnings increased 132.1% to $63.3 million compared to $27.3 million for the second quarter of fiscal 2009.

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 are subject to seasonal influences. We may realize greater net revenue during our first fiscal quarter due to higher 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 2010 and 2009.

Dividend Information

	Dividend declaration date	Dividend per share	Total cash dividends declared	Date of record for dividend payment	Dividend cash payment date
			(in thousands, except for per share data)		
Fiscal year 2010:	October 22, 2009	$0.07	$15,186(1)	November 16, 2009	December 1, 2009
	January 22, 2010	$0.07	$15,238	February 16, 2010	March 1, 2010
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
July 16, 2009	$0.07	$14,992	August 17, 2009	September 1, 2009

(1) Of the $15.2 million in total dividends declared during the first fiscal quarter of 2010, $14.4 million was paid out of additional paid-in capital (which represents the amount of dividends declared in excess of the Company s retained earnings balance at the date that the dividends were declared).

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 February 28, 2010, our principle 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 six months ended February 28, 2010, selected consolidated cash flow information (in thousands):

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	Six months ended	
	February 28, 2010	February 28, 2009
Net cash provided by operating activities	$ 104,792	$ 309,194
Net cash used in investing activities	(111,046)	(181,909)
Net cash used in financing activities	(66,579)	(133,762)
Effect of exchange rate changes on cash and cash equivalents	(9,302)	8,490
Net (decrease) increase in cash and cash equivalents	$ (82,135)	$ 2,013

Net cash provided by operating activities for the six months ended February 28, 2010 was approximately $104.8 million. This resulted primarily from net income of $58.7 million, a $166.6 million increase in accounts payable and accrued expenses, $142.5 million in non-cash depreciation and amortization expense, a $43.2 million decrease in trade accounts receivable, $40.5 million in non-cash stock-based compensation expense, a $17.7 million increase in income tax payable, $12.8 million in non-cash expense related to the disposal of a subsidiary and $4.1 million in restructuring and impairment charges offset by a $361.1 million increase in inventories and a $25.2 million increase in prepaid expenses and other current assets. The increase in accounts payable and accrued expenses was primarily driven by the timing of purchases and cash payments. The decrease in accounts receivable was predominately attributable to timing of sales and focused efforts on cash collection. The increase in inventories was primarily due to the ramp up of inventory levels to support new business wins, as well as raw material shortages due to an unforeseen constrained materials environment which has caused material component lead times to be extended. For further discussion of material shortages see Risk Factors We depend on a limited number of suppliers for components that are critical to our manufacturing processes. A shortage of these components or an increase in their price could interrupt our operations and reduce our profits.

Net cash used in investing activities for the six months ended February 28, 2010 was $111.0 million. This consisted primarily of capital expenditures of $116.4 million for investments in capacity to support the ongoing production of new programs within the mobility sector and information technology infrastructure, partially offset by $5.3 million of proceeds from the sale of property and equipment.

Net cash used in financing activities for the six months ended February 28, 2010 was $66.6 million. This resulted from our receipt of approximately $1.9 billion of proceeds from borrowings under existing debt agreements, which primarily included an aggregate of $1.7 billion of borrowings under the revolving portion of the Company s existing amended and restated five year unsecured credit facility dated as of July 19, 2007 (the Credit Facility). This was offset by repayments in an aggregate amount of $2.0 billion during the six months ended February 28, 2010, which primarily included $1.7 billion toward repayment of borrowings under the revolving portion of the Credit Facility. In addition, we paid $29.9 million of dividends to stockholders during the six months ended February 28, 2010.

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 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 and as of February 28, 2010, 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 (as discussed in Note 15 Subsequent Events to the Condensed Consolidated Financial Statements, the program was amended subsequent to February 28, 2010 to, among other things, extend the program to March 16, 2011 with net

cash proceeds available at any one time of up to $200.0 million). 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. 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 our Condensed Consolidated Balance Sheets and are reflected as cash provided by operating activities on our Condensed Consolidated Statements 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 of 0.575% 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 1.15% per annum on the average daily outstanding aggregate capital during the immediately preceding calendar month. The securitization conduit and the investors in the conduit have no recourse to our assets for failure of debtors to pay when due. At February 28, 2010, we had sold $387.4 million of eligible trade

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accounts receivable, which represents the face amount of total outstanding receivables at that date. In exchange, we received cash proceeds of $184.1 million and retained an interest in the receivables of approximately $203.3 million. In connection with the securitization program, we recognized pretax losses on the sale of receivables of approximately $1.0 million and $2.0 million during the three months and six months ended February 28, 2010, respectively, and $0.9 million and $3.2 million for the three months and six months ended February 28, 2009, respectively, which are recorded to other expense in the Condensed Consolidated Statements of Operations. See Note 15 Subsequent Events to the Condensed Consolidated Financial Statements for a further discussion of the amendment to the Company s North American asset-backed securitization program subsequent to February 28, 2010 to, among other things, extend the program to March 16, 2011 with net cash proceeds available at any one time of up to $200.0 million. We decided to reduce the amount of net cash proceeds available at any one time from $250 million to $200 million because, in light of our current liquidity sources and needs, we did not believe that we needed the incremental $50 million. Also, we have to pay a fee on the unused portion of the facility when we are not fully utilizing the facility.

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 in our Condensed Consolidated Statements of Operations in the period of the sale. In September 2009, the factoring agreement was extended through March 31, 2010, at which time it is expected to automatically renew for an additional six-month period. The receivables sold pursuant to this factoring agreement are excluded from trade accounts receivable on our Condensed Consolidated Balance Sheets and are reflected as cash provided by operating activities on our Condensed Consolidated Statements 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 February 28, 2010, we had sold $18.1 million of trade accounts receivable, which represents the face amount of total outstanding receivables at that date. In exchange, we received cash proceeds of $18.1 million. The resulting loss on the sale of trade accounts receivable sold under this factoring agreement was $19.2 thousand and $41.2 thousand for the three months and six months ended February 28, 2010, respectively, and $42.6 thousand and $103.9 thousand for the three months and six months ended February 28, 2009, respectively, which was recorded to other expense in the Condensed Consolidated Statements of Operations.

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Notes payable, long-term debt and long-term lease obligations outstanding at February 28, 2010 and August 31, 2009 are summarized below (in thousands).

	February 28, 2010	August 31, 2009
5.875% Senior Notes due 2010 (a)	$ 5,064	$ 5,064
7.750% Senior Notes due 2016 (b)	300,923	300,063
8.250% Senior Notes due 2018 (c)	396,949	396,758
Short-term factoring debt (d)	780	1,468
Borrowings under credit facilities (e)	2,498	21,313
Borrowings under loans (f)	378,917	384,485
Securitization program obligations (g)	111,203	125,291
Miscellaneous borrowings	21	6
Total notes payable, long-term debt and long-term lease obligations	1,196,355	1,234,448
Less current installments of notes payable, long-term debt and long-term lease obligations	158,461	197,575
Notes payable, long-term debt and long-term lease obligations, less current installments	$ 1,037,894	$ 1,036,873

(a) During the fourth quarter of fiscal year 2003, we issued a total of $300.0 million, seven-year, publicly-registered 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 mature on July 15, 2010 and pay interest semiannually on January 15 and July 15. Also, the 5.875% Senior Notes are our senior unsecured obligations and rank equally with

all other existing and future senior unsecured debt obligations. We are subject to covenants such as limitations on our and/or our subsidiaries ability to: consolidate or merge with, or convey, transfer or lease all or substantially all of our assets to, another person; create certain liens; enter into sale and leaseback transactions; create, incur, issue, assume or guarantee funded debt (which only applies to our restricted subsidiaries); and guarantee any of our indebtedness (which only applies to our subsidiaries). During the fourth quarter of fiscal year 2009, we repurchased $294.9 million in aggregate principal amount of the 5.875% Senior Notes, pursuant to a public cash tender offer, in which we also paid an early tender premium, accrued interest and associated fees and expenses. The extinguishment of the validly

tendered 5.875% Senior Notes resulted in a charge of $10.5 million which was recorded to other expense in our Condensed Consolidated Statements of Operations for the twelve months ended August 31, 2009.

(b) During the fourth quarter of fiscal year 2009, we issued a total of $312.0 million, seven-year, publicly-registered 7.750% Senior Notes at 96.143% of par, resulting in net proceeds of approximately $300.0 million. The 7.750% Senior Notes mature on July 15, 2016 and pay interest semiannually on January 15 and July 15. Also, the 7.750% Senior Notes are our senior unsecured obligations and rank equally with all other existing and future senior unsecured debt obligations. We are subject to covenants such as limitations on our and/or our subsidiaries ability to: consolidate or merge with, or

convey, transfer or lease all or substantially all of our assets to, another person; create certain liens; enter into sale and leaseback transactions; create, incur, issue, assume or guarantee funded debt (which only applies to our restricted subsidiaries); and guarantee any of our indebtedness (which only applies to our subsidiaries). We are also subject to a covenant regarding our repurchase of the 7.750% Senior Notes upon a change of control repurchase event.

(c) During the second and third quarters of fiscal year 2008, we issued $250.0 million and $150.0 million, respectively, of ten-year, unregistered 8.250% notes at 99.965% of par and 97.5% of par, respectively, resulting in net proceeds of approximately $245.7 million and $148.5 million, respectively. On July 18, 2008, we completed an exchange whereby

all of the outstanding unregistered 8.250% Notes were exchanged 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 and do not have any transfer restrictions, registration rights or rights to additional special interest.

The 8.250% Senior Notes mature on March 15, 2018 and pay interest semiannually on March 15 and September 15. 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.

We are subject to covenants such as limitations on our and/or our subsidiaries ability to: consolidate or merge with, or convey, transfer or lease all or substantially all of our assets to, another person; create certain liens; enter into sale and leaseback transactions; create, incur, issue, assume or guarantee any funded debt (which only applies to our restricted subsidiaries); and guarantee any of our indebtedness (which only applies to our subsidiaries). We are also subject to a covenant regarding our repurchase of the 8.250% Senior Notes upon a change of control repurchase event.

