

SOLECTRON CORP
Form S-4
September 10, 2001
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As filed with the Securities and Exchange Commission on September 10, 2001

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SOLECTRON CORPORATION

(Exact name of Registrant as specified in its charter)

DELAWARE 3670 94-2447045 (State or
other jurisdiction of
incorporation or organization) (Primary
Standard Industrial
Classification Code Number) (I.R.S.
Employer
Identification Number)

777 Gibraltar Drive

Milpitas, California 95035
(408) 957-8500

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Kiran Patel
Senior Vice President and
Chief Financial Officer
Solectron Corporation
777 Gibraltar Drive
Milpitas, California 95035
(408) 957-8500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Steven E. Bochner, Esq.
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Professional Corporation
650 Page Mill Road
Palo Alto, California 94304

(650) 493-9300 Winthrop B. Conrad, Jr., Esq.
 Davis Polk & Wardwell
 450 Lexington Avenue
 New York, NY 10017
 (212) 450-4000

Approximate date of commencement of proposed sale to the public: Upon consummation of the arrangement described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement number for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(2)	Proposed Maximum Offering Price Per Share(3)	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee
Common Stock, par value \$0.001 per share(1)	151,479,449	n/a	\$1,723,672,128	\$430,919

- (1) Each share of common stock includes one preferred share purchase right. No separate consideration will be received for the preferred share purchase rights.
- (2) Based upon the estimated maximum number of shares of common stock, par value \$0.001 per share, of the Registrant, including shares of common stock of the Registrant issuable upon exchange of exchangeable shares of Solectron Global Services Canada Inc. (an indirect wholly-owned Canadian subsidiary of Solectron) that may be issued pursuant to the arrangement, based on the exchange ratio applicable in the arrangement (1.755 shares of the Registrant's common stock for each common share of C-MAC Industries Inc. (C-MAC common share)),
- (3) Estimated solely for purposes of calculating the registration fee required by the Securities Act of 1933, as amended, and computed pursuant to Rules 457(f) and (c) under the Securities Act based on the product of (i) \$19.97, the average of the high and low per share prices of C-MAC common shares as reported on the New York Stock Exchange on September 6, 2001 and (ii) the maximum number of C-MAC common shares to be acquired by the Registrant.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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[LETTERHEAD OF SOLECTRON]

, 2001

Dear Stockholders:

You are cordially invited to attend the special meeting of stockholders of Solelectron Corporation to be held at __, local time, on __ at Solelectron's corporate offices located at 847 Gibraltar Drive, Milpitas, California 95035. At the special meeting you will be asked to consider and vote upon a proposal to issue up to 151,479,449 shares of Solelectron common stock in connection with a combination with C-MAC Industries Inc. Approximately 151,479,449 shares of Solelectron common stock will be issued (or reserved for issuance on exchange of exchangeable shares of a Canadian subsidiary of Solelectron) in exchange for the common shares of C-MAC pursuant to the terms of a combination agreement dated as of August 8, 2001, as amended September 7, 2001 (referred to in this letter and the document accompanying this letter as the combination agreement) and the terms of a plan of arrangement providing for an arrangement involving, among others, C-MAC and its shareholders under Section 192 of the *Canada Business Corporations Act*.

If the issuance of Solelectron common stock is approved by the requisite holders of Solelectron common stock, the C-MAC arrangement resolution is approved by the requisite holders of C-MAC common shares and options, and the arrangement is subsequently completed, each outstanding C-MAC common share will be exchanged for (1) 1.755 shares of Solelectron common stock, or (2) 1.755 exchangeable shares (and certain ancillary rights) of a Canadian subsidiary of Solelectron (referred to in the document accompanying this letter as Exchangeco), that are exchangeable on a one-for-one basis for shares of Solelectron common stock, or (3) a combination thereof. Only holders of C-MAC common shares who are Canadian residents will be entitled to receive exchangeable shares.

Before we can complete the arrangement, the holders of a majority of the votes cast at a special meeting of Solelectron stockholders must vote in favor of the issuance of Solelectron common stock pursuant to the combination agreement and the plan of arrangement. Each share of Solelectron common stock is entitled to one vote on all matters to come before the special meeting. Only stockholders who hold shares of Solelectron common stock at the close of business on __, 2001 will be entitled to vote at the special meeting. The Solelectron common stock constitutes the only class of Solelectron's capital stock entitled to vote at the special meeting.

Your board of directors has approved the issuance of Solelectron common stock pursuant to the combination agreement and the plan of arrangement and recommends that you vote for approval of the share issuance. Merrill Lynch, Pierce, Fenner & Smith Incorporated provided to the Solelectron board of directors a written opinion dated August 8, 2001 to the effect that, as of that date, the exchange ratio set forth in the original combination agreement dated August 8, 2001 was fair, from a financial point of view, to Solelectron. Merrill Lynch's written opinion is attached as Annex G to this document, and you should read it carefully in its entirety.

Following this letter you will find a formal notice of the special meeting and a document providing you with detailed information concerning the combination agreement, the plan of arrangement, C-MAC and Solelectron. Please give all of the information contained in this document your careful attention. **In particular, you should carefully consider the discussion in the section of this document entitled "Risk Factors"**. You may also obtain more information about Solelectron from documents we have filed with the United States Securities and Exchange Commission and about C-MAC from documents they have filed with the Securities and Exchange Commission and with securities regulatory authorities in Canada. If the requisite holders of Solelectron common stock approve the issuance and the requisite holders of C-MAC common shares and C-MAC options approve the C-MAC arrangement resolution, it is expected that completion of the arrangement will occur soon after the special meeting and after all of the other conditions to completion of the arrangement are satisfied or are waived.

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To vote your shares, you may use the enclosed proxy card, use our telephone or Internet voting procedures or attend the special meeting that will be held for this important vote.

Thank you for your cooperation.

Sincerely,

Ko Nishimura
Chairman, President and Chief Executive Officer

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SOLECTRON CORPORATION

777 Gibraltar Drive
Milpitas, California 95035
(408) 957-8500

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON __, 2001**

To the Stockholders of Solectron Corporation:

A special meeting of stockholders of Solectron Corporation will be held on __, 2001, at __, local time, at Solectron's corporate offices at 847 Gibraltar Drive, Milpitas, California 95035, for the following purposes:

1. To consider and vote on a proposal to issue or reserve for issuance up to __ shares of Solectron common stock pursuant to the terms of a combination agreement dated as of August 8, 2001 as amended September 7, 2001, which are attached as Annexes A-1 and A-2 to this document, and the terms of a plan of arrangement providing for an arrangement involving C-MAC Industries Inc. under Section 192 of the *Canada Business Corporations Act*, a form of which as filed with the Superior Court of Justice (Québec) which is attached as Annex B to this document.
2. To transact other business that may properly come before the special meeting and any adjournment or postponement of the special meeting.

All stockholders are invited to attend the special meeting. Stockholders of record at the close of business on __, 2001, the record date fixed by the board of directors, are entitled to notice of and to vote at the special meeting or any adjournment or postponement thereof. Holders of common stock as of the record date will have the right to vote on the above proposals. Approval of the issuance of shares of Solectron common stock requires the affirmative vote of a majority of the votes cast at a special meeting of Solectron stockholders at which a quorum is present.

Your vote is important. Whether or not you plan to attend the special meeting, you are urged to complete, date, sign and return the enclosed proxy in the accompanying envelope or vote via telephone or the Internet in accordance with the instructions included with the proxy card. A prompt response will greatly facilitate arrangements for the special meeting and your cooperation will be appreciated. You may revoke your proxy in the manner described in this document before it has been voted at the special meeting. Stockholders who attend the special meeting may vote their stock personally even though they have sent their proxies.

BY ORDER OF THE BOARD OF DIRECTORS

Susan S. Wang
Senior Vice President and Corporate Secretary

Milpitas, California
__, 2001

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[LETTERHEAD OF C-MAC]

_____, 2001

Dear C-MAC Securityholder:

The C-MAC board of directors cordially invites you to attend a special meeting of securityholders of C-MAC Industries Inc. to be held at _____ a.m. (Montreal time) on _____, 2001 at _____, Montreal, Québec.

