

SOLECTRON CORP
Form DEF 14A
December 04, 2006

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**SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement

- Definitive Proxy Statement

- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

- Definitive Additional Materials

- Soliciting Material under Rule 14a-12

SOLECTRON CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- Fee not required.

- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

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- Fee paid previously with preliminary materials.

- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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SOLECTRON CORPORATION

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held January 10, 2007**

To the Stockholders of Solectron Corporation:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Solectron Corporation (the Company), a Delaware corporation, will be held on Wednesday, January 10, 2007, at 8:00 a.m., local time, at the Company's principal executive offices, 847 Gibraltar Drive, Building 5, Milpitas, CA 95035, for the following purposes:

1. To elect nine (9) directors to serve for the ensuing year and until their successors are duly elected and qualified;
2. To ratify the appointment of KPMG LLP as the independent registered public accounting firm of the Company for the fiscal year ending August 31, 2007; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only stockholders of record at the close of business on November 17, 2006 are entitled to notice of and to vote at the meeting and any adjournment thereof.

All stockholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting, you are urged to mark, sign and return the enclosed proxy card as promptly as possible in the postage-paid envelope enclosed for that purpose, or vote via the Internet or by telephone, as instructed on the proxy card. Any stockholder attending the meeting may vote in person even if he or she has already returned a proxy.

By Order of the Board of Directors,

Todd DuChene
*Executive Vice President,
General Counsel and Secretary*

Milpitas, California
December 4, 2006

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YOUR VOTE IS IMPORTANT

To assure your representation at the Annual Meeting, you are requested either to complete, sign and date the enclosed proxy as promptly as possible and return it in the enclosed envelope, which requires no postage if mailed in the United States, or vote via the Internet or by telephone as instructed on the enclosed card.

ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS

We are pleased to offer you the opportunity to electronically receive future Solectron proxy statements and annual reports over the Internet. By using these services, you are not only accessing these materials more quickly than ever before, but you are also helping the Company reduce printing and postage costs associated with their distribution as well as helping preserve the earth's valuable resources.

Our online services are available to our stockholders who have active e-mail accounts and Internet access. To enroll in the online program: (1) go to <http://www.solectron.com/investor/stock-enroll.htm>, (2) click on "Enroll Now" and (3) follow the instructions.

You may also sign up for electronic delivery by following the instructions on the enclosed proxy card and voting via the Internet at www.proxyvote.com.

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SOLECTRON CORPORATION

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed Proxy is solicited on behalf of Solectron Corporation (the "Company"), for use at the Annual Meeting of Stockholders to be held on Wednesday, January 10, 2007, at 8:00 a.m., local time, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Company's principal executive offices, 847 Gibraltar Drive, Building 5, Milpitas, CA 95035. The Company's telephone number is (408) 957-8500 and the Company's website is www.solectron.com.

These proxy solicitation materials were mailed on or about December 4, 2006 to all stockholders of record at the close of business on November 17, 2006 (the "Record Date"). A copy of the Company's Annual Report to Stockholders for the fiscal year ended August 25, 2006 ("Fiscal 2006"), which includes our audited financial statements, was sent to the stockholders prior to or concurrently with this Proxy Statement.

Record Date; Outstanding Shares

Common stockholders of record at the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. At the Record Date, 904,121,603 shares of the Company's common stock were issued and outstanding (including 18,154,965 shares of Solectron Global Services Canada, Inc. which are exchangeable on a one-to-one basis for the Company's common stock).

Revocability of Proxies

Any proxy given pursuant to the solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing a written notice of revocation bearing a later date than the proxy with the Secretary of the Company at or before the taking of the vote at the Annual Meeting, (ii) duly executing a later dated proxy relating to the same shares and delivering it to the Secretary of the Company at or before the taking of the vote at the Annual Meeting or (iii) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute a revocation of a proxy).

Voting and Solicitation

On all matters other than the election of directors, each share has one vote. Stockholders are entitled to cumulate their votes for the election of directors. See PROPOSAL ONE ELECTION OF DIRECTORS Required Vote.

The cost of any proxy solicitation will be borne by the Company. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for expenses incurred in forwarding solicitation

materials to such beneficial owners. Proxies may be solicited by certain of the Company's directors, officers and regular employees, without additional compensation, personally or by telephone, telegraph or letter.