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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 were accounted for as a cash flow hedge. 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 to interest expense (as ineffectiveness) in our Condensed Consolidated Statements of Operations during the three months ended February 29, 2008, with the remainder recorded in accumulated other comprehensive income, net of taxes, on 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 Statements of Operations. The effective portion of the swaps remaining on our Condensed Consolidated Balance Sheets will be amortized to interest expense in our Condensed

Consolidated Statements of Operations over the life of the 8.250% Senior Notes.

(d) During the fourth quarter of fiscal year 2007 and the fourth quarter of fiscal year 2009, we entered into separate agreements with unrelated third parties for the factoring of specific trade accounts receivable of a foreign subsidiary. The factoring of trade accounts receivable under these agreements does not meet the criteria for recognition as a sale. Under the terms of these agreements, we transfer ownership of eligible trade accounts receivable to the third party purchasers in exchange for cash, however, as these transactions do not qualify as a sale, the relating trade accounts receivable are included on our Condensed

Consolidated Balance Sheets until the cash is received by the purchasers from our customer for the trade accounts receivable. We had an outstanding liability of $0.8 million and $1.5 million on our Condensed Consolidated Balance Sheets at February 28, 2010 and August 31, 2009, respectively, related to these agreements.

(e) 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 Russian rubles, as well as U.S. dollars. At February 28, 2010, these credit facilities incur interest at both fixed and

variable rates ranging from 2.74% to 2.76% and range in outstanding amounts from $0.4 million to $2.1 million.

(f) 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 $8.7 million based on currency exchange rates at February 28, 2010.

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 February 28, 2010, borrowings of 1.4 million Euros (approximately $2.0 million based on currency exchange rates at February 28, 2010) were

outstanding under the construction loan.

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 were being amortized over a three-year period. The loan agreement was non-interest bearing and payments were due quarterly through October 2009, when the loan agreement was terminated.

Through the acquisition of a Taiwanese subsidiary in fiscal year 2007, we assumed certain liabilities, including short and long term debt obligations totaling approximately $102.2 million at

the date of acquisition. At February 28, 2010, approximately $5.9 million of debt is outstanding under these short-term mortgage and credit facilities, with current interest rates ranging from 2.1% to 2.4%. At February 28, 2010, approximately $0.3 million of fixed assets, including buildings and land, were pledged as collateral on the mortgage facility outstanding.

During the fourth quarter of fiscal year 2007, we entered into the five-year 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 $1.0 billion, 364-day senior unsecured bridge loan facility, that was entered into on December 21,

2006, amended on December 20, 2007 and terminated on February 13, 2008. 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

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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 three months ended February 28, 2010, we borrowed $872.0 million against the revolving credit portion of the Credit Facility. These borrowings were repaid in full during the second quarter of fiscal year 2010. A draw in the amount of $400.0 million has been made under the term portion of the Credit Facility

and $360.0 million remains outstanding at February 28, 2010.

In addition to the loans described above, at February 28, 2010, we have additional loans outstanding to fund working capital needs. These additional loans total approximately $2.4 million and are denominated in Euros. The loans are due and payable within 12 months and are classified as short-term on our Condensed Consolidated Balance Sheets.

(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 $100.0 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. 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 are assessed a monthly fee based on the maximum

facility limit and, in addition, pay interest based on LIBOR plus a spread. The foreign securitization program expires on March 17, 2011. At February 28, 2010, we had $111.2 million of debt outstanding under the program. In addition, we incurred interest expense of $0.7 million and $1.4 million in our Condensed Consolidated Statements of Operations during the three months ended February 28, 2010 and 2009, respectively. See Note 15 Subsequent Events to the Condensed Consolidated Financial Statements for a further discussion of the amendment to the Company s foreign asset-backed securitization program subsequent to February 28, 2010 to, among

other things, extend the program to March 17, 2011 with net cash proceeds available at any one time of up to $100.0 million. We decided to reduce the amount of net cash proceeds available at any one time from $200 million to $100 million because, in light of our current liquidity sources and needs, we did not believe that we needed the incremental $100 million. Also, we have to pay a fee on the unused portion of the facility when we are not fully utilizing the facility.

At February 28, 2010 and 2009, 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 $300.0 million to $350.0 million, principally for information technology infrastructure upgrades, maintenance levels of machinery and equipment and machinery and equipment for new business including new process technology within our mechanical operations. 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. Our $200.0 million U.S. asset-backed securitization program and our $100.0 million foreign asset-backed securitization program expire, however, in March 2011 and we may be unable to renew one or both of them.

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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.

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 payments to plan and capital commitments as of February 28, 2010 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	$ 1,196,355	$ 158,461	$ 340,020	$ 1	$ 697,873
Future interest on notes payable and long-term debt	436,095	61,665	123,331	115,631	135,468
Operating lease obligations	170,936	48,709	55,686	36,844	29,697
Estimated future benefit payments to plan	54,727	4,597	9,946	10,813	29,371
Capital commitments (a)					
Total contractual cash obligations (b)	$ 1,858,113	$ 273,432	$ 528,983	$ 163,289	$ 892,409

(a) During the first fiscal quarter of 2009, we 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, we have invested $3.3 million as of February 28, 2010. The remaining commitment of $6.7 million is callable over the next five years by the general partner. As the capital calls have no specified timing, this commitment has been excluded from the above table as we cannot currently determine when such commitment calls will occur.

(b) At February 28, 2010, we have $3.7 million and $86.6 million recorded as a current and a long-term liability, respectively, for uncertain tax positions. We are not able to reasonably estimate the timing of payments, or the amount by which our liability for these uncertain tax positions will increase or decrease over time; and accordingly, this

liability has been excluded from the above table.

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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 our Condensed Consolidated Balance Sheets at their respective fair market values. At February 28, 2010, except for certain foreign currency contracts, with a notional amount outstanding of $123.2 million and a fair value of $9.6 million recorded in prepaid and other current assets and $9.5 million recorded in accrued expenses, 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 our Condensed Consolidated Statements of Operations.

The aggregate notional amount of outstanding contracts at February 28, 2010 that do not qualify as accounting hedges was $431.5 million. The fair value of these contracts amounted to a $8.4 million asset recorded in prepaid and other current assets and a $6.2 million liability recorded to accrued expenses on our 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 February 28, 2010. Upon expiration of the contracts, the change in fair value will be reflected in cost of revenue in our Condensed Consolidated Statements of Operations. The forward contracts are denominated in British pounds, Euros, Hungarian forints, Japanese yen, Malaysian ringgits, Mexican pesos, Polish zlotys, Russian rubles 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 for speculative purposes. 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 February 28, 2010, there were no significant outstanding investments.

We pay interest on several of our outstanding borrowings at interest rates that fluctuate based upon changes in various base interest rates. There were $475.7 million in borrowings outstanding under these facilities at February 28, 2010. 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.

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 February 28, 2010. 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.

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Changes in Internal Control over Financial Reporting

For our fiscal quarter ended February 28, 2010, 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.

Our internal control over financial reporting, including our internal control documentation and testing efforts, remain ongoing to ensure continued compliance with the Exchange Act. For our fiscal quarter ended February 28, 2010, we identified certain internal controls that management believed should be modified to improve them. These improvements include further formalization of policies and procedures, improved segregation of duties, additional information technology system controls and additional monitoring controls. We are making improvements to our internal control over financial reporting as a result of our review efforts. We have reached our conclusions set forth above, notwithstanding those improvements and modifications.

Limitations on the Effectiveness of Controls and Other Matters

Our management, including our CEO and CFO, does not expect that our Disclosure Controls and internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls may be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Notwithstanding the foregoing limitations on the effectiveness of controls, we have nonetheless reached the conclusions set forth above on our disclosure controls and procedures and our internal control over financial reporting.

CEO and CFO Certifications

Exhibits 31.1 and 31.2 are the Certifications of the CEO and the CFO, respectively. The Certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (the Section 302 Certifications). This Item of this report, which you are currently reading is the information concerning the Evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

PART II. OTHER INFORMATION

Item 1: LEGAL PROCEEDINGS

We have been involved in certain ongoing litigation matters and have received a subpoena from a U.S. attorney s office relating to certain of our historical stock option grant practices, and we have also had committees of our Board of Directors review certain of our historical stock option grant and revenue recognition practices. These matters are more fully described in Part I, Item 3, Legal Proceedings, of our Annual Report on Form 10-K for the fiscal year ended August 31, 2009 and Note 6 Commitments and Contingencies to the Condensed Consolidated Financial Statements.

On January 19, 2010, the U.S. Court of Appeals for the Eleventh Circuit affirmed the U.S. District Court for the Middle District of Florida, Tampa Division s prior dismissal with prejudice of the Second Amended Class Action Complaint in the putative shareholder class action that was previously filed against us, KPMG LLP, our directors and certain of our current and former officers. The plaintiffs subsequently moved for a re-hearing on the matter, which motion was denied. The only remaining avenue of potential relief for the plaintiffs is to petition the U.S. Supreme Court for a writ of certiorari by May 24, 2010. We believe that the Second Amended Class Action Complaint is

without merit and if the dismissal of it is overturned by the U.S. Supreme Court, we will continue to vigorously defend the action, although no assurance can be given as to the ultimate outcome of any such further proceedings.

In addition, we are party to certain other lawsuits in the ordinary course of business. We do not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations or cash flows.

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Item 1A: Risk Factors

As referenced, this Quarterly Report on Form 10-Q includes certain forward-looking statements regarding various matters. The ultimate correctness of those 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 those expressed or implied by those statements. Undue reliance should not be placed on those forward-looking statements. The following important factors, among others, as well as those factors set forth in our other SEC filings from time to time, could affect future results and events, causing results and events to differ materially from those expressed or implied in our forward-looking statements.

Our operating results may fluctuate due to a number of factors, many of which are beyond our control.