On August 8, 2001, C-MAC entered into a combination agreement with Solectron Corporation to combine the two companies. An amendment to the combination agreement was executed on September 7, 2001. The board of directors regards the proposed combination with Solectron as an event of singular importance to C-MAC. The combination will create a diversified provider of integrated electronic manufacturing solutions. We believe that the combination presents the opportunity to combine complementary products and technologies and to create the largest, most complete electronic manufacturing services provider with the ability to provide customers with end-to-end solutions, including fully-integrated systems.

At the meeting, you will be asked to consider and approve a plan of arrangement pursuant to which C-MAC will become a subsidiary of Solectron. Under the arrangement, the holders of common shares of C-MAC will receive, as consideration for each C-MAC common share held, subject to certain conditions:

1.755 shares of Solectron common stock; or

1.755 exchangeable shares of a Canadian subsidiary of Solectron (referred to in the documents accompanying this letter as Exchangeco), along with certain ancillary rights, that are exchangeable on a one-for-one basis for shares of Solectron common stock; or

a combination of shares of Solectron common stock and exchangeable shares (and certain ancillary rights).

Only C-MAC shareholders who are Canadian residents holding C-MAC common shares in their own names or who hold C-MAC common shares on behalf of Canadian residents (collectively referred to herein as Canadian resident C-MAC shareholders) are entitled to receive exchangeable shares. Each exchangeable share (together with ancillary rights) will entitle its holder to dividends and other rights that are substantially economically equivalent to those of a holder of a share of Solectron common stock. Holders of exchangeable shares will also have the right to vote at meetings of stockholders of Solectron through a voting trust arrangement. Exchangeable shares will be exchangeable at the option of the holder at any time, on a one-for-one basis, for shares of Solectron common stock. By completing the tax election package described in the accompanying C-MAC Management Information Circular and Solectron Proxy Statement/ Prospectus, Canadian resident C-MAC shareholders who are otherwise eligible and who exchange C-MAC common shares for exchangeable shares (and ancillary rights) will be able to obtain a full or partial tax deferral on any accrued capital gain on those shares for Canadian federal income tax purposes.

Under the arrangement, each C-MAC option which remains unexercised on the effective date of the arrangement will be exchanged for an option to purchase a number of shares of Solectron common stock based on the exchange ratio applicable to C-MAC common shares and the exercise price will be adjusted according to the same exchange ratio.

For the arrangement to proceed, it must be approved by not less than two-thirds of the votes cast at the special meeting by holders of C-MAC common shares and options to purchase C-MAC common shares, voting together as a single class. At the special meeting, C-MAC shareholders will have one vote for each C-MAC common share and C-MAC optionholders will have one vote for each C-MAC common share represented by their options. The arrangement is subject to approval of the Superior Court of Justice (Québec) and is also conditional upon the approval of the issuance of shares of Solectron common stock by Solectron stockholders.

The board of directors has considered the proposed combination with Solectron at length. The board of directors is of the view that the terms of the combination agreement, as amended, and the arrangement are fair to C-MAC shareholders and in the best interests of C-MAC and its shareholders. The board of

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directors has unanimously approved the combination agreement, as amended, and the arrangement and recommends that C-MAC securityholders vote FOR the resolution approving the arrangement.

Included with this letter is the Notice of Special Meeting, the C-MAC Management Information Circular and Solectron Proxy Statement/ Prospectus, a form of proxy for C-MAC shareholders, a form of proxy for C-MAC optionholders, and a letter of transmittal and election form for C-MAC shareholders and a letter of transmittal and election form for C-MAC optionholders, all relating to the C-MAC special meeting. The accompanying circular includes a description of the arrangement and of the businesses of C-MAC and Solectron and related historical and pro forma financial information, a discussion of certain tax matters and information regarding the fairness opinion received by C-MAC from Banc of America Securities LLC, C-MAC's financial advisor. A summary of certain of the information in the circular concerning the arrangement begins on page ___ of the circular. We urge you to consider carefully all of the information in the circular. In particular, you should give the section entitled "Risk Factors" your careful attention. If you require assistance, please consult your financial, legal or other professional advisors.

It is important that you be represented at the C-MAC special meeting. Whether or not you are able to attend the C-MAC special meeting in person, please complete, sign and date the enclosed form of proxy for C-MAC shareholders or the form of proxy for C-MAC optionholders, as appropriate, and return it in the envelope provided as soon as possible. Completing and returning the enclosed appropriate form of proxy will not limit your right to vote in person if you wish to attend the C-MAC special meeting and vote personally.

In connection with the arrangement, Canadian resident C-MAC shareholders will have the option of receiving exchangeable shares (and certain ancillary rights) for some or all of their C-MAC common shares as long as they properly complete the appropriate letter of transmittal and election form and ensure it is received by General Trust of Canada prior to 5:00 p.m. (Montreal time) on _____, 2001 (the election deadline) at its Montreal or Toronto office. Only Canadian resident C-MAC shareholders are entitled to receive exchangeable shares. C-MAC shareholders who do not properly complete their letter of transmittal and election form prior to the election deadline or who are not Canadian resident C-MAC shareholders will receive shares of Solectron common stock for their C-MAC common shares if the arrangement is completed.

C-MAC shareholders will not receive share certificates representing shares of Solectron common stock or exchangeable shares until they have returned their letter of transmittal and election form and their C-MAC share certificates to General Trust of Canada. Options to purchase C-MAC common shares will continue to be evidenced by the agreements made by C-MAC with its optionholders. Please read the instructions in the letters of transmittal and election forms carefully.

On behalf of C-MAC, I would like to thank all C-MAC securityholders for their ongoing support as we prepare to take part in this important event in the history of C-MAC. We are committed to a successful combination with Solectron and believe that the combined company will be uniquely positioned to capitalize on worldwide opportunities and to extend its rapidly growing product ranges and geographical reach.

Yours very truly,

Dennis Wood
Chairman of the Board,
President and Chief Executive Officer

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C-MAC INDUSTRIES INC.

NOTICE OF SPECIAL MEETING OF SECURITYHOLDERS

to be held on ___, 2001

To the holders of common shares and options to purchase common shares of C-MAC Industries Inc.:

A special meeting of the holders of common shares and options of C-MAC Industries Inc. will be held at ___, Montreal, Québec, on ___, 2001 at ___ a.m. (Montreal time) for the following purposes:

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1. to consider, pursuant to an interim order of the Superior Court of Justice (Québec) dated ___, 2001, and, if deemed advisable, to pass, with or without variation, a special resolution to approve an arrangement under Section 192 of the *Canada Business Corporations Act* involving the indirect acquisition by Solectron Corporation of all the issued and outstanding common shares of C-MAC; and
2. to transact such further or other business as may properly come before the meeting or any adjournment or postponement thereof.

The arrangement is described in the accompanying C-MAC Management Information Circular and Solectron Proxy/ Prospectus, which serves as a circular in connection with C-MAC management's solicitation of proxies and as a proxy statement and prospectus under applicable U.S. securities laws for Solectron in connection with the issuance of shares of Solectron common stock pursuant to the arrangement. The full text of the C-MAC arrangement resolution is set out as Annex F to the attached document. C-MAC's notice of application for the interim order and for a final order approving the arrangement and the full text of the interim order is set out in Annex B to the attached document.

Pursuant to the interim order, registered holders of common shares of C-MAC may dissent in respect of the C-MAC arrangement resolution. If the arrangement becomes effective, dissenting C-MAC registered shareholders who comply with the dissent procedures (which are described in the circular under the heading "Dissenting Shareholder Rights") will be entitled to be paid the fair value of their common shares of C-MAC. Failure to comply strictly with such dissent procedures may result in the loss or unavailability of any right to dissent.

C-MAC securityholders who do not expect to attend the meeting in person are requested to complete, sign, date and return the appropriate enclosed form of proxy in the enclosed envelope or by facsimile to C-MAC Industries Inc., c/o General Trust of Canada, Proxy Department, 1100 University Street, Montreal, Québec, Canada, H3B 2G7 or 121 King Street West, Suite 600, Toronto, Ontario, Canada, M5H 3T9, facsimile numbers (514) 871-7506 or (416) 865-7610. The appropriate form of proxy must be received by General Trust of Canada prior to 5:00 p.m. (Montreal time) on ___, 2001 or, in the event that the meeting is adjourned or postponed, prior to 5:00 p.m. (Montreal time) on the second business day prior to the day fixed for the adjourned or postponed meeting.

DATED at Montreal, Québec, the ___ day of ___, 2001.