Quorum; Abstentions; Broker Non-Votes

The required quorum for the transaction of business at the Annual Meeting is a majority of shares of Common Stock issued and outstanding on the Record Date. Shares that are voted FOR, AGAINST or ABSTAIN are treated as being present at the meeting for purposes of establishing a quorum and are also treated as shares entitled to vote at the Annual Meeting (the Votes Cast) with respect to such matter.

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While there is no definitive statutory or case law authority in Delaware as to the proper treatment of abstentions, the Company believes that abstentions should be counted for purposes of determining both (i) the presence or absence of a quorum for the transaction of business and (ii) the total number of Votes Cast with respect to a proposal (other than the election of directors). In the absence of a controlling precedent to the contrary, the Company intends to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote against the proposal as to which the abstention is made.

In a 1988 Delaware case, *Berlin v. Emerald Partners*, the Delaware Supreme Court held that, while broker non-votes should be counted for purposes of determining the presence or absence of a quorum for the transaction of business, broker non-votes should not be counted for purposes of determining the number of Votes Cast with respect to the particular proposal on which the broker has expressly not voted. Accordingly, the Company intends to treat broker non-votes in this manner. Thus, a broker non-vote will not have any effect on the outcome of the voting on a proposal.

Discretionary Voting Authority

The Company has discretionary authority to vote on any matter intended to be brought before the Annual Meeting if the Company did not receive notice of such matter by the close of business on the tenth (10th) day after the date of this Proxy Statement, in accordance with the bylaws of the Company.

Deadline for Receipt of Stockholder Proposals for Fiscal 2007

Proposals of eligible stockholders of the Company which are to be presented by such stockholders at the Company's Annual Meeting for the fiscal year ended August 31, 2007 (Fiscal 2007) must be received by the Company no later than August 6, 2007 in order that they may be included in the Proxy Statement and form of proxy relating to that meeting. Such stockholder proposals should be submitted to *Solelectron Corporation at 847 Gibraltar Drive, Milpitas, CA 95035, Attention: Corporate Secretary*.

Under the Company's bylaws, a proposal that a stockholder does not seek to include in the Company's proxy materials for Fiscal 2007 but that may still be properly brought before the Fiscal 2007 annual meeting must be delivered to or mailed and received by the Secretary of the Company not less than 90 days prior to the meeting; provided, however, that in the event that less than 100 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, to be timely, notice by the stockholder must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made.

Table of Contents**BOARD AND CORPORATE GOVERNANCE MATTERS****Board of Directors**

The Board of Directors of the Company (the Board) has determined that, except for the Chief Executive Officer, Michael Cannon, none of the director nominees to be elected to the Board at the Annual Meeting has a material relationship with the Company and that, except for Mr. Cannon, every director nominee is independent. These determinations were made pursuant to the Company's director independence standards, which are identical to the director independence standards set forth in the listing standards of the New York Stock Exchange (NYSE), as such listing standards may be amended from time to time.

The Board held a total of 4 regular in person meetings, 4 regular telephonic meetings and 1 special telephonic meeting during Fiscal 2006. During Fiscal 2006, each director attended more than 75% of the meetings of the Board and meetings of committees upon which such director served.

The Board encourages all members of the Board to attend the Company's Annual Meeting of Stockholders. All of the directors elected at the January 2006 Annual Meeting were in attendance at that meeting.

Board Committees

The Board currently has three standing committees: the Audit Committee, the Nominating and Governance Committee and the Executive Compensation and Management Resources Committee. The current membership of each committee, the number of meetings held by each committee in Fiscal 2006 and other descriptive information is summarized below.

Director	Audit Committee	Nominating and Governance Committee	Executive Compensation and Management Resources Committee
William A. Hasler		Chair	X
Michael R. Cannon*			
Richard A. D'Amore		X	X
H. Paulett Eberhart	X		
Heinz Fridrich	X		
William R. Graber	X		
Dr. Paul R. Low		X	Chair
C. Wesley M. Scott	Chair	X	
Cyril Yansouni			X
Total Meetings in Fiscal 2006:	14	4	5

* Chief Executive Officer and currently the sole employee director on the Board

Audit Committee

The Audit Committee assists Board oversight of the Company's systems of disclosure controls and procedures and internal controls over financial reporting, is responsible for the appointment and terms of engagement of the Company's independent registered accounting firm, reviews and approves the Company's financial statements, and coordinates and approves the activities of the Company's internal and external auditors. The Board has determined that C. Wesley M. Scott, H. Paulett Eberhart and William R. Graber are audit committee financial experts and all members of the Audit Committee are independent as such terms are defined under the applicable regulations of the Securities and Exchange Commission (SEC) and the corporate governance rules of the NYSE. The Charter for the Audit Committee, which has been approved by the Board, is available on the Company's website at www.solectron.com/about/gov.shtml. See also AUDIT COMMITTEE REPORT.