Our annual and quarterly operating results are affected by a number of factors, including:

adverse changes in current macro-economic conditions, both in the U.S. and internationally;

the level and timing of customer orders;

the level of capacity utilization of our manufacturing facilities and associated fixed costs;

the composition of the costs of revenue between materials, labor and manufacturing overhead;

price competition;

changes in demand for our products or services;

changes in demand in our customers end markets;

our exposure to financially troubled customers;

our level of experience in manufacturing a particular product;

the degree of automation used in our assembly process;

the efficiencies achieved in managing inventories and fixed assets;

fluctuations in materials costs and availability of materials;

adverse changes in political conditions, both in the U.S. and internationally, including among other things, adverse changes in tax laws and rates, adverse changes in trade policies and adverse changes in fiscal and monetary policies;

seasonality in customers product requirements; and

the timing of expenditures in anticipation of increased sales, customer product delivery requirements and shortages of components or labor.

The volume and timing of orders placed by our customers vary due to variation in demand for our customers products; our customers attempts to manage their inventory; electronic design changes; changes in our customers manufacturing strategies; and acquisitions of or consolidations among our customers. In addition, our Consumer division is subject to seasonal influences. We may realize greater revenue during our first fiscal quarter due to high demand for consumer products during the holiday selling season. In the past, changes in customer orders that reduce net revenue have had a significant effect on our results of operations as a result of our overhead remaining relatively fixed while our net revenue decreased. Any one or a combination of these factors could adversely affect our annual

and quarterly results of operations in the future. See Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

Because we depend on a limited number of customers, a reduction in sales to any one of our customers could cause a significant decline in our revenue.

For the six months ended February 28, 2010, our five largest customers accounted for approximately 45% of our net revenue and our top 49 customers accounted for approximately 90% of our net revenue. We currently depend, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our net revenue and upon their growth, viability and financial stability. If any of our customers experience a decline in the demand for their products due to economic or other forces, they may reduce their purchases from us or terminate their relationship with us. Our customers industries have experienced rapid technological change, shortening of product life cycles, consolidation, and pricing and margin pressures. Consolidation among our customers may further reduce the number of customers that generate a significant percentage of our net revenue and exposes us to increased risks relating to dependence on a small number of customers. A significant reduction in sales to any of our customers or a customer exerting significant pricing and margin pressures on us could have a material adverse effect on our results of operations. In the past, some of our customers have terminated their manufacturing arrangements with us or have significantly reduced or delayed

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the volume of design, production, product management or aftermarket services ordered from us, including moving a portion of their manufacturing from us in order to more fully utilize their excess internal manufacturing capacity.

A significant decline in our industry s revenue has occurred over the past 18 months as consumers and businesses have postponed spending in response to tighter credit, negative financial news, declines in income or asset values or general uncertainty about global economic conditions. These economic conditions have had a negative impact on our results of operations during the six months ended February 28, 2010, and may continue to have a negative impact. In addition, some of our customers have moved a portion of their manufacturing from us in order to more fully utilize their excess internal manufacturing capacity and are expected to continue to have a negative impact on our operations over at least the next several fiscal quarters. We cannot assure you that present or future customers will not terminate their design, production, product management and aftermarket services arrangements with us or significantly change, reduce or delay the amount of services ordered from us. If they do, it could have a material adverse effect on our results of operations. In addition, we generate significant accounts receivable in connection with providing design, production, product management and aftermarket services to our customers. If one or more of our customers were to become insolvent (which two of our customers experienced in fiscal year 2009) or otherwise were unable to pay for the services provided by us on a timely basis, or at all, our operating results and financial condition could be adversely affected. Such adverse effects could include one or more of the following: a decline in revenue, a charge for bad debts, a charge for inventory write-offs, a decrease in inventory turns, an increase in days in inventory and an increase in days in trade accounts receivable.

Certain of the industries to which we provide services, have recently experienced significant financial difficulty, with some of the participants filing for bankruptcy. Such significant financial difficulty has negatively affected our business and, if further experienced by one or more of our customers, may further negatively affect our business due to the decreased demand of these financially distressed customers, the potential inability of these companies to make full payment on amounts owed to us, or both. See Management s Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors We face certain risks in collecting our trade accounts receivable.

Consolidation in industries that utilize electronics components may adversely affect our business.

Consolidation in industries that utilize electronics components may further increase as companies combine to achieve further economies of scale and other synergies, which could result in an increase in excess manufacturing capacity as companies seek to divest manufacturing operations or eliminate duplicative product lines. Excess manufacturing capacity may increase pricing and competitive pressures for our industry as a whole and for us in particular. Consolidation could also result in an increasing number of very large companies offering products in multiple industries. The significant purchasing power and market power of these large companies could increase pricing and competitive pressures for us. If one of our customers is acquired by another company that does not rely on us to provide services and has its own production facilities or relies on another provider of similar services, we may lose that customer s business. Such consolidation among our customers may further reduce the number of customers that generate a significant percentage of our net revenue and exposes us to increased risks relating to dependence on a small number of customers. Any of the foregoing results of industry consolidation could adversely affect our business.

Our customers face numerous competitive challenges, such as decreasing demand from their customers, rapid technological change and short life cycles for their products, which may materially adversely affect their business, and also ours.

Factors affecting the industries that utilize electronics components in general, and our customers specifically, could seriously harm our customers and, as a result, us. These factors include:

- recessionary periods in our customers markets;
- the inability of our customers to adapt to rapidly changing technology and evolving industry standards, which contributes to short product life cycles;
- the inability of our customers to develop and market their products, some of which are new and untested;
- the potential that our customers products become obsolete;

the failure of our customers products to gain widespread commercial acceptance;

increased competition among our customers and their respective competitors which may result in a loss of business, or a reduction in pricing power, for our customers; and

new product offerings by our customers competitors may prove to be more successful than our customers product offerings.

If our customers are unsuccessful in addressing these competitive challenges, or any others that they may face, then their business may be materially adversely affected, and as a result, the demand for our services could decline. Even if our customers are successful in responding to these challenges, their responses may have consequences which affect our business relationships with our customers (and possibly our results of operations) by altering our production cycles and inventory management.

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The success of our business is dependent on both our ability to independently keep pace with technological changes and competitive conditions in our industry, and also our ability to effectively adapt our services in response to our customers keeping pace with technological changes and competitive conditions in their respective industries.

If we are unable to offer technologically advanced, cost effective, quick response manufacturing services, demand for our services will decline. In addition, if we are unable to offer services in response to our customers changing requirements, then demand for our services will also decline. A substantial portion of our net revenue is derived from our offering of complete service solutions for our customers. For example, if we fail to maintain high-quality design and engineering services, our net revenue may significantly decline.

Most of our customers do not commit to long-term production schedules, which makes it difficult for us to schedule production and capital expenditures, and to maximize the efficiency of our manufacturing capacity.

The volume and timing of sales to our customers may vary due to:

variation in demand for our customers products;

our customers attempts to manage their inventory;

electronic design changes;

changes in our customers manufacturing strategy; and

acquisitions of or consolidations among customers.

Due in part to these factors, most of our customers do not commit to firm production schedules for more than one quarter. Our inability to forecast the level of customer orders with certainty makes it difficult to schedule production and maximize utilization of manufacturing capacity. In the past, we have been required to increase staffing and other expenses in order to meet the anticipated demand of our customers. Anticipated orders from many of our customers have, in the past, failed to materialize or delivery schedules have been deferred as a result of changes in our customers business needs, thereby adversely affecting our results of operations. On other occasions, our customers have required rapid increases in production, which have placed an excessive burden on our resources. Such customer order fluctuations and deferrals have had a material adverse effect on us in the past, including the most recent several fiscal quarters, and we may experience such effects in the future. See Management s Discussion and Analysis of Financial Condition and Results of Operations.

In addition to our difficulty in forecasting customer orders, we sometimes experience difficulty forecasting the timing of our receipt of revenue and earnings following commencement of manufacturing an additional product for new or existing customers. The necessary process to begin this commencement of manufacturing can take from several months to more than a year before production begins. Delays in the completion of this process can delay the timing of our sales and related earnings. In addition, because we make capital expenditures during this ramping process and do not typically recognize revenue until after we produce and ship the customer s products, any delays or excess costs in the ramping process may have a significant adverse effect on our cash flows.

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

Our industry must provide increasingly rapid product turnaround for its customers. We generally do not obtain firm, long-term purchase commitments from our customers and we continue to experience reduced lead-times in customer orders. Customers have previously cancelled their orders, changed production quantities, delayed production and changed their sourcing strategy for a number of reasons, and may do one or more of these in the future. Such changes, delays and cancellations have led to, and may lead in the future to a decline in our production and our possession of excess or obsolete inventory which we may not be able to sell to the customer or a third party. This has resulted in, and could result in future additional, write downs of inventories that have become obsolete or exceed anticipated demand or net realizable value.

The success of our customers products in the market affects our business. Cancellations, reductions, delays or changes in sourcing strategy by a significant customer or by a group of customers have negatively impacted, and could further negatively impact in the future, our operating results by reducing the number of products that we sell, delaying the payment to us for inventory that we purchased and reducing the use of our manufacturing facilities which have associated fixed costs not dependent on our level of revenue.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimate of customer requirements. The short-term nature of our customers commitments, their uncertainty about future economic conditions, and the possibility of rapid changes in demand for their products reduce our ability to accurately estimate the future requirements of those customers. In addition, uncertainty about future economic conditions makes it difficult to forecast operating results and make production planning decisions about future periods.

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On occasion, customers may require rapid increases in production, which can stress our resources and reduce operating margins. In addition, because many of our costs and operating expenses are relatively fixed, a reduction in customer demand can harm our gross profits and operating results.

We depend on a limited number of suppliers for components that are critical to our manufacturing processes. A shortage of these components or an increase in their price could interrupt our operations and reduce our profits.