By order of the Board

Michel Megelas
Assistant Secretary

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The information in this prospectus is not complete and may be changed. Solectron may not sell these securities until the registration statement filed with the United States Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated September 10, 2001

C-MAC MANAGEMENT INFORMATION CIRCULAR

AND SOLECTRON PROXY STATEMENT/PROSPECTUS

151,479,449 shares of Solectron Common Stock

Solectron and C-MAC are preparing to engage in a business combination pursuant to which Solectron will indirectly acquire all of the outstanding shares of C-MAC in exchange for shares of Solectron common stock, and C-MAC will thereby become an indirect subsidiary of Solectron. This document is (1) a C-MAC management information circular; (2) a Solectron proxy statement and (3) a prospectus under U.S. securities laws relating to the issuance of shares of Solectron common stock in connection with the proposed combination.

Up to approximately 151,479,449 shares of Solectron common stock will be issued in connection with the combination with C-MAC. Solectron will not receive any proceeds from the sale of these shares.

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Solectron's common stock is traded on the New York Stock Exchange under the symbol SLR. The last reported sale price on _____, 2001, the last trading day prior to the date of this document, was \$_____ per share.

**THIS OFFERING INVOLVES MATERIAL RISKS.
SEE RISK FACTORS BEGINNING ON PAGE 26.**

Neither the United States Securities and Exchange Commission nor any state or other securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**The date of this C-MAC Management Information Circular
and Solectron Proxy Statement/Prospectus is _____, 2001**

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QUESTIONS AND ANSWERS ABOUT THE TRANSACTION

General Questions and Answers

Q: What are Solectron and C-MAC proposing?

A: Solectron and C-MAC are proposing to engage in a business combination pursuant to which Solectron will indirectly acquire all of C-MAC's outstanding shares and C-MAC will thereby become an indirect subsidiary of Solectron. The combination will be carried out pursuant to a combination agreement dated August 8, 2001, as amended September 7, 2001, (hereafter referred to in this document as the combination agreement) and plan of arrangement involving C-MAC and Solectron Global Services Canada Inc., an indirect wholly-owned subsidiary of Solectron (referred to in this document as Exchangeco), whereby Exchangeco will acquire all the outstanding C-MAC common shares and all the outstanding shares of holding companies of certain Canadian C-MAC shareholders in exchange for (1) shares of Solectron common stock, or (2) at the option of C-MAC shareholders who either hold C-MAC common shares on their own behalf and are Canadian residents for Canadian income tax purposes, or hold C-MAC shares on behalf of persons who are Canadian residents for Canadian income tax purposes (collectively referred to in this document as Canadian residents) and who validly so elect, shares of Exchangeco (and certain ancillary rights) exchangeable for shares of Solectron common stock on a one-for-one basis or (3) at the option of Canadian residents who validly so elect, a combination of shares of Solectron common stock and exchangeable shares (and certain ancillary rights).

When the term *transaction* is used throughout this document, it means the transactions contemplated by the combination agreement and the plan of arrangement, whereby, among other things, Solectron will become, indirectly through its subsidiaries, the sole beneficial holder of the C-MAC common shares outstanding after giving effect to the arrangement. Except as otherwise specified in this document, where the term *Canadian resident* is used in this document in reference to a C-MAC shareholder, the term also includes a C-MAC shareholder who holds C-MAC shares on behalf of a Canadian resident.

Q: Why are Solectron and C-MAC proposing to combine? (See page 58)

A: Solectron and C-MAC are proposing to combine because Solectron and C-MAC each believe that a combination of the two companies will enable the combined company to create a diversified provider of integrated electronic manufacturing solutions that can benefit from complementary high-end technology capabilities, selected vertical integration and improved access to growth opportunities and meet the growing demand by customers for complete supply chain management solutions. Solectron and C-MAC each believe that greater stockholder value can be achieved through a combined company with additional resources, products, services, customer and supplier relationships and technology.

Q: What will holders of C-MAC common shares receive in the transaction? (See pages 52 and 53)

A: In the transaction, the holders of outstanding common shares of C-MAC (other than holders who properly exercise their dissent rights) will receive as consideration for each C-MAC common share, subject to certain conditions, (1) 1.755 shares of Solectron common stock, or (2) 1.755 shares of a class of shares of Exchangeco (and certain ancillary rights), that are exchangeable at any time on a one-for-one basis for shares of Solectron common stock, or (3) a combination thereof. Only C-MAC shareholders who are Canadian residents will be entitled to receive exchangeable shares. The exchangeable shares will entitle their holders to dividends and other rights that are substantially economically equivalent to those of holders of shares of Solectron common stock. Holders of exchangeable shares will also have the right, through a voting trust arrangement, to vote at meetings of Solectron stockholders. The exchangeable share structure is designed to provide an opportunity for shareholders of C-MAC who are Canadian residents and who validly make the required tax election to achieve a deferral of Canadian tax on any accrued capital gain on their C-MAC common shares in certain circumstances.

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Neither Solectron nor Exchangeco will issue fractional shares in connection with the transaction. Rather than receiving a fractional share of Solectron common stock or a fraction of an Exchangeco exchangeable share, a C-MAC shareholder will receive cash, without interest, equal to the shareholder's pro rata portion of the net proceeds after expenses received by General Trust of Canada (the depository) upon the sale of whole shares representing the accumulation of all fractional interests in shares of Solectron common stock or exchangeable shares, respectively, to which all C-MAC shareholders would otherwise be entitled.

Q: How will the transaction affect options to acquire C-MAC common shares? (See pages 84 and 85)

A: Options to purchase common shares of C-MAC will be exchanged for options to purchase shares of Solectron common stock pursuant to the arrangement. The number of shares issuable upon the exercise of these options, and their applicable exercise prices, will be adjusted using the 1.755 exchange ratio applicable in connection with the transaction.

Q: Will C-MAC shareholders be able to trade the shares of Solectron common stock and Exchangeco exchangeable shares that they receive in the transaction? (See page 80)

A: Yes. The Solectron common stock will be listed on the New York Stock Exchange under the symbol SLR. Exchangeco intends to apply to The Toronto Stock Exchange to list the exchangeable shares, such listing to be effective prior to the effective date of the arrangement. It is a condition to completion of the transaction that the relevant Canadian securities regulatory authorities shall have granted relief to permit resale of the Solectron common stock and exchangeable shares issued in the transaction or issued upon exchange of exchangeable shares, without restriction by persons other than control persons, provided that no unusual effort is made to prepare the market for any such resale or to create a demand for the securities which are the subject of any such resale and no extraordinary commission or consideration is paid in respect thereof. Persons who are deemed to be affiliates of C-MAC prior to the completion of the transaction, however, must comply with Rule 145 under the United States Securities Act of 1933 if they wish to sell or otherwise transfer the shares of Solectron common stock or exchangeable shares they receive in the transaction or shares of Solectron common stock they receive upon exchange of exchangeable shares or on the exercise of replacement options.

Q: When do Solectron and C-MAC expect to complete the transaction?

A: Solectron and C-MAC will complete the transaction when all of the conditions to completion of the arrangement contained in the combination agreement have been satisfied or waived. Solectron and C-MAC are working toward satisfying these conditions and completing the arrangement as quickly as possible. Solectron and C-MAC currently plan to complete the transaction during the fourth calendar quarter of 2001. Because the arrangement is subject to governmental and regulatory approvals and other conditions, some of which are beyond Solectron's and C-MAC's control, the exact timing cannot be predicted.

Q: What happens if the transaction is not completed?

A: If the transaction is not completed, each of C-MAC and Solectron will continue as independent companies.

Solectron Stockholder Questions and Answers

Q: On what am I being asked to vote? (See page 44)

A: Solectron stockholders are being asked to approve a proposal to issue up to _____ shares of Solectron common stock in connection with the transaction (including the shares of Solectron common stock which will be issued upon exchange of Exchangeco exchangeable shares). As of September 4, 2001 there were 86,317,076 common shares of C-MAC issued and outstanding. This issuance of Solectron common

stock is referred to in this document as the Solectron share issuance. These shares will be issued as consideration for the C-MAC common shares to be acquired by Solectron at the exchange ratio of 1.755 shares of Solectron stock or 1.755 exchangeable shares (or a combination

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thereof) for each C-MAC common share. Stockholder approval of the Solectron share issuance is not required by Delaware law or Solectron's certificate of incorporation or bylaws, but is required by the rules of the New York Stock Exchange.