Table of Contents***Nominating and Governance Committee***

The Nominating and Governance Committee is responsible for the development of general criteria regarding the qualifications and selection of Board members, recommending candidates for election to the Board, recommending director appointments to the various committees of the Board, developing corporate governance guidelines and overseeing the overall performance of the Board. All members of the Nominating and Governance Committee are independent as defined under the corporate governance listing standards of the NYSE. The Charter for the Nominating and Governance Committee, which has been approved by the Board, is available on the Company's website at www.solectron.com/about/gov.shtml.

Executive Compensation and Management Resources Committee

The Executive Compensation and Management Resources Committee is responsible for establishing compensation guidelines for the executive officers of the Company, reviewing and recommending all components of the CEO's remuneration to the independent members of the Board for approval, reviewing and approving executive bonus plans, providing guidance with respect to other compensation issues, approving stock option grants, CEO and executive succession planning, and reviewing the performance of the CEO. All members of the Executive Compensation and Management Resources Committee are independent as defined under the corporate governance listing standards of the NYSE. The Charter for the Executive Compensation and Management Resources Committee, which has been approved by the Board, is available on the Company's website at www.solectron.com/about/gov.shtml. See also EXECUTIVE COMPENSATION AND MANAGEMENT RESOURCES COMMITTEE REPORT.

Director Compensation

Directors who are not employees of the Company (Outside Directors) receive annual base retainers of \$75,000. Additional annual retainers and amounts payable to the Outside Directors is summarized in the following table:

	Base Retainer \$(1)	Additional Retainer \$(2)	Annual Option Grant (#)
Outside Director	75,000		40,000
Chairman of the Board		65,000	
Audit Committee Chair		20,000	
Audit Committee Member		10,000	
Executive Compensation & Management Resources Committee Chair		13,500	
Executive Compensation & Management Resources Committee Member		6,500	
Nominating & Governance Committee Chair		13,500	
Nominating & Governance Committee Member		6,500	

(1) Outside Directors may make a voluntary election to receive 1/3 of the base retainer in fully vested and taxable common stock of the Company.

(2) If an Outside Director attends more than 9 Board meetings or committee meetings in a year (the Board and each committee counted separately), the director will receive \$1,000 for each in person and \$500 for each telephonic

meeting attended after the 9th meeting.

All retainers are paid annually in advance on March 1st, and the Outside Directors are eligible to receive reimbursement for expenses incurred in attending Board and committee meetings. Outside Directors (other than members of the Audit Committee) may also receive consulting fees for special project assignments completed at the request of Company management. Employee directors are not compensated for their service on the Board or on committees of the Board.

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The Outside Directors may elect to defer some or all of their cash, and any base retainer fees they elect to receive in the form of Company common stock, under our Executive Deferred Compensation Plan.

Options to purchase shares of the Company's common stock are granted to Outside Directors under the 2002 Stock Plan (the "Plan") in accordance with an automatic, non-discretionary grant mechanism. The Plan provides, with respect to Outside Directors, for an automatic, non-discretionary grant on December 1 of each year of a nonstatutory option to purchase 40,000 shares of the Company's common stock, with an initial equity grant for new Outside Directors to purchase 40,000 shares of the Company's common stock at the commencement of their service as an Outside Director, at an exercise price equal to the fair market value on the date of grant. Outside Directors are also eligible to receive discretionary grants under the Plan. No discretionary grants were made to any of the Outside Directors in 2006.

Director Nomination Process

Qualifications

The Corporate Governance Guidelines of the Company set forth the basic qualifications for members of the Board. These guidelines are available on the Company's website at www.solectron.com/about/gov.shtml. Director nominees should possess the highest degree of personal and professional ethics and integrity, relevant business background and experience, and complimentary expertise in areas of importance to the Company's business objectives. In addition, director nominees should be committed to representing the long-term interests of all of the Company's stockholders.