Most of our significant long-term customer contracts permit quarterly or other periodic adjustments to pricing based on decreases and increases in component prices and other factors, however we may bear the risk of component price increases that occur between any such re-pricings or, if such re-pricing is not permitted, during the balance of the term of the particular customer contract. Accordingly, certain component price increases could adversely affect our gross profit margins. Almost all of the products we manufacture require one or more components that are only available from a single source. Some of these components are allocated from time to time in response to supply shortages. In some cases, supply shortages will substantially curtail production of all assemblies using a particular component. A supply shortage could increase our cost of goods sold, as a result of our having to pay higher prices for components in limited supply, and cause us to have to redesign or reconfigure products to accommodate a substitute component. In addition, at various times industry-wide shortages of electronic components have occurred, particularly of semiconductor products. These shortages have resulted in our failure to realize an incremental amount of revenue due to supply constraints with certain materials, which, if realized, would have likely had a positive impact on our gross profit and net income. Some shortages are occurring currently, and may continue to occur. We believe these shortages may be due to increased economic activity following recent recessionary conditions. In the past, such circumstances have produced insignificant levels of short-term interruption of our operations, but could have a material adverse effect on our results of operations in the future. Also, our production of a customer s product could be negatively impacted by any quality or reliability issues with any of our component suppliers. Finally, the financial condition of our suppliers could affect their ability to supply us with components which could have a material adverse effect on our operations. See Management s Discussion and Analysis of Financial Condition and Results of Operations and Business Components Procurement in our Annual Report on Form 10-K for the fiscal year ended August 31, 2009.

Introducing programs requiring implementation of new competencies, including new process technology within our mechanical operations, could affect our operations and financial results.

The introduction of programs requiring implementation of new competencies, including new process technology within our mechanical operations, presents challenges in addition to opportunities. Deployment of such programs may require us to invest significant resources and capital in facilities, equipment and/or personnel. We may not meet our customers expectations or otherwise execute properly or in a cost-efficient manner, which could damage our customer relationships and result in remedial costs or the loss of our invested capital and anticipated revenues and profits. In addition, there are risks of market acceptance and product performance that could result in less demand than anticipated and our having excess capacity. The failure to ensure that our agreed terms appropriately reflect the anticipated costs, risks, and rewards of such an opportunity could adversely affect our profitability. If we do not meet one or more of these challenges, our operations and financial results could be adversely affected.

Customer relationships with emerging companies may present more risks than with established companies.

Customer relationships with emerging companies present special risks because such companies do not have an extensive product history. As a result, there is less demonstration of market acceptance of their products making it harder for us to anticipate needs and requirements than with established customers. In addition, due to the current economic environment, additional funding for such companies may be more difficult to obtain and these customer relationships may not continue or materialize to the extent we planned or we previously experienced. This tightening of financing for start-up customers, together with many start-up customers lack of prior operations and unproven product markets increase our credit risk, especially in trade accounts receivable and inventories. Although we perform ongoing credit evaluations of our customers and adjust our allowance for doubtful accounts receivable for all customers, including start-up customers, based on the information available, these allowances may not be adequate. This risk may exist for any new emerging company customers in the future.

We compete with numerous other electronic manufacturing services and design providers and others, including our current and potential customers who may decide to manufacture some or all of their products internally.

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Our business is highly competitive. We compete against numerous domestic and foreign electronic manufacturing services and design providers, including Benchmark Electronics, Inc., Celestica, Inc., Flextronics International Ltd., Hon-Hai Precision Industry Co., Ltd., Plexus Corp. and Sanmina-SCI Corporation. In addition, consolidation in our industry results in larger and more geographically diverse competitors who have significant combined resources with which to compete against us. Also, we may in the future encounter competition from other large electronic manufacturers, and manufacturers that are focused solely on design and manufacturing services, that are selling, or may begin to sell electronics manufacturing services. Most of our competitors have international operations and significant financial resources and some have substantially greater manufacturing, R&D and marketing resources than us. These competitors may:

respond more quickly to new or emerging technologies;

have greater name recognition, critical mass and geographic market presence;

be better able to take advantage of acquisition opportunities;

adapt more quickly to changes in customer requirements;

devote greater resources to the development, promotion and sale of their services;

be better positioned to compete on price for their services, as a result of any combination of lower labor costs, lower components costs, lower facilities costs or lower operating costs; and

be better able to utilize excess capacity which may reduce the cost of their product or service.

We also face competition from the manufacturing operations of our current and potential customers, who are continually evaluating the merits of manufacturing products internally against the advantages of outsourcing. Recently, some of our customers have moved a portion of their manufacturing from us in order to more fully utilize their excess internal manufacturing capacity.

We may be operating at a cost disadvantage compared to competitors who have greater direct buying power from component suppliers, distributors and raw material suppliers or who have lower cost structures as a result of their geographic location or the services they provide or who are willing to make sales or provide services at lower margins than us. As a result, competitors may procure a competitive advantage and obtain business from our customers. Our manufacturing processes are generally not subject to significant proprietary protection. In addition, companies with greater resources or a greater market presence may enter our market or increase their competition with us. We also expect our competitors to continue to improve the performance of their current products or services, to reduce their current products or service sales prices and to introduce new products or services that may offer greater performance and improved pricing. Any of these developments could cause a decline in sales, loss of market acceptance of our products or services, profit margin compression or loss of market share.

The economies of the U.S., Europe and certain countries in Asia are in a recession.

There was an erosion of global consumer confidence amidst concerns over declining asset values, inflation, volatility in energy costs, geopolitical issues, the availability and cost of credit, rising unemployment, and the stability and solvency of financial institutions, financial markets, businesses, and sovereign nations. These concerns have slowed global economic growth and have resulted in recessions in many countries, including in the U.S., Europe and certain countries in Asia. Even though we are starting to see signs of an economic stabilization, if such stabilization and subsequent recovery do not occur, a number of negative effects on our business could result, including customers or potential customers reducing or delaying orders, increased pricing pressures, the insolvency of key suppliers, which could result in production delays, the inability of customers to obtain credit, and the insolvency of one or more customers. Thus, these economic conditions could negatively impact our ability to forecast customer demand, our ability to effectively manage inventory levels and collect receivables, and increase our need for cash, and have decreased our net revenue and profitability and negatively impacted the value of certain of our properties and other

assets. Depending on the length of time that these conditions exist, they may cause future additional negative effects, including some of those listed above.

The financial markets have recently experienced significant turmoil, which may adversely affect financial arrangements we may need to enter into, refinance or repay.

The credit market turmoil could negatively impact the counterparties to our forward exchange contracts and securitization programs; our lenders under the Credit Facility; and our lenders under various foreign subsidiary credit facilities. These potential negative impacts could potentially limit our ability to borrow under these financing agreements, contracts, facilities and programs. In addition, if we attempt to obtain future additional financing, such as renewing or refinancing our $200.0 million U.S. asset-backed securitization program expiring on March 16, 2011 or our $100.0 million foreign asset-backed securitization program expiring on March 17, 2011, the credit market turmoil could negatively impact our ability to obtain such financing. Finally, the credit market turmoil has negatively impacted certain of our customers, especially those in the automotive industry, and certain of their customers. These impacts could have several consequences which could have a negative effect on our results of operations, including one or more of the following: a negative impact on our liquidity; a decrease in demand for our services; a decrease in demand for our customers products; and bad debt charges or inventory write-offs.

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We are exposed to intangible asset risk; specifically, our goodwill may become further impaired.

We determined that goodwill related to the Consumer and EMS reporting units was impaired and recorded a non-cash goodwill impairment charge of $400.4 million for the Consumer reporting unit and a non-cash goodwill impairment charge of $622.4 million for the EMS reporting unit for the fiscal year ended August 31, 2009. After recognition of these charges no goodwill remained with the Consumer and EMS reporting units and $25.1 million of goodwill recorded on the Condensed Consolidated Balance Sheets related to the AMS reporting unit. 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 could result in the need to perform an impairment analysis in future periods. If we were to conclude that a future write down of our goodwill is necessary, then we would record the appropriate charge, which could result in material charges that are adverse to our operating results and financial position. See Note 6 Goodwill and Other Intangible Assets to the Consolidated Financial Statements, Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Long-Lived Assets and Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Long-Lived Assets in the Annual Report on Form 10-K for the fiscal year ended August 31, 2009.

The matters relating to the Special Committee s review of our historical stock option granting practices and the restatement of our Condensed Consolidated Financial Statements have resulted in litigation and regulatory inquiries and may result in future litigation, which could have a material adverse effect on us.

As described in Part I, Item 3 Legal Proceedings, we are involved in a putative shareholder class action in connection with certain historical stock option grants.

On May 3, 2006, in response to shareholder derivative actions that were filed in connection with certain historical stock option grants (which have since been settled and are no longer pending), the Board of Directors established an independent special Board Committee (the Special Committee) to conduct a review of the allegations of such actions and, more generally, our historical stock option granting practices during fiscal years 1996 through 2006. We cooperated fully with the Special Committee. The Special Committee 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 our best interests to pursue the derivative actions.

As a result of that review and management s undertaking of a separate review of our historical stock option grant practices, we identified a number of occasions in which stock option awards that were granted to officers, employees and a non-employee consultant director were not properly accounted for. To correct these accounting errors, we restated prior year and prior quarter Condensed Consolidated Financial Statements and disclosures in our Annual Report on Form 10-K for the fiscal year ended August 31, 2006. The review of our historical stock option granting practices and the resulting restatements required us to incur substantial expenses for legal, accounting, tax and other professional services and diverted our management s attention from our business and could in the future adversely affect our business, financial condition, results of operations and cash flows.

Our historical stock option granting practices and the restatement of our prior financial statements exposed us to greater risks associated with litigation and regulatory proceedings. We cannot assure you that any determinations made in the current litigation or any future litigation or regulatory action will reach the same conclusions on these issues that we reached. The conduct and resolution of these matters may continue to be time consuming, expensive and distracting from the conduct of our business. Furthermore, if we are subject to adverse findings in any of these matters, we could be required to pay damages or penalties or have other remedies imposed upon us which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In May 2006, we 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 we did not hear further from such U.S. Attorney s office. In addition, on May 2, 2006, the Company was notified by the Staff of the SEC of an informal inquiry concerning the Company s stock option grant practices. The Company and its officers and directors fully cooperated with the SEC in the SEC s inquiry, and as previously disclosed in our Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2008, the Company received a letter from the SEC Division of Enforcement advising that the Division had completed its investigation and did not intend to recommend that the SEC

take any enforcement action. We cannot, however, provide any assurances that the SEC will not re-open its informal inquiry. The investigations of the U.S. Attorney s office and the SEC (if it re-opens its informal inquiry) may look at the accuracy of the stated dates of our historical option grants, our disclosures regarding executive compensation, whether all proper corporate and other procedures were followed, whether our historical financial statements are materially accurate and other issues. We cannot predict the outcome of those investigations. We cannot provide assurances that such investigations will not find inappropriate activity in connection with our historical stock option practices or result in further revising of our historical accounting associated with such stock option grant practices.