Q: What vote is required to approve the Solectron share issuance?

A: A majority of the votes cast by Solectron stockholders at the Solectron special meeting at which a quorum is present is required to approve the Solectron share issuance. Each share of Solectron common stock is entitled to one vote on all matters to come before the special meeting. Only stockholders who hold shares of Solectron common stock at the close of business on _____, 2001 will be entitled to vote at the special meeting. The Solectron common stock constitutes the only class of Solectron's capital stock entitled to vote at the Solectron special meeting. Solectron stockholders are not required to vote on the combination agreement or the plan of arrangement.

Q: How do I vote on the proposed issuance of shares of Solectron common stock? (See page 46)

A: First, please review the information contained in this document, including the annexes. It contains important information about C-MAC and Solectron. It also contains important information about what the boards of directors of C-MAC and Solectron considered in evaluating the transaction. Next, complete and sign the enclosed proxy card, and then mail it in the enclosed return envelope as soon as possible so that your shares can be voted at the special meeting of Solectron stockholders at which the Solectron share issuance will be presented and voted upon. You may also attend the special meeting in person and vote at the special meeting.

Q: What happens if I don't indicate how to vote my proxy? (See page 46)

A: If you sign and send in your proxy, but do not include instructions on how to vote your properly signed proxy card, your shares will be voted **FOR** approval of the Solectron share issuance.

Q: What happens if I don't return a proxy card? (See page 45)

A: Not returning your proxy card will have the effect of reducing the number of votes cast at the special meeting, thereby also reducing the number of votes needed to approve the Solectron share issuance. It may also contribute to a failure to obtain a quorum at the special meeting. Under Solectron's bylaws, a majority of the total issued and outstanding shares entitled to vote thereat, present in person or represented by proxy, constitutes a quorum at a special meeting.

Q: Can I change my vote after I have mailed my signed proxy card? (See page 46)

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting of Solectron stockholders at which the Solectron share issuance will be presented and voted upon. You can do this in one of three ways:

first, you can send a written notice to the Secretary of Solectron at the address specified below stating that you would like to revoke your proxy;

second, you can complete and submit a later-dated proxy card; or

third, you can attend the special meeting and vote in person. Your attendance at the special meeting alone will not revoke your proxy. You must also vote at the special meeting in order to revoke your previously submitted proxy.

You should send any notice of revocation or your completed new proxy card, as the case may be, to Solectron at the following address:

Solectron Corporation
c/o Morrow & Co.
445 Park Avenue
New York, New York 10022

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Q: Can I vote by telephone or electronically? (See page 46)

A: If you are a registered stockholder of Solectron (that is, if you hold your stock in certificate form), you may vote by telephone, or electronically through the Internet, by following the instructions included with your proxy card.

If your shares are held in street name, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically.

The deadline for voting by telephone or electronically is ___ on ___, 2001.

Q: If my broker holds my shares in street name, will my broker vote my shares for me? (See page 45)

A: No. Your broker will not be able to vote your shares without instructions from you. If you do not provide your broker with voting instructions, your shares may be considered present at the special meeting for purposes of determining a quorum, but will not be considered to have been voted in favor of approval of the Solectron share issuance. If you have instructed a broker to vote your shares and wish to change your vote, you must follow directions received from your broker to change those instructions.

Q: Am I entitled to dissenters or appraisal rights? (See page 46)

A: No. Holders of Solectron common stock do not have dissenters or appraisal rights in connection with the transaction. See Dissenting Shareholder Rights.

Q: Are there risks I should consider in deciding whether to vote for the issuance of Solectron common stock pursuant to the combination agreement and the plan of arrangement?

A: Yes. A number of risk factors that you should consider in connection with the transaction are described in the section of this document entitled Risk Factors.

Q: Who can help answer my questions about the transaction?

A: You may call Morrow & Co., Inc. at (800) 607-0088, with any questions you may have about the transaction.

C-MAC Securityholder Questions and Answers

Q: On what am I being asked to vote? (See page 48)

A: C-MAC shareholders and optionholders are being asked to consider, pursuant to an order of the Superior Court of Justice (Québec) rendered on ___, 2001, and if deemed advisable, to pass a special resolution to approve the arrangement under Section 192 of the *Canada Business Corporations Act* involving the indirect acquisition by Solectron of all the issued and outstanding common shares of C-MAC. This special resolution is referred to in this document as the C-MAC arrangement resolution.

Q: What vote is required to approve the C-MAC arrangement resolution?

A: The affirmative vote of not less than two-thirds of the votes cast at the special meeting by holders of C-MAC common shares and C-MAC options, voting together as a class, is required to approve the C-MAC arrangement resolution. Each C-MAC common share is entitled to one vote on all matters to come before the special meeting and each holder of options to purchase C-MAC common shares will be entitled to one vote for each C-MAC common share that would be received on a valid exercise of that holder's C-MAC options regardless of whether they are presently exercisable. Only holders of C-MAC common shares and options at the close of business on the day immediately preceding the day on which the notice of special meeting is given will be entitled to vote at the special meeting. The C-MAC common shares and the options to purchase C-MAC common shares constitute the only securities of C-MAC's capital stock entitled to vote at the C-MAC special meeting.

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Q: How do I vote on the transaction? (See pages 48, 49 and 50)

A: After carefully reading and considering the information contained in this document, including the annexes, please respond by completing, signing and dating your proxy form and returning it in the enclosed postage paid envelope or to C-MAC at the address specified in the enclosed envelope as soon as possible so that your securities can be voted at the special meeting of C-MAC's securityholders at which the C-MAC arrangement resolution will be presented and voted upon. You may also attend the special meeting in person and vote at the special meeting instead of submitting a proxy.

There are two forms of proxy, a yellow proxy applicable to C-MAC shareholders and a grey proxy applicable to C-MAC optionholders.

In addition, if you are a Canadian resident and wish to elect to receive exchangeable shares, you must also submit your properly completed and duly executed letter of transmittal and election form to General Trust of Canada, the depository for the C-MAC common shares, in the enclosed envelope at one of the addresses indicated in the letter of transmittal and election form before 5:00 p.m. (Montreal time) on ___, 2001. If you submit these materials after ___, 2001, the election deadline, and the arrangement is successfully completed, you will be entitled to receive only Solectron common stock.

Holders of C-MAC options who wish to exercise such options conditional upon completion of the arrangement should deliver to General Trust of Canada, in the enclosed envelope at one of the addresses indicated in the letter of transmittal and election form for C-MAC optionholders, before 5:00 p.m. (Montreal time) on ___, 2001, a properly completed and signed letter of transmittal and election form for C-MAC optionholders, including a notice of conditional exercise of the C-MAC options. If you submit these materials after such time, or if the arrangement is not completed, your options will be deemed not to have been exercised.

You do not need to submit a letter of transmittal and election form before the election deadline unless you are a Canadian resident electing to receive exchangeable shares, an optionholder wishing to conditionally exercise your options or you wish to participate in the transaction using the holding company alternative. Whether or not you are a Canadian resident, an optionholder wishing to conditionally exercise your options or you wish to participate in the transaction using the holding company alternative, you should vote by returning your proxy card.

Q: What happens if I don't indicate how to vote my proxy? (See page 49)

A: If a proxy given to management is completed, signed and returned, the securities represented by the proxy will be voted FOR or AGAINST the C-MAC arrangement resolution, in accordance with the instructions marked on the proxy. If no instructions are marked, the securities represented by a proxy given to management will be voted FOR the C-MAC arrangement resolution and in accordance with management's recommendation with respect to amendments or variations of the matters set out in the notice of special meeting or any other matters which may properly come before the C-MAC meeting.

Q: What happens if I don't return a proxy card? (See page 49)

A: Not returning your proxy card or not voting will have the effect of reducing the number of votes cast at the special meeting of securityholders of C-MAC, thereby also reducing the number of votes needed to approve the transactions being voted on by the securityholders of C-MAC. It may also contribute to a failure to obtain a quorum at the special meeting. Under C-MAC's bylaws, at least two persons holding or representing by proxy at least 10% of the common shares constitute a quorum.

Q: Can I change my vote after I have mailed my signed proxy card? (See page 50)

A: Yes. You can change your vote by submitting a new proxy to C-MAC's secretary no later than 5:00 p.m. (Montreal time) on ___, 2001 or if you are a holder of record, by attending the meeting and voting your shares in person. You may also revoke your proxy by delivering a written notice signed by you or your attorney in fact to C-MAC's secretary on or before ___, 2001 or to the chairman of the special meeting of securityholders of C-MAC at the meeting.