Recommendation of Director Nominees

The Nominating and Governance Committee of the Board (the "N&G Committee") will consider individuals recommended by the Company's independent directors, the Company's CEO and other executive officers, and external retained search firms engaged by the N&G Committee. The N&G Committee will also consider potential director nominees that are properly recommended by the Company's stockholders in accordance with the procedure set forth below under the heading "Stockholder Recommendations of Director Nominees." The N&G Committee applies the same evaluation process and principles to all director candidates that are properly brought to its attention, regardless of the source of the recommendation for a candidate.

Identifying and Evaluating Director Nominees

The N&G Committee periodically assesses the appropriate size of the Board in light of the Company's objectives and strategy, and whether any vacancies on the Board are expected due to retirement, an expansion of the size of the Board, or otherwise. In the event that vacancies are anticipated or otherwise arise, the N&G Committee will initiate a process for identifying and evaluating director candidates. The N&G Committee typically retains an external professional search firm to screen, identify and contact potential candidates who meet the qualifications set forth above and other qualifications or criteria that may be determined by the N&G Committee. In determining particular search criteria or optimal candidate qualifications, the N&G Committee solicits input from the full Board and the Company's executive management, and also takes into account the current membership of the Board with a view towards identifying opportunities to expand and balance the breadth of the Board's experience, expertise, and diversity. As noted above, stockholder nominees that are properly recommended to the N&G Committee, as well as recommendations from other sources, will also be evaluated for possible consideration. Information pertaining to potential candidates is then aggregated and reviewed at regular or special meetings of the N&G Committee. The N&G Committee provides periodic updates to the full Board on the search process.

In the course of its review and evaluation of potential nominees, the N&G Committee obtains and reviews applicable information regarding the individuals under consideration, conducts in-person and telephonic interviews and

follow-up interviews and solicits input and feedback from the Chairman of the Board, the CEO and the Executive Vice President, Human Resources, as well as the external professional search firm's engagement manager. The professional search firm is charged with ensuring that prospective candidates would be available to join the Board when needed, and assists the N&G Committee in identifying any potential conflicts of interests or other disqualifying information about each candidate. The N&G Committee next discusses all of the qualified

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candidate prospects among the committee members and with the CEO and Chairman of the Board. The N&G Committee will ask the CEO to meet with finalist candidates to the extent that the CEO has not already done so. Efforts are made by the N&G Committee members to reach a consensus on the candidate or candidates most suited to fulfill the Company's selection criteria. In the event that the N&G Committee is unable to reach a consensus, it will make its determination by majority vote. When a determination is made, the N&G Committee formally makes its recommendation of the director nominee or nominees, as the case may be, to the full Board.

The Board will discuss the N&G Committee's recommendation and may request any additional information or interviews as the Board deems necessary. The Board will then decide whether to nominate such candidate or candidates, as the case may be, in the Company's proxy statement for election by the stockholders at the Company's Annual Meeting. In the rare case that a vacancy arises between Annual Meetings, the Board itself may elect a nominee to fill such vacancy in accordance with the bylaws of the Company.

Stockholder Recommendations of Director Nominees

Any stockholder wishing to recommend a candidate as a nominee for election at the Company's Annual Meeting of Stockholders should send a signed letter of recommendation stating the reasons for the recommendation and containing the full name and address of each proposed candidate as well as a brief biographical history setting forth past and present directorships, employment, occupations and civic activities, and any other supporting information, to be received by the Company at any time prior to the deadline set forth above under the heading "Deadline for Receipt of Stockholder Proposals for Fiscal 2007." As instructed under that heading, correspondence should be sent to *Solectron Corporation, 847 Gibraltar Drive, Milpitas, California 95035, Attention: Corporate Secretary.*

Any stockholder recommendation should be accompanied by a written statement from the proposed director candidate consenting to be considered as a candidate and, if nominated, consenting to be named in the proxy statement and, if elected, consenting to serve as a director.

Stockholder Communications with the Board

Stockholders may communicate with the Board and/or individual Board members by sending correspondence to such Board member(s) at the address of the Company's headquarters which may be found at www.solectron.com/misc/contactus.htm. All such correspondence shall be forwarded to the addressees.

Corporate Governance Principles

Solectron has long upheld a set of basic beliefs to guide our actions. Among those beliefs is the responsibility to conduct ourselves with the highest standards of ethical behavior when relating to customers, suppliers, employees, investors and the communities where we work. We believe our corporate governance policies and practices, some of which are discussed above and summarized below, meet or exceed the standards set forth in applicable SEC and NYSE rules and regulations currently in effect and we intend to meet or exceed all requirements of new rules and regulations as they come into effect.