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Our business could be adversely affected by any delays, or increased costs, resulting from issues that our common carriers are dealing with in transporting our materials, our products, or both.

We rely on a variety of common carriers to transport our materials from our suppliers to us, and to transport our products from us to our customers. Problems suffered by any of these common carriers, whether due to a natural disaster, labor problem, increased energy prices or some other issue, could result in shipping delays, increased costs, or some other supply chain disruption, and could therefore have a material adverse effect on our operations.

We derive a majority of our revenue from our international operations, which may be subject to a number of risks and often require more management time and expense to achieve profitability than our domestic operations.

We derived 83.0% and 84.6% of net revenue from international operations for the three months and six months ended February 28, 2010, respectively, compared to 82.8% and 83.4% for the three months and six months ended February 28, 2009, respectively. We currently expect our foreign source revenue to slightly increase as compared to current levels over the course of the next twelve months. At February 28, 2010, we operate outside the U.S. in Vienna, Austria; Hasselt, Belgium; Belo Horizonte, Manaus and Sorocaba, Brazil; Beijing, Huangpu, Nanjing, Shanghai, Shenzhen, Suzhou, Tianjin, Wuxi and Yantai, China; Coventry, England; Brest and Lunel, France; Jena, Germany; Szombathely and Tiszaujvaros, Hungary; Pune, Mumbai and Ranjangaon, India; Dublin, Ireland; Cassina de Pecchi, Marcianise and Bergamo, Italy; Gotemba, Hachiouji and Tokyo, Japan; Penang, Malaysia; Chihuahua, Guadalajara, Nogales and Reynosa, Mexico; Amsterdam and Eindhoven, The Netherlands; Bydgoszcz and Kwidzyn, Poland; Tver, Russia; Ayr and Livingston, Scotland; Singapore City, Singapore; Hsinchu, Taichung and Taipei, Taiwan; Ankara, Turkey; Uzhgorod, Ukraine and Ho Chi Minh City, Vietnam. We continually consider additional opportunities to make foreign acquisitions and construct new foreign facilities. Our international operations may be subject to a number of risks, including:

- difficulties in staffing and managing foreign operations;
- less flexible employee relationships which can be difficult and expensive to terminate;
- labor unrest;
- political and economic instability (including acts of terrorism, widespread criminal activities and outbreaks of war);
- inadequate infrastructure for our operations (i.e. lack of adequate power, water, transportation and raw materials);
- health concerns and related government actions;
- coordinating our communications and logistics across geographic distances and multiple time zones;
- risk of governmental expropriation of our property;
- less favorable, or relatively undefined, intellectual property laws;
- unexpected changes in regulatory requirements and laws or government or judicial interpretations of such regulatory requirements and laws;
- longer customer payment cycles and difficulty collecting trade accounts receivable;
- export duties, import controls and trade barriers (including quotas);

adverse trade policies, and adverse changes to any of the policies of either the U.S. or any of the foreign jurisdictions in which we operate;

adverse changes in tax rates;

adverse changes to the manner in which the U.S. taxes U.S.-based multinational companies;

legal or political constraints on our ability to maintain or increase prices;

governmental restrictions on the transfer of funds to us from our operations outside the U.S.;

burdens of complying with a wide variety of labor practices and foreign laws, including those relating to export and import duties, environmental policies and privacy issues;

fluctuations in currency exchange rates, which could affect local payroll and other expenses;

inability to utilize net operating losses incurred by our foreign operations against future income in the same jurisdiction; and

economies that are emerging or developing , that may be subject to greater currency volatility, negative growth, high inflation, limited availability of foreign exchange and other risks.

These factors may harm our results of operations, and any measures that we may implement to reduce the effect of volatile currencies and other risks of our international operations may not be effective. In our experience, entry into new international markets requires considerable management time as well as start-up expenses for market development, hiring and establishing facilities before

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any significant revenue is generated. As a result, initial operations in a new market may operate at low margins or may be unprofitable. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Another significant legal risk resulting from our international operations is compliance with the U.S. Foreign Corrupt Practices Act (FCPA). In many foreign countries, particularly in those with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA or other U.S. laws and regulations. Although we have implemented policies and procedures designed to cause compliance with the FCPA and similar laws, there can be no assurance that all of our employees, and agents, as well as those companies to which we outsource certain of our business operations, will not take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business.

If we do not manage our growth effectively, our profitability could decline.

Areas of our business may experience periods of rapid growth which could place considerable additional demands upon our management team and our operational, financial and management information systems. Our ability to manage growth effectively will require us to continue to implement and improve these systems; avoid cost overruns; maintain customer, supplier and other favorable business relationships during possible transition periods; continue to develop the management skills of our managers and supervisors; and continue to train, motivate and manage our employees. Our failure to effectively manage growth could have a material adverse effect on our results of operations. See Management s Discussion and Analysis of Financial Condition and Results of Operations.

We have on occasion not achieved, and may not in the future achieve expected profitability from our acquisitions.

We cannot assure you that we will be able to successfully integrate the operations and management of our recent acquisitions. Similarly, we cannot assure you that we will be able to (1) identify future strategic acquisitions, (2) consummate these potential acquisitions on favorable terms, if at all, or (3) if consummated, successfully integrate the operations and management of future acquisitions. Acquisitions involve significant risks, which could have a material adverse effect on us, including:

Financial risks, such as (1) the payment of a purchase price that exceeds the future value that we may realize from the acquired operations and businesses; (2) an increase in our expenses and working capital requirements, which could reduce our return on invested capital; (3) potential known and unknown liabilities of the acquired businesses; (4) costs associated with integrating acquired operations and businesses; (5) the dilutive effect of the issuance of any additional equity securities we issue as consideration for, or to finance, the acquisition; (6) the incurrence of additional debt; (7) the financial impact of incorrectly valuing goodwill and other intangible assets involved in any acquisitions, potential future impairment write-downs of goodwill and indefinite life intangibles and the amortization of other intangible assets; (8) possible adverse tax and accounting effects; and (9) the risk that we spend substantial amounts purchasing these manufacturing facilities and assume significant contractual and other obligations with no guaranteed levels of revenue or that we may have to close or sell acquired facilities at our cost, which may include substantial employee severance costs and asset write-offs, which have resulted, and may result, in our incurring significant losses.

Operating risks, such as (1) the diversion of management s attention to the assimilation of the acquired businesses; (2) the risk that the acquired businesses will fail to maintain the quality of services that we have historically provided; (3) the need to implement financial and other systems and add management resources; (4) the need to maintain customer, supplier or other favorable business relationships of acquired operations and restructure or terminate unfavorable relationships; (5) the potential for deficiencies in internal controls of the acquired operations; (6) we may not be able to attract and retain the employees necessary to support the acquired businesses; (7) unforeseen difficulties (including any unanticipated liabilities) in the acquired operations; and (8) the impact on us of any unionized work force we may acquire or any labor disruptions that might occur.

Most of our acquisitions involve operations outside of the U.S. which are subject to various risks including those described in Risk Factors We derive a substantial portion of our revenue from our international operations, which

may be subject to a number of risks and often require more management time and expense to achieve profitability than our domestic operations.

We have acquired and may continue to pursue the acquisition of manufacturing and supply chain management operations from our customers (or potential customers). In these acquisitions, the divesting company will typically enter into a supply arrangement with the acquirer. Therefore, competition for these acquisitions exists. In addition, certain divesting companies may choose not to offer to sell their operations to us because of our current supply arrangements with other companies or may require terms and conditions that may impact our profitability. If we are unable to attract and consummate some of these acquisition opportunities at favorable terms, our growth and profitability could be adversely impacted.

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In addition to those risks listed above, arrangements entered into with these divesting companies typically involve certain other risks, including the following:

- the integration into our business of the acquired assets and facilities may be time-consuming and costly;
- we, rather than the divesting company, may bear the risk of excess capacity;
- we may not achieve anticipated cost reductions and efficiencies;
- we may be unable to meet the expectations of the divesting company as to volume, product quality, timeliness, pricing requirements and cost reductions; and
- if demand for the divesting company s products declines, it may reduce their volume of purchases and we may not be able to sufficiently reduce the expenses of operating the facility we acquired from them or use such facility to provide services to other customers.

In addition, when acquiring manufacturing operations, we may receive limited commitments to firm production schedules. Accordingly, in these circumstances, we may spend substantial amounts purchasing these manufacturing facilities and assume significant contractual and other obligations with no guaranteed levels of revenue. We may also not achieve expected profitability from these arrangements. As a result of these and other risks, these outsourcing opportunities may not be profitable.

We are expanding the primary scope of our acquisitions strategy beyond acquiring the manufacturing assets of our customers and potential customers to include manufacturing service providers with business plans similar to ours and companies with certain key technologies and capabilities that complement and support our other current business activities. The amount and scope of the risks associated with acquisitions of this type extend beyond those that we have traditionally faced in making acquisitions. These extended risks include greater uncertainties in the financial benefits and potential liabilities associated with this expanded base of acquisitions.

We face risks arising from the restructuring of our operations.

Over the past few years, we have undertaken initiatives to restructure our business operations with the intention of improving utilization and realizing cost savings in the future. These initiatives have included changing the number and location of our production facilities, largely to align our capacity and infrastructure with current and anticipated customer demand. This alignment includes transferring programs from higher cost geographies to lower cost geographies. The process of restructuring entails, among other activities, moving production between facilities, closing facilities, reducing the level of staff, realigning our business processes and reorganizing our management.