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You should send your completed notice of revocation of proxies or new proxy card, as the case may be, to C-MAC at one of the following addresses:

C-MAC Industries Inc.

c/o General Trust of Canada
1100 University Street
Montreal, Québec
Canada H3B 2G7

-or-

C-MAC Industries Inc.
c/o General Trust of Canada
121 King Street West
Suite 600
Toronto, Ontario
Canada M5H 3T9

Q: Can I vote by telephone or electronically?

A: No.

Q: If my broker holds my shares in street name, will my broker vote my shares for me? (See page 49)

A: After carefully reading and considering the information contained in this document, including the annexes, please follow the directions provided by your broker with respect to voting procedures and, if you are a Canadian resident electing to receive exchangeable shares, with respect to procedures for making that election. Please ensure that your instructions are submitted to your broker in sufficient time to ensure that your votes are received by C-MAC on or before ___ 5:00 p.m., Montreal time, on ___, 2001.

Q: When should I send my share certificates?

A: While you are not required to do so now, you must send in your share certificates in addition to the letter of transmittal and election form in order to receive certificates representing shares of Solectron common stock or exchangeable shares of Exchangeco. The letter of transmittal and election form, when properly completed, duly executed and returned together with a certificate or certificates representing common shares of C-MAC and all other required documents, will entitle a C-MAC shareholder to receive a certificate or certificates representing the appropriate number of exchangeable shares and/or shares of Solectron common stock, as the case may be. Certificates representing the appropriate number of exchangeable shares and/or shares of Solectron common stock issuable to a C-MAC shareholder who has delivered certificates representing the shareholder's C-MAC common shares, together with a cheque in the amount, if any, payable with respect to fractional exchangeable shares and/or shares of Solectron common stock will, as soon as practicable after the effective date of the transaction, be forwarded to the C-MAC shareholder at the address specified on the letter of transmittal and election form by insured first class mail or will be made available at the offices of General Trust of Canada, 1100 University Street, 9th Floor, Montreal, Québec, Canada H3B 2G7 or 121 King Street West, Suite 600, Toronto, Ontario, Canada M5H 3T9 for pick up by the holder as requested in a letter of transmittal and election form.

Where a certificate for C-MAC common shares has been destroyed, lost or misplaced, the registered C-MAC shareholder of that certificate should immediately complete the letter of transmittal and election form for the C-MAC shares as fully as possible and return it, together with a letter describing the loss, to General Trust of Canada in accordance with the instructions in the letter of transmittal and election form for the C-MAC shareholders. General Trust of Canada will respond with replacement requirements.

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Q: Am I entitled to dissent or appraisal rights? (See page 50)

A: Yes. Registered C-MAC shareholders who properly exercise their dissent rights pursuant to the interim order issued by the Superior Court of Justice (Québec) will be entitled to be paid the fair value of their C-MAC common shares. The dissent procedures require that a registered C-MAC shareholder who wishes to dissent must provide to C-MAC a dissent notice prior to 5:00 p.m. (Montreal time) on the business day preceding the C-MAC meeting. It is important that C-MAC shareholders strictly comply with this requirement, which is different from the statutory dissent provisions of the *Canada Business Corporations Act* that would otherwise permit a dissent notice to be provided at or at any time prior to the C-MAC meeting.

Q: Are there risks I should consider in deciding whether to vote for the C-MAC arrangement resolution?

A: Yes. A number of risk factors that you should consider in connection with the transaction are described in the section of this document entitled Risk Factors .

Q: Who can help answer my questions about the transaction?

A: You may call Claude Michaud, Vice President and Chief Financial Officer of C-MAC at (514) 282-3581, with any questions you may have about the transaction.

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SUMMARY

The following is a summary of the information contained in this document. This summary may not contain all of the information that is important to you. You should carefully read this entire document and the other documents referred to for a more complete understanding of the arrangement and related transactions. In particular, you should read the annexes attached to this document, including the combination agreement and related amendment and the form of plan of arrangement, which are attached to this document as Annexes A-1, A-2 and C, respectively.

Unless otherwise noted, all dollar amounts in this document are expressed in U.S. dollars.

Parties to the Transaction

Solectron Corporation

777 Gibraltar Drive
Milpitas, California 95035
(408) 957-8500
www.solectron.com

Solectron provides electronics manufacturing services, or EMS, to original equipment manufacturers, or OEMs, who design and sell networking equipment, mobile and land based telecommunications equipment, computing equipment, including workstations, notebooks, desktops and peripherals, and other electronic equipment. These companies contract with Solectron to build their products for them or to obtain other related services from Solectron. Solectron furnishes integrated supply-chain solutions that span the entire product life-cycle from technology solutions, to manufacturing and operations, to global services. Solectron's range of services includes advanced building block design solutions, product design and manufacturing, new product introduction management, materials purchasing and management, prototyping, printed circuit board assembly (the process of placing components on an electrical printed circuit board that controls the processing functions of a personal computer or other electronic equipment), system assembly (for example, building complete systems such as mobile telephones and testing them to ensure functionality), distribution, product repair and warranty services.

Solectron has manufacturing facilities in the Americas, Europe and Asia/ Pacific. Solectron was originally incorporated in California in August 1977. In February 1997, Solectron was reincorporated in Delaware.

Solectron Global Services Canada Inc.

P.O. Box 7289, Station A
44 Chipman Hill, 10th Floor
Saint John, New Brunswick
E2L 4S6

Solectron Global Services Canada Inc. is referred to as Exchangeco throughout this document and all of the annexes to this document, including the combination agreement, as amended, and the form of plan of arrangement. Exchangeco is a corporation organized and existing

under the laws of the province of New Brunswick and is an indirect wholly-owned Canadian subsidiary of Solectron. Exchangeco resulted from an amalgamation effective December 25, 1999. It is intended that Exchangeco will be continued under the *Canada Business Corporations Act* prior to the effective date of the arrangement. A predecessor company to Exchangeco was established as a result of the acquisition in November 1999 of the repair operations of IBM's NULOGIX Technical Services in Vaughn, Ontario, Canada. Exchangeco provides a complete range of technology repair, remanufacturing and refurbishment services for a large variety of electronic products.

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3942163 Canada Inc.

100 King Street West
1 First Canadian Place, Suite 6600
Toronto, Ontario
M5X 1B8

3942163 Canada Inc. is referred to as Callco throughout this document and all of the annexes to this document. Callco is a newly formed corporation organized and existing under the *Canada Business Corporations Act* and is a direct, wholly-owned subsidiary of Solectron. Callco was formed solely to effect the transaction and has not conducted any business during any period of its existence.

Solectron Canada ULC

1959 Upper Water Street, Suite 800
Halifax, Nova Scotia
B3J 2X2

Solectron Canada ULC is referred to as Nova Scotia Company throughout this document and all of the annexes to this document. Nova Scotia Company is a newly formed unlimited liability company organized under the laws of Nova Scotia and is a direct, wholly-owned subsidiary of Solectron. Nova Scotia Company was formed solely to effect the transaction and has not conducted any business during any period of its existence.

C-MAC Industries Inc.

1010 Sherbrooke Street West, Suite 1610
Montreal, Québec
H3A 2R7
(514) 282-7629
www.cmac.com

C-MAC provides a comprehensive portfolio of electronic manufacturing services and solutions to over 500 customers worldwide. C-MAC focuses on complex, high-margin products and services ranging from components to full systems in addition to design, test, supply chain management, order fulfillment and aftermarket support services. C-MAC primarily serves the global communications equipment market. In addition, C-MAC provides integrated systems solutions for the transportation electronics, aerospace, military and industrial markets. C-MAC is a leading provider of a broad array of products, including optical, switching, transmission and other solutions to communications equipment customers, including Nortel, Alcatel, Lucent, Marconi and Motorola. C-MAC's major transportation electronics customers include Daimler-Chrysler, Delphi, Ford, General Motors, Hella and Siemens Automotive.

C-MAC was incorporated under the *Canada Business Corporations Act* on October 7, 1985.