Independent Directors

Except for our CEO, all of our Board members are independent of the Company and its management as defined by the SEC and the corporate governance listing standards of the NYSE.

The non-management directors regularly meet in executive session, without management, as part of the normal agenda of our Board meetings. William A. Hasler, who is the current Chairman of the Board, presides over

these executive sessions.

Nominating and Governance Committee

The Nominating and Governance Committee has adopted a charter that meets NYSE corporate governance listing standards.

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Nominating and Governance Committee members all meet the applicable standards for independence as defined by the corporate governance listing standards of the NYSE.

Executive Compensation and Management Resources Committee

Executive Compensation and Management Resources Committee (ECMRC) members all meet the applicable standards for independence as defined by the corporate governance listing standards of the NYSE and by the Internal Revenue Service.

The ECMRC has adopted a charter that meets NYSE corporate governance listing standards.

Incentive compensation plans are reviewed and approved by the ECMRC as part of its charter.

The compensation plans for the executive officers of the Company are annually reviewed and approved by the ECMRC, with the CEO s compensation subject to further approval by the independent members of the full Board.

Director compensation guidelines are reviewed annually by the ECMRC, and recommended to the full Board for approval.

Review of the management succession plan is the responsibility of the ECMRC pursuant to our Corporate Governance Guidelines.

Audit Committee

The Audit Committee has established policies that are consistent with current corporate governance laws and regulations for audit committees and auditor independence.

Audit Committee members all meet the applicable tests for independence from Company management and requirements for financial literacy as set forth in the regulations of the SEC and the corporate governance listing standards of the NYSE.

The chair of the Audit Committee is an audit committee financial expert as defined in the applicable regulations of the SEC.

KPMG LLP, our independent registered public accounting firm, reports directly to the Audit Committee, and the Audit Committee has sole authority over the hiring and firing of KPMG LLP, and all audit engagement fees and terms.

The Audit Committee meets in private session on a regular basis with the head of the Company s internal audit function and with KPMG LLP, outside of the presence of Company management.

The Company s Ethics Office maintains an independent ethics hotline (telephone and email) to enable any employee, customer or supplier to confidentially and anonymously report questionable activities to the Audit Committee. Instructions for accessing the hotline can be found on the Company s website at www.solelectron.com/about/gov.shtml.

Stockholder Approval of Equity Compensation and Stockholder Rights Plans

The Company requires stockholder approval of all Company equity compensation plans and any amendments thereto, including any repricing of options contemplated by the Company, whenever such approval is necessary under NYSE corporate governance rules.

The Company requires stockholder approval prior to the adoption of any stockholders rights plan, or poison pill. In certain circumstances, the Board may, in the exercise of its fiduciary responsibilities, deem it in the best interests of the Company's stockholders to implement a rights plan prior to seeking stockholder approval, in which case the plan would expire if not submitted for stockholder approval within 12 months of such implementation.

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Corporate Governance Guidelines

Solectron has adopted a set of Corporate Governance Guidelines that meet NYSE corporate governance listing standards, including specifications for director qualification and responsibility.

Continuing education for directors is specified in our Corporate Governance Guidelines as being a component of the annual agenda for our Board meetings.

Code of Business Conduct and Ethics Guide

Solectron has adopted a Code of Business Conduct and Ethics Guide that includes a conflict of interest policy and applies to all directors, officers and employees.

New employees are trained in the Code of Business Conduct and Ethics Guide as part of new-employee orientation, and are required to affirm in writing their acceptance of the Code.

Management-level employees are required to annually reaffirm in writing their acceptance of the Code of Business Conduct and Ethics Guide, and are required to complete annual ethics training and a conflict-of-interest questionnaire.

The Code of Business Conduct and Ethics Guide is available on the Company's website at www.solectron.com/about/gov.shtml and is available in print to any stockholder who requests it. Such requests may be made at www.solectron.com/misc/contactus.htm. We intend to satisfy the disclosure requirement under Item 5.05(c) of Form 8-K regarding certain amendments to, or waivers from, a provision of this code of ethics by posting such information on our website, at the address and location specified above, within four business days of such amendment or waiver.