We continuously evaluate our operations and cost structure relative to general economic conditions, market demands, cost competitiveness and our geographic footprint as it relates to our customers production requirements. As a result of this ongoing evaluation, we have initiated the 2006 Restructuring Plan and the 2009 Restructuring Plan. See 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 for further details. If we incur restructuring charges related to the 2006 Restructuring Plan, the 2009 Restructuring Plan, or both, or in connection with any potential future restructuring program, in addition to those charges that we currently expect to incur, our financial condition and results of operations may suffer.

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We expect that in the future we may continue to transfer certain of our operations to lower cost geographies, which may require us to take additional restructuring charges. We also may decide to transfer certain operations based on changes in our customers requirements or the tax rates in the jurisdictions in which we operate. Restructurings present significant potential risks of events occurring that could adversely affect us, including a decrease in employee morale, delays encountered in finalizing the scope of, and implementing, the restructurings (including extensive consultations concerning potential workforce reductions, particularly in locations outside of the U.S.), the failure to achieve targeted cost savings and the failure to meet operational targets and customer requirements due to the loss of employees and any work stoppages that might occur. These risks are further complicated by our extensive international operations, which subject us to different legal and regulatory requirements that govern the extent and speed, of our ability to reduce our manufacturing capacity and workforce. In addition, the current global economic conditions may change how governments regulate restructuring as the global recession impacts local economies. Finally, we may have to obtain agreements from our affected customers for the re-location of our facilities in certain instances. Obtaining these agreements, along with the volatility in our customers demand, can further delay restructuring activities. **We may not be able to maintain our engineering, technological and manufacturing process expertise.**

The markets for our manufacturing and engineering services are characterized by rapidly changing technology and evolving process development. The continued success of our business will depend upon our ability to:

hire, retain and expand our qualified engineering and technical personnel;

maintain technological leadership;

develop and market manufacturing services that meet changing customer needs; and

successfully anticipate or respond to technological changes in manufacturing processes on a cost-effective and timely basis.

Although we believe that our operations use the assembly and testing technologies, equipment and processes that are currently required by our customers, we cannot be certain that we will develop the capabilities required by our customers in the future. The emergence of new technology, industry standards or customer requirements may render our equipment, inventory or processes obsolete or noncompetitive. In addition, we may have to acquire new assembly and testing technologies and equipment to remain competitive. The acquisition and implementation of new technologies and equipment may require significant expense or capital investment, which could reduce our operating margins and our operating results. In facilities that we establish or acquire, we may not be able to maintain our engineering, technological and manufacturing process expertise. Our failure to anticipate and adapt to our customers changing technological needs and requirements or to hire and retain a sufficient number of engineers and maintain our engineering, technological and manufacturing expertise, could have a material adverse effect on our business.

If our manufacturing processes and services do not comply with applicable statutory and regulatory requirements, or if we manufacture products containing design or manufacturing defects, demand for our services may decline and we may be subject to liability claims.

We manufacture and design products to our customers specifications, and, in some cases, our manufacturing processes and facilities may need to comply with applicable statutory and regulatory requirements. For example, medical devices that we manufacture or design, as well as the facilities and manufacturing processes that we use to produce them, are regulated by the Food and Drug Administration and non-U.S. counterparts of this agency. Similarly, items we manufacture for customers in the defense and aerospace industries, as well as the processes we use to produce them, are regulated by the Department of Defense and the Federal Aviation Authority. In addition, our customers products and the manufacturing processes that we use to produce them often are highly complex. As a result, products that we manufacture may at times contain manufacturing or design defects, and our manufacturing processes may be subject to errors or not be in compliance with applicable statutory and regulatory requirements. Defects in the products we manufacture or design, whether caused by a design, manufacturing or component failure or error, or deficiencies in our manufacturing processes, may result in delayed shipments to customers or reduced or cancelled customer orders. If these defects or deficiencies are significant, our business reputation may also be

damaged. The failure of the products that we manufacture or our manufacturing processes and facilities to comply with applicable statutory and regulatory requirements may subject us to legal fines or penalties and, in some cases, require us to shut down or incur considerable expense to correct a manufacturing process or facility. In addition, these defects may result in liability claims against us or expose us to liability to pay for the recall of a product. The magnitude of such claims may increase as we expand our medical and aerospace and defense manufacturing services, as defects in medical devices and aerospace and defense systems could seriously harm or kill users of these products and others. Even if our customers are responsible for the defects, they may not, or may not have resources to, assume responsibility for any costs or liabilities arising from these defects, which could expose us to additional liability claims.

Our regular manufacturing processes and services may result in exposure to intellectual property infringement and other claims.

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Providing manufacturing services can expose us to potential claims that the product design or manufacturing processes infringe third party intellectual property rights. Even though many of our manufacturing services contracts generally require our customers to indemnify us for infringement claims relating to the product specifications and designs, a particular customer may not, or may not have the resources to assume responsibility for such claims. In addition, we may be responsible for claims that our manufacturing processes or components used in manufacturing infringe third party intellectual property rights. Infringement claims could subject us to significant liability for damages, and potentially injunctive action and, regardless of merits, could be time-consuming and expensive to resolve.

Our design services offerings may result in additional exposure to product liability, intellectual property infringement and other claims, in addition to the business risk of being unable to produce the revenues necessary to profit from these services.

We continue our efforts to offer certain design services, primarily those relating to products that we manufacture for our customers, and we also continue to offer design services related to collaborative design manufacturing and turnkey solutions (including end-user products and components as products). Providing such services can expose us to different or greater potential liabilities than those we face when providing our regular manufacturing services. Our design services business increases our exposure to potential product liability claims resulting from injuries caused by defects in products we design, as well as potential claims that products we design or processes we use infringe third-party intellectual property rights. Such claims could subject us to significant liability for damages, subject the infringing portion of our business to injunction and, regardless of their merits, could be time-consuming and expensive to resolve. We also may have greater potential exposure from warranty claims and from product recalls due to problems caused by product design. Costs associated with possible product liability claims, intellectual property infringement claims and product recalls could have a material adverse effect on our results of operations. When providing collaborative design manufacturing or turnkey solutions, we may not be guaranteed revenue needed to recoup or profit from the investment in the resources necessary to design and develop products. Particularly, no revenue may be generated from these efforts if our customers do not approve the designs in a timely manner or at all, or if they do not then purchase anticipated levels of products. Furthermore, contracts may allow the customer to delay or cancel deliveries and may not obligate the customer to any volume of purchases, or may provide for penalties or cancellation of orders if we are late in delivering designs or products. We may even have the responsibility to ensure that products we design satisfy safety and regulatory standards and to obtain any necessary certifications. Failure to timely obtain the necessary approvals or certifications could prevent us from selling these products, which in turn could harm our sales, profitability and reputation.

In our contracts with turnkey solutions customers, we generally provide them with a warranty against defects in our designs. If a turnkey solutions product or component that we design is found to be defective in its design, this may lead to increased warranty claims. Although we have product liability insurance coverage, it may not be available on acceptable terms, in sufficient amounts, or at all. A successful product liability claim in excess of our insurance coverage or any material claim for which insurance coverage was denied or limited and for which indemnification was not available could have a material adverse effect on our business, results of operations and financial condition.

The success of our turnkey solution activities depends in part on our ability to obtain, protect and leverage intellectual property rights to our designs.

We strive to obtain and protect certain intellectual property rights to our turnkey solutions designs. We believe that having a significant level of protected proprietary technology gives us a competitive advantage in marketing our services. However, we cannot be certain that the measures that we employ will result in protected intellectual property rights or will result in the prevention of unauthorized use of our technology. If we are unable to obtain and protect intellectual property rights embodied within our designs, this could reduce or eliminate the competitive advantages of our proprietary technology, which would harm our business.

Intellectual property infringement claims against our customers or us could harm our business.

Our turnkey solutions products and the products of our customers may compete against the products of other companies, many of whom may own the intellectual property rights underlying those products. Patent clearance or licensing activities, if any, may be inadequate to anticipate and avoid third party claims. As a result, in addition to the

risk that we could become subject to claims of intellectual property infringement, our customers could become subject to infringement claims. Additionally, customers for our turnkey solutions services, or collaborative designs in which we have significant technology contributions, typically require that we indemnify them against the risk of intellectual property infringement. If any claims are brought against us or against our customers for such infringement, regardless of their merits, we could be required to expend significant resources in the defense or settlement of such claims. In the event of a claim, we may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing such alternatives or obtaining such a license on reasonable terms or at all. Our customers may be required to or decide to discontinue products which are alleged to be infringing rather than face continued costs of defending the infringement claims, and such discontinuance may result in a significant decrease in our business.

We depend on our officers, managers and skilled personnel.

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Our success depends to a large extent upon the continued services of our executive officers and other skilled personnel. Generally our employees are not bound by employment or non-competition agreements, and we cannot assure you that we will retain our executive officers and other key employees. We could be seriously harmed by the loss of any of our executive officers. In order to manage our growth, we will need to recruit and retain additional skilled management personnel and if we are not able to do so, our business and our ability to continue to grow could be harmed.

Any delay in the implementation of our information systems could disrupt our operations and cause unanticipated increases in our costs.

We have completed the installation of an Enterprise Resource Planning system in most of our manufacturing sites, excluding the sites we acquired in the Taiwan Green Point Enterprises Co., Ltd. (Green Point) acquisition transaction, and in our corporate location. We are in the process of installing this system in certain of our remaining plants, including certain Green Point sites, which will replace the current Manufacturing Resource Planning system, and financial information systems. Any delay in the implementation of these information systems could result in material adverse consequences, including disruption of operations, loss of information and unanticipated increases in costs.

Compliance or the failure to comply with current and future environmental, product stewardship and producer responsibility laws or regulations could cause us significant expense.