Joint Reasons for the Transaction

The boards of directors of Solectron and C-MAC approved the combination agreement and the transactions contemplated by the combination agreement, including the arrangement and the issuance of shares of Solectron common stock, because they determined that the combined company would have the potential to realize a stronger competitive position and improved long-term operating and financial results. Among other benefits, the boards of directors believe that the transaction should allow the combined company the opportunity to:

selectively vertically integrate a variety of services across the supply chain, and thereby provide existing and new customers a more complete range of manufacturing capabilities and related products and services;

complement Solectron's diversified contract manufacturing business through the addition of C-MAC's specialized design and engineering, network systems, microtechnology capabilities and components, and electro-mechanical components (i.e., printed circuit board (PCB), backplane, and enclosures);

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capitalize on the strength of some industries served by C-MAC;

benefit from combining established customer and supplier relationships of both companies;

leverage manufacturing and production resources and technology; and

reduce costs through broader-based manufacturing activities and vertical integration.

See The Transaction Joint Reasons for the Transaction .

Recommendation of Solectron's Board of Directors

After careful consideration, Solectron's board of directors approved the combination agreement and the transactions contemplated by the combination agreement, including the arrangement and the issuance of shares of Solectron common stock. Solectron's board of directors recommends that Solectron's stockholders vote FOR the Solectron share issuance.

Solectron's board of directors considered a number of factors, including those set forth below, in reaching its decision to approve the combination agreement and the transactions contemplated by the combination agreement, and to recommend that Solectron stockholders vote **FOR** the Solectron share issuance. Among the factors considered by Solectron's board of directors were:

the historical trading prices of the C-MAC common shares and Solectron common stock;

the possible effect of the transaction on Solectron's employees, customers and current facilities;

the opportunity afforded by the transaction for Solectron to combine its operations with those of C-MAC;

the structure of the transaction;

the terms and conditions of the combination agreement generally, including the circumstances in which a termination fee is payable to Solectron, and the provisions relating to the ability of C-MAC to solicit or enter into a competing acquisition transaction; and

the fairness opinion of Solectron's financial advisor, Merrill Lynch, Pierce, Fenner & Smith Incorporated.

See The Transaction Joint Reasons for the Transaction and The Transaction Recommendation of Solectron's Board of Directors .

Opinion of Solectron's Financial Advisor

In deciding to approve the combination agreement and the transactions contemplated by the combination agreement, the Solectron board of directors considered an opinion from its financial advisor, Merrill Lynch Pierce, Fenner & Smith Incorporated. On August 8, 2001, Merrill Lynch delivered its oral opinion to the board of directors of Solectron, subsequently confirmed in writing, that, as of the date of such opinion, the exchange ratio was fair, from a financial point of view, to Solectron.

The full text of the Merrill Lynch written opinion is attached to this document as Annex G. You are encouraged to read the opinion carefully. The opinion of Merrill Lynch does not constitute a recommendation as to how any holder of Solectron common stock should vote with respect to the Solectron share issuance.

See The Transaction Opinion of Solectron's Financial Advisor .

Recommendation of C-MAC's Board of Directors

The C-MAC board of directors believes that the terms of the arrangement are fair to C-MAC's securityholders and in the best interest of C-MAC and its shareholders. Accordingly, the C-MAC board

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of directors has unanimously approved the combination agreement and recommends that C-MAC's securityholders vote FOR the C-MAC arrangement resolution.

In approving the combination agreement, the C-MAC board of directors considered a number of factors, including:

the opportunity afforded by the transaction for C-MAC to combine its operations with those of Solectron;

the current industry and market trends affecting C-MAC;

the risks and the potential rewards associated with, as an alternative to the transaction, continuing to execute C-MAC's strategic plan as an independent entity operating in a highly competitive environment;

the historical trading prices of the Solectron common stock and the C-MAC common shares;

the structure of the transaction, which effectively permits Canadian resident C-MAC shareholders to receive exchangeable shares (and certain ancillary rights), generally without realizing a gain for Canadian federal income tax purposes at the time of the arrangement (upon filing the required tax election) and permits C-MAC shareholders that are registered pension plans or trusts governed by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans governed by Canadian law to hold exchangeable shares without regard to limitations on holding foreign property;

the terms and conditions of the combination agreement generally, including the amount of and the circumstances in which the C-MAC termination fee is payable, and the fact that the terms of the combination agreement do not prohibit C-MAC from accepting a superior proposal;

the fairness opinion of C-MAC's financial advisor, Banc of America Securities LLC; and

other factors that the C-MAC board of directors deemed relevant in order to make its decision.

See The Transaction Joint Reasons for the Transaction and The Transaction Recommendation of the C-MAC Board of Directors .

Opinion of C-MAC's Financial Advisor

In deciding to approve the combination agreement and the transactions contemplated by the combination agreement, C-MAC's board of directors considered an opinion from its financial advisor, Banc of America Securities. On August 8, 2001, Banc of America Securities delivered its opinion to the board of directors of C-MAC that, as of the date of such opinion, the exchange ratio set forth in the original combination agreement was fair, from a financial point of view, to the shareholders of C-MAC.

The full text of the Banc of America Securities opinion, which sets forth the assumptions made, matters considered and limits on review undertaken, is attached to this document as Annex H. C-MAC securityholders are encouraged to read the opinion carefully. The opinion of Banc of America Securities is addressed to the board of directors of C-MAC and relates only to the fairness, from a financial point of view, of the exchange ratio to the holders of C-MAC common shares. The opinion does not address any other aspects of the proposed arrangement and does not constitute an opinion or recommendation to any securityholder of C-MAC as to how such securityholder should vote with respect to the C-MAC arrangement resolution.

See The Transaction Opinion of C-MAC's Financial Advisor .

Interests of Certain Persons in the Transaction

In considering the recommendation of the C-MAC board of directors with respect to the transaction, you should be aware that certain members of the management and board of directors of C-MAC have certain interests in the transaction that may present them with actual or potential conflicts of interest in

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connection with the transaction. The C-MAC board of directors was aware of these interests and considered them along with the other matters summarized above. Those interests include:

ownership of C-MAC common shares;

the receipt of options to purchase Solectron common stock in exchange for options to purchase C-MAC common shares;

ownership of options to purchase C-MAC common shares and the potential acceleration of the vesting schedule of such options held by certain senior employees of C-MAC in certain limited circumstances;

offers of directorships at Solectron; and

change of control benefits in employment agreements of certain senior employees of C-MAC.

Furthermore, the combination agreement provides executive officers and directors of C-MAC with continuing indemnification rights.

As of the close of business on __, 2001, directors and executive officers of C-MAC (and their respective affiliates) collectively owned or exercised direction or control over approximately ___% of the C-MAC common shares entitled to vote at the C-MAC special meeting. This includes _ C-MAC common shares underlying options which these directors and officers beneficially own. The vote required for approval of the C-MAC arrangement resolution at the C-MAC special meeting is not less than two-thirds of the votes cast at the special meeting by holders of C-MAC common shares and options to purchase C-MAC common shares, voting together as a class.

See The Transaction Interests of Certain Persons in the Transaction .

Share Ownership of Solectron Directors and Officers

As of the close of business on the record date for the Solectron special meeting at which the Solectron share issuance will be considered and voted upon, directors and executive officers of Solectron (and their respective affiliates) collectively owned approximately _% of the outstanding shares of Solectron common stock entitled to vote at the special meeting on the issuance. This does not include _ shares of Solectron common stock underlying presently exercisable options which these directors and officers beneficially own. If all of these stock options had been exercised prior to the record date for the special meeting, the directors and executive officers of Solectron (and their respective affiliates) would collectively own approximately _% of the outstanding shares of Solectron common stock entitled to vote at the special meeting. The vote required for approval of the Solectron share issuance is a majority of the votes cast at a special meeting of Solectron stockholders at which a quorum is present.

Structure and Effects of the Transaction

The original combination agreement between Solectron and C-MAC dated as of August 8, 2001, including the form of plan of arrangement, was amended on September 7, 2001. The combination agreement, the amendment to the combination agreement, (referred together in this document as the combination agreement) and the form of plan of arrangement are attached to this document as Annexes A-1, A-2 and C, respectively. Please read the combination agreement, the form of plan of arrangement and the other transaction agreements as they are the principal legal documents that govern the transaction.