Electronic Industry Code of Conduct

We were one of the original drafters of the Electronic Industry Code of Conduct (EICC), which was developed by a coalition of electronic industry companies including HP, IBM, Dell, Flextronics, Celestica, Sanmina-SCI and Jabil Circuit.

The EICC promotes socially responsible business practices with respect to labor, worker health and safety, environmental protection and ethics.

Solectron's adoption of the EICC is a further representation of the Company's commitment to corporate social responsibility and ethical business behavior. A copy of the EICC can be found on the Company's website at www.solectron.com/about/gov.shtml.

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The Company's Board currently consists of 9 persons. All 9 positions on the Board are to be elected at this meeting. Unless otherwise instructed, the proxyholders will vote the proxies received by them for the Company's nominees named below. In the event that any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board to fill the vacancy. In the event additional persons are nominated for election as directors, the proxyholders intend to vote all proxies received by them in such a manner in accordance with cumulative voting if such directors are to be elected by cumulative voting, as will ensure the election of as many of the nominees listed below as possible, and in such event, the specific nominees to be voted for will be determined by the proxyholders. The Company is not aware of any nominee who will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until the next Annual Meeting of Stockholders or until his successor has been elected and qualified.

Director Nominees

The names of the nominees, and certain information about them, are set forth below.

Name of Nominee	Age	Principal Occupation	Director Since
William A. Hasler	64	Chairman of the Board of the Company; Corporate Director	1998
Michael R. Cannon	54	President and Chief Executive Officer of the Company	2003
Richard A. D'Amore	53	General Partner, North Bridge Venture Partners	1985
H. Paulett Eberhart	53	Corporate Director	2005
Heinz Fridrich	73	Corporate Director	1996
William R. Graber	63	Corporate Director	2004
Dr. Paul R. Low	73	President, PRL Associates	1993
C. Wesley M. Scott	59	Corporate Director	2001
Cyril Yansouni	64	Corporate Director	2004

Except as set forth below, each of the nominees has been engaged in his or her principal occupation set forth above during the past five (5) years. There is no family relationship between any director or executive officer of the Company.

Mr. William A. Hasler has served as a director of the Company since May 1998 and as Chairman of the Board since January 2003. Mr. Hasler previously served as co-chief executive officer and Vice Chairman of Apton Corporation, an international biotechnology firm. Prior to joining Apton, Mr. Hasler was Dean and Department Chair of the Haas School of Business at the University of California, Berkeley. Mr. Hasler also serves as a director of Stratex Networks,

DiTech Communications Corporation, Genitope Corporation, Technical Olympic USA, Inc., Mission West Properties (a REIT) and The Schwab Funds (a mutual fund). In addition, Mr. Hasler is a member of the Compensation Committee of Genitope Corporation and DiTech Corporation.

Mr. Michael R. Cannon joined the Company in January 2003 as President and CEO and as a member of the Board of Directors and has more than 25 years of manufacturing and technology experience. Prior to joining the Company, Mr. Cannon was President, CEO and a director of Maxtor Corporation, a provider of hard disk drives and storage systems. Previously, Mr. Cannon was with IBM's Storage Systems Division, where he held several senior leadership positions, including Vice President of the Personal Storage Systems Division, Vice President of Product Design and Vice President of Worldwide Manufacturing. Prior to IBM, Mr. Cannon worked at several companies in the disk drive industry, including Control Data Corporation's Imprimis Technology spin-off. Mr. Cannon began his

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career at The Boeing Company, where he held engineering and management positions in the Manufacturing Research and Development Group. Mr. Cannon studied mechanical engineering at Michigan State University and completed the Advanced Management Program at Harvard Business School. Mr. Cannon also serves as a director of Adobe Systems Inc. and Seagate Technology, Inc.

Mr. Richard A. D Amore has served as a director of the Company since 1985. Mr. D Amore has been a general partner of North Bridge Venture Partners since 1994. Mr. D Amore also serves as a director of Veeco Instruments, Inc., Phase Forward Incorporated and a number of private companies.

Mr. Heinz Fridrich has served as a director of the Company since April 1996. He has been associated with the faculty of the University of Florida since 1993 and is now Industry Professor Emeritus. From 1950 to 1993, Mr. Fridrich held a number of manufacturing and operation management positions with IBM in Europe and the United States. Mr. Fridrich also serves as a director of Veeco Instruments Inc.