We are subject to a variety of federal, state, local and foreign environmental, product stewardship and producer responsibility laws and regulations, including those relating to the use, storage, discharge and disposal of hazardous chemicals used during our manufacturing process, those requiring design changes or conformity assessments or those relating to the recycling of products we manufacture. If we fail to comply with any present and future regulations, we could become subject to future liabilities, and we could face the suspension of production, or prohibitions on sales of products we manufacture. In addition, such regulations could restrict our ability to expand our facilities or could require us to acquire costly equipment, or to incur other significant expenses, including expenses associated with the recall of any non-compliant product or with changes in our procurement and inventory management activities.

Certain environmental laws impose liability for the costs of investigation, removal or remediation of hazardous or toxic substances on an owner, occupier or operator of real estate, even if such person or company was unaware of or not responsible for the presence of such substances. Soil and groundwater contamination may have occurred at some of our facilities. From time to time we investigate, remediate and monitor soil and groundwater contamination at certain of our operating sites. In certain instances where contamination existed prior to our ownership or occupation of a site, landlords or former owners have retained some contractual responsibility for contamination and remediation. However, failure of such persons to perform those obligations could result in us being required to remediate such contamination. As a result, we may incur clean-up costs in such potential removal or remediation efforts. In other instances, we may be solely responsible for clean-up costs associated with remediation efforts.

From time to time new regulations are enacted, or existing requirements are changed, and it is difficult to anticipate how such regulations and changes will be implemented and enforced. We continue to evaluate the necessary steps for compliance with regulations as they are enacted.

Over the last several years, we have become subject to certain legal requirements, principally in Europe, regarding the use of certain hazardous substances in, and the collection, reuse and recycling of waste from, certain products that use or generate electricity. Similar requirements are being developed or imposed in other areas of the world where we manufacture or sell products, including China and the U.S. We believe that we comply, and will be able to continue to comply, with such emerging requirements. We may experience negative consequences from these emerging requirements however, including, but not limited to, supply shortages or delays, increased raw material and component costs, accelerated obsolescence of certain of our raw materials, components and products and the need to modify or create new designs for our existing and future products.

Our failure to comply with any applicable regulatory requirements or with related contractual obligations could result in our being directly or indirectly liable for costs (including product recall and/or replacement costs), fines or penalties and third-party claims, and could jeopardize our ability to conduct business in the jurisdictions implementing them.

In addition, as global warming issues become more prevalent, the U.S. and foreign governments are beginning to respond to these issues. This increasing governmental focus on global warming may result in new environmental regulations that may negatively affect us, our suppliers and our customers. This could cause us to incur additional direct costs in complying with any new environmental regulations, as well as increased indirect costs resulting from our customers, suppliers or both incurring additional compliance costs that get passed on to us. These costs may adversely impact our operations and financial condition.

Our customers are also becoming increasingly concerned with environmental issues, such as waste management (including recycling) and climate change (including reducing carbon outputs), and are increasingly expecting suppliers such as us to be similarly concerned and responsive. Such customer demands may grow and require increased investments of time and resources to attract and retain customers.

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We are subject to the risk of increased taxes.

We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. Our tax position, however, is subject to review and possible challenge by taxing authorities and to possible changes in law (including adverse changes to the manner in which the U.S. taxes U.S. based multinational companies). We cannot determine in advance the extent to which some jurisdictions may assess additional tax or interest and penalties on such additional taxes. In addition, our effective tax rate may be increased by the generation of higher income in countries with higher tax rates, or changes in local tax rates. For example, China enacted a unified enterprise income tax law, effective January 1, 2008, which has resulted in a higher tax rate on operations in China as the rate increase is phased in over several years.

Several countries in which we are located allow for tax incentives to attract and retain business. We have obtained incentives where available and practicable. Our taxes could increase if certain tax incentives are retracted (which in some cases could occur if we fail to satisfy the conditions on which such incentives are based), or if they are not renewed upon expiration, or tax rates applicable to us in such jurisdictions are otherwise increased. It is anticipated that tax incentives with respect to certain operations will expire within the next year. However, due to the possibility of changes in existing tax law and our operations, we are unable to predict how these expirations will impact us in the future. In addition, acquisitions may cause our effective tax rate to increase, depending on the jurisdictions in which the acquired operations are located.

Our credit rating may be downgraded.

Our credit is rated by credit rating agencies. Our 5.875% Senior Notes, 7.750% Senior Notes and our 8.250% Senior Notes are currently rated BB+ by Fitch Ratings (Fitch), Ba1 by Moody s and BB+ by S&P, and are considered to be below investment grade debt by all three rating agencies. S&P s rating downgrade in April 2008, along with those by Fitch in October 2007 and Moody s in February 2007, and any potential future negative change in our credit rating, may make it more expensive for us to raise additional capital in the future on terms that are acceptable to us, if at all; may negatively impact the price of our common stock; may increase our interest payments under existing debt agreements; and may have other negative implications on our business, many of which are beyond our control. In addition, as discussed previously in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources, the interest rate payable on the 8.250% Senior Notes and under the Credit Facility is subject to adjustment from time to time if our credit ratings change. Thus, any potential future negative change in our credit rating may increase the interest rate payable on the 8.250% Senior Notes, the Credit Facility and certain of our other borrowings.

Our amount of debt could significantly increase in the future.

As of February 28, 2010, our debt obligations on the Condensed Consolidated Balance Sheets consisted of $5.1 million under our 5.875% Senior Notes, $400.0 million under our 8.250% Senior Notes, $312.0 million under our 7.750% Senior Notes and $360.0 million outstanding under the term portion of our Credit Facility. As of February 28, 2010, there was $133.4 million outstanding under various bank loans to certain of our foreign subsidiaries and under various other debt obligations. Refer to 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 further details.

As of February 28, 2010, we have the ability to borrow up to $800.0 million under the revolving credit portion of the Credit Facility. In addition, the Credit Facility contemplates a potential increase of the revolving credit portion of up to an additional $200.0 million, if we and the lenders later agree to such increase. We could incur additional indebtedness in the future in the form of bank loans, notes or convertible securities.

Should we desire to consummate significant additional acquisition opportunities, undertake significant additional expansion activities or make substantial investments in our infrastructure, 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.

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An increase in the level of our indebtedness, among other things, could:

- make it difficult for us to obtain any necessary financing in the future for other acquisitions, working capital, capital expenditures, debt service requirements or other purposes;
- limit our flexibility in planning for, or reacting to changes in, our business;
- make us more vulnerable in the event of a downturn in our business; and
- impact certain financial covenants that we are subject to in connection with our debt and securitization programs, including, among others, the maximum ratio of debt to consolidated EBITDA (as defined in our debt agreements and securitization programs).

There can be no assurance that we will be able to meet future debt service obligations.

We are subject to risks of currency fluctuations and related hedging operations.

More than an insignificant portion of our business is conducted in currencies other than the U.S. dollar. Changes in exchange rates among other currencies and the U.S. dollar will affect our cost of sales, operating margins and net revenue. We cannot predict the impact of future exchange rate fluctuations. We use financial instruments, primarily forward contracts, to economically hedge U.S. dollar and other currency commitments arising from trade accounts receivable, trade accounts payable, fixed purchase obligations and other foreign currency obligations. Based on our calculations and current forecasts, we believe that our hedging activities enable us to largely protect ourselves from future exchange rate fluctuations. If, however, these hedging activities are not successful or if we change or reduce these hedging activities in the future, we may experience significant unexpected expenses from fluctuations in exchange rates.

An adverse change in the interest rates for our borrowings could adversely affect our financial condition.

We pay interest on outstanding borrowings under our revolving credit facilities and certain other long term debt obligations at interest rates that fluctuate based upon changes in various base interest rates. An adverse change in the base rates upon which our interest rates are determined could have a material adverse effect on our financial position, results of operations and cash flows.

We face certain risks in collecting our trade accounts receivable.

We generate a significant amount of trade accounts receivable sales from our customers. If any of our customers has any liquidity issues (the risk of which could be rising due to current economic conditions), then we could encounter delays or defaults in payments owed to us which could have a significant adverse impact on our financial condition and results of operations. For example, on January 14, 2009 and May 28, 2009, two of our customers each filed a petition for reorganization under bankruptcy law. We have analyzed our financial exposure resulting from both of these customers bankruptcy filings and as a result have recorded an allowance for doubtful accounts based upon our anticipated exposure associated with these events. Our allowance for doubtful accounts receivables was $14.7 million as of February 28, 2010 (which represented approximately 1% of our gross trade accounts receivable balance) and $15.5 million as of August 31, 2009 (which represented approximately 1% of our gross trade accounts receivable balance).

Certain of our existing stockholders have significant control.

At February 28, 2010, our executive officers, directors and certain of their family members collectively beneficially owned 12.7% of our outstanding common stock, of which William D. Morean, our Chairman of the Board, beneficially owned 7.4%. As a result, our executive officers, directors and certain of their family members have significant influence over (1) the election of our Board of Directors, (2) the approval or disapproval of any other matters requiring stockholder approval and (3) the affairs and policies of Jabil.

Our stock price may be volatile; and further decreases in our stock price, among other factors, may lead to further impairment of goodwill.

Our common stock is traded on the New York Stock Exchange (the NYSE). The market price of our common stock has fluctuated substantially in the past and could fluctuate substantially in the future, based on a variety of factors, including future announcements covering us or our key customers or competitors, government regulations,

litigation, changes in earnings estimates by analysts, fluctuations in quarterly operating results, or general conditions in our industry and the aerospace, automotive, computing, consumer, defense, instrumentation, medical, networking, peripherals, solar, storage and telecommunications industries. Furthermore, stock prices for many companies and high technology companies in particular, fluctuate widely for reasons that may be unrelated to their operating results. Those fluctuations and general economic, political and market conditions, such as recessions or international currency fluctuations and demand for our services, may adversely affect the market price of our common stock.

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Provisions in our charter documents and state law may make it harder for others to obtain control of us even though some shareholders might consider such a development to be favorable.

Our shareholder rights plan, provisions of our amended certificate of incorporation and the Delaware Corporation Laws may delay, inhibit or prevent someone from gaining control of us through a tender offer, business combination, proxy contest or some other method. These provisions may adversely impact our shareholders because they may decrease the possibility of a transaction in which our shareholders receive an amount of consideration in exchange for their shares that is at a significant premium to the then current market price of our shares. These provisions include:

a poison pill shareholder rights plan;

a restriction in our bylaws on the ability of shareholders to take action by less than unanimous written consent; and

a statutory restriction on business combinations with some types of interested shareholders.