The combination agreement and plan of arrangement provide for the combination of Solectron and C-MAC in a transaction in which each holder of C-MAC common shares who is a Canadian resident will effectively have the choice of receiving, for each C-MAC common share held, (1) 1.755 shares of Solectron common stock, (2) 1.755 exchangeable shares of Exchangeco (and certain ancillary rights) which are exchangeable into shares of Solectron common stock on a one-for-one basis at the option of the holder or (3) a combination of shares of Solectron common stock and exchangeable shares (and certain ancillary rights). Any C-MAC shareholder who is not a Canadian resident will not be entitled to receive

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exchangeable shares and will receive 1.755 shares of Solectron common stock for each C-MAC common share held. A C-MAC shareholder (other than dissenting C-MAC shareholders who ultimately receive the fair value of their C-MAC common shares from C-MAC and other than Solectron or its affiliates) who is a Canadian resident and who does not make a valid election to receive exchangeable shares will receive 1.755 shares of Solectron common stock for each C-MAC common share held. C-MAC shareholders who properly exercise dissent rights will not be entitled to exchangeable shares or shares of Solectron common stock but will be entitled to receive payment in cash from C-MAC representing the fair value of their C-MAC shares.

The mechanics of the transaction will involve Exchangeco acquiring all of the outstanding common shares of C-MAC (other than those of dissenting C-MAC shareholders who ultimately receive the fair value of their C-MAC common shares from C-MAC and those held by Solectron or its affiliates), in exchange for shares of Solectron common stock and/or, at the option of validly electing Canadian resident C-MAC shareholders, exchangeable shares and certain ancillary rights. The exchangeable shares will be securities issued by Exchangeco. Holders of the exchangeable shares will be entitled to dividend and other rights that are substantially economically equivalent to those of holders of Solectron common stock. Through a voting trust arrangement, holders of the exchangeable shares will be entitled to vote at meetings of Solectron stockholders. Exchangeable shares will be exchangeable at the option of the holder at any time on a one-for-one basis for shares of Solectron common stock.

Persons owning C-MAC common shares through a holding company at the time of the transaction and meeting certain conditions may participate in the transaction by having Exchangeco acquire all of the shares of their holding company instead of the C-MAC common shares held by such holding company, in exchange for the same consideration otherwise receivable for such C-MAC common shares. This holding company alternative involves a complex series of transactions and is described in greater detail in **Transaction Mechanics Holding Company Alternative**.

Each C-MAC option will be exchanged for an option to purchase the number of shares of Solectron common stock equal to 1.755 multiplied by the number of C-MAC common shares subject to such C-MAC option, rounded down to the nearest whole number. The exercise price per share of Solectron common stock shall be equal to the exercise price per C-MAC common share of such C-MAC option immediately prior to the consummation of the arrangement divided by 1.755.

Solectron and its affiliates do not currently own any C-MAC common shares. Prior to the effective time of the arrangement, Exchangeco has agreed in contemplation of the arrangement to purchase at least Cdn.\$1 million, but not more than Cdn.\$3 million, of C-MAC common shares on the open market.

Based on the number of C-MAC common shares outstanding on ___, 2001, immediately following the completion of the transaction, former holders of C-MAC common shares will hold an aggregate of approximately ___ million exchangeable shares and shares of Solectron common stock. Assuming that all C-MAC common shares are exchanged for shares of Solectron common stock and based upon the number of C-MAC common shares and shares of Solectron common stock outstanding as of ___, immediately following completion of the transaction, existing C-MAC shareholders would hold approximately ___% of the outstanding shares of Solectron common stock.

See **The Transaction**, **Transaction Mechanics**, **Description of Exchangeable Shares**, **Exchangeco Share Capital** and **Pro Forma Capitalization of Solectron**.

The Companies After the Transaction

Following completion of the transaction, Solectron will operate the business of C-MAC in combination with the existing business of Solectron.

See The Companies after the Transaction .

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Completion and Effectiveness of the Transaction

Solectron and C-MAC are working toward satisfying the conditions to the consummation of the arrangement and completing the transaction as quickly as possible. The transaction will be completed as soon as practicable after the requisite shareholder, regulatory and court approvals have been obtained and are final and all other conditions to the transaction have been satisfied or waived. Solectron and C-MAC currently plan to complete the transaction during the fourth calendar quarter of 2001. Because the arrangement is subject to regulatory approvals and other conditions, some of which are beyond Solectron's and C-MAC's control, the exact timing cannot be predicted.

See The Transaction Court Approval of the Arrangement and Completion of the Transaction .

The Combination Agreement

No Solicitation

C-MAC has agreed that, while the transaction is pending, it will not initiate or engage in discussions with any third parties regarding an alternative transaction, such as a merger, business combination or sale of a material amount of assets or capital stock, provided that C-MAC may enter into such discussions and enter into an agreement with a third party with respect to such a transaction if C-MAC's board of directors determines, subject to the satisfaction of certain conditions, that such a transaction is superior from a financial point of view to C-MAC's shareholders to the transaction with Solectron.

See The Combination Agreement Material Covenants .

Conditions to Completion of the Arrangement

Completion of the arrangement is subject to the satisfaction of a number of conditions, including:

the issuance of an interim order and a final order of the Superior Court of Justice (Québec);

the approval of the C-MAC arrangement resolution by at least two-thirds of the votes cast by the holders of C-MAC common shares and the holders of options to purchase C-MAC common shares who are represented at the C-MAC special meeting, voting together as a single class, and in accordance with any other conditions imposed by the interim order;

the approval of the Solectron share issuance by at least a majority of the votes cast by holders of Solectron common stock voting at the Solectron special meeting;

the expiration or termination of applicable waiting periods under U.S. and certain other foreign antitrust laws;

receipt of the necessary approvals under the *Competition Act* (Canada) and the *Investment Canada Act*;

the absence of any law, decree or order preventing the consummation of the arrangement;

the accuracy of the representations and warranties of Solectron and C-MAC contained in the combination agreement (except to the extent that any inaccuracies would not constitute a material adverse effect on the applicable company); and

holders of no more than 10% of the issued and outstanding C-MAC common shares having exercised and not withdrawn their dissent rights.

Some of the conditions to completion of the arrangement may be waived by the party entitled to assert the benefit of the condition.

See The Transaction The Combination Agreement Conditions to Completion of the Arrangement .

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Termination of the Combination Agreement

C-MAC and Solectron may mutually agree to terminate the combination agreement without completing the transaction. In addition, either C-MAC or Solectron may terminate the combination agreement under any of the following circumstances:

if the arrangement has not occurred by February 8, 2002 (or April 8, 2002 if the failure to consummate the arrangement prior to that date was due to the failure to obtain any governmental approval, waiver or consent);

if a law is passed or a final non-appealable court or other governmental order is issued prohibiting the arrangement;

if the requisite approval of the holders of C-MAC common shares and options to purchase C-MAC common shares is not obtained;

if the requisite approval of the holders of Solectron common stock is not obtained; or

if the conditions to completion of the arrangement would not be satisfied because of a breach by the other party of any of its covenants or other agreements contained in the combination agreement or if any of the other party's representations or warranties becomes untrue (although the breaching company will have 30 days to cure any such breach).

Solectron may also terminate the combination agreement under any of the following circumstances:

if C-MAC's board of directors withdraws or changes, in a manner adverse to Solectron, its recommendation in favor of the adoption and approval of the combination agreement and the transactions contemplated by the combination agreement;

if C-MAC's board of directors approves or recommends any acquisition proposal from a third party;

if C-MAC enters into a letter of intent or other agreement accepting any acquisition proposal from a third party;

if C-MAC intentionally breaches the provisions of the combination agreement that prohibit C-MAC from soliciting acquisition proposals from third parties and restricts (subject to limited exceptions) C-MAC's ability to participate in negotiations with third parties regarding an acquisition transaction and to enter into a superior acquisition transaction; or

if a third party unaffiliated with Solectron undertakes a tender or exchange offer relating to the securities of C-MAC, and C-MAC does not recommend that its shareholders reject the offer within ten business days after the offer is first made.

C-MAC may also terminate the combination agreement in connection with its execution of an agreement with a third party with respect to an unsolicited proposal for a merger or other business combination, or a sale of a majority of its assets, that C-MAC's board of directors has determined, subject to some conditions, is superior from a financial point of view to the transaction with Solectron and has also determined that the failure to engage in negotiations and enter into such agreement would be inconsistent with its fiduciary duties to C-MAC shareholders.

See The Combination Agreement Termination of the Combination Agreement .