Mr. William R. Graber has served as a director of the Company since January 2004. From February 2000 until his retirement in April 2004, Mr. Graber served as Senior Vice President and Chief Financial Officer of McKesson Corporation, a healthcare services and information technology company. From 1991 to 1999, Mr. Graber was with Mead Corporation where, prior to becoming Chief Financial Officer, he served as Controller and Treasurer. From 1965 to 1991, Mr. Graber held a wide range of financial management positions at General Electric Company. Mr. Graber holds a bachelor's degree in mathematics from Washington State University. Mr. Graber is a member of the Financial Executives Institute and is a trustee of the Washington State University Foundation. Mr. Graber also serves as a director of Kaiser Foundation Health Plan and Kaiser Foundation Hospitals and the Mosaic Company.

Dr. Paul R. Low has served as a director of the Company since 1993. He is currently President of PRL Associates, a position he has held since 1992. Dr. Low worked for IBM from 1957 to 1992. During his tenure at IBM, Dr. Low held senior management and executive positions with successively increasing responsibility, including President, General Technology Division and Corporate Vice President; President of General Products Division; and General Manager, Technology Products business line. Dr. Low also served on IBM's corporate management board. Dr. Low also serves as a director of Veeco Instruments, Inc.

Mr. C. Wesley M. Scott has served as a director of the Company since 2001. In May 2001, he was appointed a director of C-MAC Industries Inc., whose combination with the Company was completed in December 2001. From February 2000 until March 2001, Mr. Scott was Chief Corporate Officer of BCE Inc. From February 1999 until January 2000, Mr. Scott was Vice Chairman of Bell Canada. From July 1995 until January 1999, Mr. Scott was Executive Vice President (Corporate) and, from April 1997 until January 1999, also Chief Financial Officer, of Nortel Networks. Mr. Scott also serves as a director of CGI Group Inc. and certain subsidiary companies of Aviva plc.

Ms. H. Paulett Eberhart has served as a director of the Company since January 2005. Until her retirement in March 2004, she served as President, Americas at EDS. An employee of EDS since 1978, Ms. Eberhart previously served in a number of senior executive roles, including Senior Vice President and President, Solutions Consulting; member, EDS Executive Operations Team and Investment Committee; Senior Vice President, Information Solutions, U.S.; and Senior Vice President, Finance. Ms. Eberhart holds a bachelor of science degree from Bowling Green State University. Ms. Eberhart previously served on the board of directors of AT Kearney, a subsidiary of EDS, and as the chair of the political action committee at EDS. Ms. Eberhart is a member of the Financial Executives Institute and American Institute of Certified Public Accountants, and currently serves as a director of Advanced Micro Devices, Inc. and Anadarko Petroleum Corporation.

Mr. Cyril Yansouni has served as a director of the Company since January 2004. From 1991 to 2003, Mr. Yansouni was the Chairman of the Board of Directors of Read-Rite Corporation, a supplier of magnetic recording heads for data

storage drives, and served as both Chairman of the Board and Chief Executive Officer from 1991 to 2000. From 1988 to 1991, Mr. Yansouni was with Unisys Corporation, a manufacturer of computer systems, where he served in various senior management positions, most recently as an Executive Vice President. From 1986 to 1988, Mr. Yansouni was President of Convergent Technologies, a manufacturer of computer systems which was acquired by Unisys Corporation in December 1988. From 1967 to 1986, Mr. Yansouni served in a variety of technical and management positions at Hewlett-Packard Company, most recently as Vice President and General

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Manager of the Personal Computer Group. Mr. Yansouni received his M.S. degree in electrical engineering from Stanford University and his B.S. degree in electrical engineering and mechanical engineering from the University of Louvain, Belgium. Mr. Yansouni also serves as a director of Tektronix Inc.

Required Vote

Each stockholder voting in the election of directors is entitled to cumulate such stockholder's votes. Each stockholder who elects to cumulate votes shall be entitled to as many votes as equals the number of directors to be elected multiplied by the number of shares held by such stockholder, and the stockholder may cast all such votes for a single director or distribute such votes among as many candidates as the stockholder may see fit. However, no stockholder shall be entitled to cumulate votes unless the candidate's name has been placed in nomination prior to the voting and the stockholder, or any other stockholder, has given notice at the meeting to the Company's Secretary prior to the voting of the intention to cumulate the votes. The 9 nominees receiving the highest number of affirmative votes of the shares entitled to be voted for them shall be elected as directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum for the transaction of business, but have no other legal effect under Delaware law. Abstentions and sh