Changes in the securities laws and regulations have increased, and may continue to increase, our costs; and any future changes would likely increase our costs.

The Sarbanes-Oxley Act of 2002, as well as related rules promulgated by the SEC and the NYSE, required changes in some of our corporate governance, securities disclosure and compliance practices. Compliance with these rules has increased our legal and financial accounting costs for several years following the announcement and effectiveness of these new rules. While these costs are no longer increasing, they may in fact increase in the future. In addition, given the recent turmoil in the securities and credit markets, as well as the global economy, many U.S. and international governmental, regulatory and supervisory authorities including, but not limited to, the SEC and the NYSE, have recently enacted additional changes in their laws, regulations and rules and are currently contemplating additional changes. Any such future changes, especially from the SEC or NYSE, may cause our legal and financial accounting costs to increase.

Due to inherent limitations, there can be no assurance that our system of disclosure and internal controls and procedures will be successful in preventing all errors or fraud, or in informing management of all material information in a timely manner.

Our management, including our CEO and CFO, does not expect that our disclosure controls and internal controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system reflects that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been or will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur simply because of error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

If we receive other than an unqualified opinion on the adequacy of our internal control over financial reporting as of August 31, 2010 or any future year-ends as required by Section 404 of the Sarbanes-Oxley Act of 2002, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of your shares.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring public companies to include an annual report on internal control over financial reporting in their annual reports on Form 10-K that contains an assessment by management of the effectiveness of the company s internal control over financial reporting. Our independent registered public accounting firm, KPMG LLP, issued an unqualified opinion on the effectiveness of

our internal control over financial reporting as of August 31, 2009. While we continuously conduct a rigorous review of our internal control over financial reporting in order to assure compliance with the Section 404 requirements, if our independent registered public accounting firm interprets the Section 404 requirements and the related rules and regulations differently from us or if our independent registered public accounting firm is not satisfied with our internal control over financial reporting or with the level at which it is documented, operated or reviewed, they may issue an adverse opinion. An adverse opinion could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our Condensed Consolidated Financial Statements.

In addition, we have spent a significant amount of resources in complying with Section 404 s requirements. For the foreseeable future, we will likely continue to spend substantial amounts complying with Section 404 s requirements, as well as improving and enhancing our internal control over financial reporting.

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There are inherent uncertainties involved in estimates, judgments and assumptions used in the preparation of financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Any changes in U.S. GAAP or in estimates, judgments and assumptions could have a material adverse effect on our business, financial position and results of operations.

The condensed and consolidated financial statements included in the periodic reports we file with the SEC are prepared in accordance with U.S. GAAP. The preparation of financial statements in accordance with U.S. GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets, liabilities and related reserves, revenues, expenses and income. Estimates, judgments and assumptions are inherently subject to change in the future, and any such changes could result in corresponding changes to the amounts of assets, liabilities and related reserves, revenues, expenses and income. Any such changes could have a material adverse effect on our financial position and results of operations. In addition, the principles of U.S. GAAP are subject to interpretation by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, the SEC and various bodies formed to create appropriate accounting policies, and interpret such policies. A change in those policies can have a significant effect on our accounting methods. For example, although not yet currently required, the SEC could require us to adopt the International Financial Reporting Standards in the next few years, which could have a significant effect on certain of our accounting methods.

We are subject to risks associated with natural disasters and global events.

Our operations may be subject to natural disasters or other business disruptions, which could seriously harm our results of operation and increase our costs and expenses. We are susceptible to losses and interruptions caused by hurricanes (including in Florida, where our headquarters are located), earthquakes, power shortages, telecommunications failures, water shortages, tsunamis, floods, typhoons, fire, extreme weather conditions, geopolitical events such as terrorist acts or widespread criminal activities and other natural or manmade disasters. Our insurance coverage with respect to natural disasters is limited and is subject to deductibles and coverage limits. Such coverage may not be adequate, or may not continue to be available at commercially reasonable rates and terms.

Energy price increases may negatively impact our results of operations.

Certain of the components that we use in our manufacturing activities are petroleum-based. In addition, we, along with our suppliers and customers, rely on various energy sources (including oil) in our transportation activities. While significant uncertainty currently exists about the future levels of energy prices, a significant increase is possible. Increased energy prices could cause an increase to our raw material costs and transportation costs. In addition, increased transportation costs of certain of our suppliers and customers could be passed along to us. We may not be able to increase our product prices enough to offset these increased costs. In addition, any increase in our product prices may reduce our future customer orders and profitability.

Item 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information relating to the Company s repurchase of common stock for the second quarter of fiscal year 2010.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program

December 1, 2009	December 31, 2009	661	$	14.96
January 1, 2010	January 31, 2010	19	$	15.80
February 1, 2010	February 28, 2010		$	
Total		680	$	14.98

(1) The number of shares reported above as purchased are attributable to shares surrendered to us by employees in payment of the exercise price related to Option exercises or minimum tax obligations related to vesting of restricted shares.

Item 3: DEFAULTS UPON SENIOR SECURITIES

None.

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Item 4: (REMOVED AND RESERVED)

Item 5: OTHER INFORMATION

January 21, 2010 was the date established for Jabil s annual meeting of stockholders. Set forth below are the voting results from the proposals presented for a stockholder vote at such meeting.

1. To elect the full Board of Directors.

	Number of shares		
	For	Withheld	Broker Non-Votes
Mel S. Lavitt	163,843,644	7,144,785	19,995,379
Timothy L. Main	167,936,119	3,052,310	19,995,379
William D. Morean	89,026,874	81,961,555	19,995,379
Lawrence J. Murphy	164,911,426	6,077,003	19,995,379
Frank A. Newman	165,841,327	5,147,102	19,995,379
Steven Raymund	167,673,711	3,314,718	19,995,379
Thomas A. Sansone	158,503,727	12,484,702	19,995,379
David M. Stout	168,241,479	2,746,950	19,995,379
Kathleen A.Walters	168,024,277	2,964,152	19,995,379

2. To approve an amendment to increase the size of the Jabil Circuit, Inc. 2002 Stock Incentive Plan by 8,200,000 shares.

For	Against	Abstain	Broker Non-Votes
124,585,979	46,212,848	189,602	19,995,379

3. To ratify the appointment of KPMG LLP as Jabil s independent registered public accounting firm for the fiscal year ending August 31, 2010.

For	Against	Abstain
187,206,239	3,534,770	242,799

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Item 6: EXHIBITS

3.1(1)	The Registrant s Certificate of Incorporation, as amended.
3.2(2)	The Registrant s Bylaws, as amended.
4.1(3)	Form of Certificate for Shares of the Registrant s Common Stock.
4.2(4)	Rights Agreement, dated as of October 19, 2001, between the Registrant and EquiServe Trust Company, N.A., which includes the form of the Certificate of Designation as Exhibit A, form of the Rights Certificate as Exhibit B, and the Summary of Rights as Exhibit C.
4.3(5)	Senior Debt Indenture, dated as of July 21, 2003, with respect to the Senior Debt of the Registrant, between the Registrant and The Bank of New York, as trustee.
4.4(5)	First Supplemental Indenture, dated as of July 21, 2003, with respect to the 5.875% Senior Notes, due 2010, of the Registrant, between the Registrant and The Bank of New York, as trustee.
4.5(6)	Indenture, dated January 16, 2008, with respect to the 8.250% Senior Notes, by the Registrant 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.
4.6(7)	Form of 8.250% Registered Senior Notes issued on July 18, 2008.
4.7(8)	Form of 7.750% Registered Senior Notes issued on August 11, 2009.
4.8(8)	Officers Certificate of the Registrant pursuant to the Indenture, dated August 11, 2009.
10.5	Jabil Circuit, Inc. 2002 Stock Incentive Plan, as amended.
31.1	Rule 13a-14(a)/15d-14(a) Certification by the President and Chief Executive Officer of the Registrant.
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer of the Registrant.
32.1	Section 1350 Certification by the President and Chief Executive Officer of the Registrant.
32.2	Section 1350 Certification by the Chief Financial Officer of the Registrant.

(1) Incorporated by reference to an exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarter ended February 29, 2000.

(2) Incorporated by reference to the Registrant s Current Report on Form 8-K filed by the Registrant on October 29, 2008.

(3) Incorporated by reference to an exhibit to Amendment No. 1 to the Registration Statement on Form S-1 filed by the Registrant on March 17, 1993 (File No. 33-58974).

(4) Incorporated by reference to the Registrant s Form 8-A (File No. 001-14063) filed October 19, 2001.

(5) Incorporated by reference to the Registrant s Current Report on Form 8-K filed by the Registrant on July 21, 2003.

(6) Incorporated by reference to the Registrant s Current Report on Form 8-K filed by the Registrant on January 17, 2008.

(7) Incorporated by reference to the Registrant s Annual Report on Form 10-K for the fiscal year ended August 31, 2008.

(8) Incorporated by reference to the Registrant s Current Report on Form 8-K filed by the Registrant on August 12, 2009.

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SIGNATURES

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

Jabil Circuit, Inc.
Registrant

Date: April 6, 2010

By: /s/ TIMOTHY L. MAIN
Timothy L. Main
President and Chief Executive Officer

Date: April 6, 2010

By: /s/ FORBES I.J. ALEXANDER
Forbes I.J. Alexander
Chief Financial Officer

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Exhibit Index

Exhibit No.	Description
10.5	Jabil Circuit, Inc. 2002 Stock Incentive Plan, as amended.
31.1	Rule 13a-14(a)/15d-14(a) Certification by the President and Chief Executive Officer of Jabil Circuit, Inc.
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer of Jabil Circuit, Inc.
32.1	Section 1350 Certification by the President and Chief Executive Officer of Jabil Circuit, Inc.
32.2	Section 1350 Certification by the Chief Financial Officer of Jabil Circuit, Inc.