Payment of Termination Fee

Under some circumstances, C-MAC may have to pay Solectron a termination fee of \$75 million if the combination agreement is terminated.

See The Combination Agreement Payment of Termination Fees .

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The Exchangeable Shares

The exchangeable shares will be securities of Exchangeco that, together with certain ancillary rights, are substantially economically equivalent to shares of Solectron common stock. Pursuant to the plan of arrangement, the terms of the exchangeable share and the voting and exchange trust agreement, the holders of exchangeable shares will have the following rights:

the right to exchange such shares for shares of Solectron common stock on a one-for-one basis;

the right to receive dividends, on a per share basis, in amounts (or property in the case of non-cash dividends) which are the same as, and which are payable at the same time as, dividends declared on the shares of Solectron common stock;

the right to vote at all shareholder meetings at which Solectron common stockholders are entitled to vote; and

the right to participate upon certain specified events relating to the voluntary or involuntary liquidation, dissolution, winding-up or other distribution of the assets of Solectron among its stockholders for the purpose of winding-up its affairs, on a pro rata basis with the holders of Solectron common stock in the distribution of assets of Solectron, through the mandatory exchange of exchangeable shares for shares of Solectron common stock.

The exchangeable shares have no rights to dividends, rights on liquidation, dissolution or winding-up and no voting rights in Exchangeco, except as required by law or under the exchangeable share provisions and the voting and exchange trust agreement.

Holders of exchangeable shares will be entitled generally to require Exchangeco to redeem any or all of their exchangeable shares for shares of Solectron common stock for a purchase price per share of one share of Solectron common stock and an amount equal to all declared and unpaid dividends. However, in the event that a holder of exchangeable shares delivers notice of its exercise of such redemption right, Callco will have the overriding right to purchase, in lieu of Exchangeco, all of such holder's exchangeable shares in respect of which the right to force redemption shall have been exercised.

Subject to applicable law and Callco's call right (described immediately below), on a date on or after the seventh anniversary of the effective date of the arrangement, as established by Exchangeco's board of directors, all of the outstanding exchangeable shares (other than those held by Solectron or its affiliates) will be redeemed by Exchangeco for a redemption price per share of one share of Solectron common stock and an amount equal to all declared and unpaid dividends. Callco will have the overriding right to purchase on such redemption date the outstanding exchangeable shares for a purchase price per share of one share of Solectron common stock and an amount equal to all declared and unpaid dividends.

In certain circumstances, Exchangeco will have the right to require a redemption of the exchangeable shares prior to such redemption date. An early redemption may occur, among certain other circumstances, if:

there are fewer than 30% of the number of exchangeable shares issuable as determined at the election deadline in respect of the arrangement outstanding (other than exchangeable shares held by Solectron and its affiliates) at any time after the fifth anniversary of the effective date of the arrangement;

there are fewer than 10% of the number of exchangeable shares issuable as determined at the election deadline in respect of the arrangement outstanding (other than exchangeable shares held by Solectron and its affiliates) at any time; and

any merger, amalgamation, arrangement, tender offer, material sale of shares or rights or similar transaction involving Solectron occurs or any proposal related to any such transaction exists; provided that, among other things, the board of directors of Exchangeco determines that it is not reasonably practical to substantially replicate the terms and conditions of the exchangeable shares in

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connection with such a transaction and the redemption of exchangeable shares is necessary to enable the completion of the transaction.

Solectron will also have the right to purchase (or cause Callco to purchase) all of the exchangeable shares for consideration per share consisting of one share of Solectron common stock and an amount equal to all declared and unpaid dividends in the event of a change in Canadian and Québec tax laws that allows Canadian resident holders of exchangeable shares to make such exchange on a tax-deferred basis.

See Description of Exchangeable Shares .

Prior to the effective time of the arrangement, Exchangeco will adopt an exchangeable share rights plan substantially equivalent to the Solectron rights agreement. Pursuant thereto, each exchangeable share issued on the arrangement will have an associated exchangeable share right entitling the holder of such exchangeable share right to acquire additional exchangeable shares on terms and conditions substantially the same as the terms and conditions upon which a holder of Solectron common stock is entitled to acquire Solectron Series A preferred stock. The exchangeable share rights are intended to have characteristics essentially equivalent in economic effect to the Solectron rights.

See Description of Exchangeable Shares Exchangeable Share Rights and Solectron Capital Stock Series A Participating Preferred Stock and Rights Agreement .

Tax Considerations for C-MAC Securityholders

C-MAC securityholders should read carefully the information under Tax Considerations for C-MAC Securityholders, which qualifies the information set forth below, and should consult their tax advisors. No advance income tax rulings have been sought or obtained with respect to any of the transactions described herein.

Canada

Canadian resident C-MAC shareholders validly electing to receive exchangeable shares may generally elect to defer recognition of all or part of any accrued gain on their C-MAC common shares for Canadian federal income tax purposes by making a valid tax election with Exchangeco as described herein. Canadian resident C-MAC shareholders receiving shares of Solectron common stock upon the arrangement will generally recognize any accrued gain or loss on their C-MAC common shares for Canadian federal income tax purposes. Exchangeable shares received by C-MAC shareholders that are Canadian deferred income plans will be qualified investments that are not foreign property for Canadian federal income tax purposes. Shares of Solectron common stock received by C-MAC shareholders that are Canadian deferred income plans will be qualified investments but will be foreign property for Canadian federal income tax purposes. Canadian resident C-MAC optionholders will not be subject to tax on the exchange of their C-MAC options for options to purchase shares of Solectron common stock. C-MAC shareholders who are not Canadian residents will not generally be subject to Canadian tax on the exchange of C-MAC common shares for shares of Solectron common stock.

See Tax Considerations for C-MAC Securityholders Canadian Tax Considerations for C-MAC Shareholders .

United States

The exchange of C-MAC common shares for Solectron common stock pursuant to the arrangement will be a taxable exchange for United States federal income tax purposes.

See Tax Considerations for C-MAC Securityholders United States Federal Income Tax Considerations for C-MAC Shareholders.

Accounting Treatment of the Transaction

The transaction will be accounted for by Solectron under the purchase method of accounting.

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See The Transaction Accounting Treatment .

Approvals Required to Complete the Transaction

Solectron Stockholder Approval

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The Solectron special meeting will be held on _____, 2001. At the Solectron special meeting, the Solectron stockholders will be asked to approve the Solectron share issuance. A majority of the votes cast at the Solectron special meeting is required to approve the issuance of Solectron common stock pursuant to the combination agreement and the plan of arrangement. Solectron stockholders are not required to vote on the combination agreement or the plan of arrangement.

See The Special Meeting of Solectron Stockholders Vote Required .

C-MAC Securityholder Approval

The C-MAC special meeting will also be held on _____, 2001. At the C-MAC special meeting, the holders of C-MAC common shares and the holders of C-MAC options will be asked to approve the C-MAC arrangement resolution. The C-MAC arrangement resolution must be approved by the affirmative vote of at least two-thirds of the votes cast on the special resolution by the holders of C-MAC common shares and the holders of C-MAC options, voting together as a class, present in person or by proxy at the C-MAC special meeting.

See The Special Meeting of C-MAC Securityholders Vote Required .

Court Approval

An arrangement under the *Canada Business Corporations Act* requires court approval. Prior to the mailing of this document in connection with the C-MAC special meeting, C-MAC obtained an interim order from the Superior Court of Justice (Québec) providing for the calling and holding of the C-MAC special meeting and other procedural matters. Subject to the approval of the C-MAC arrangement resolution at the C-MAC special meeting and the approval of the Solectron share issuance at the Solectron special meeting, the hearing to obtain a final order of the Court is scheduled to take place on or about _____, 2001 at _____ (Montreal time) in room ___ at the Montreal courthouse located at 1 Notre Dame Street East in Montreal, Québec.

See The Transaction Court Approval of the Arrangement and Completion of the Transaction .

Regulatory Approvals

The arrangement is subject to United States, Canadian and certain other antitrust laws. Solectron and C-MAC intend to make all necessary filings under applicable U.S., Canadian and foreign antitrust laws and the *Investment Canada Act*. Solectron and C-MAC are not permitted to complete the arrangement until the waiting periods under all applicable U.S. and foreign antitrust laws have expired or been terminated, and Solectron and C-MAC have obtained all other regulatory approvals without which the arrangement would be prohibited. A governmental authority or any private person may challenge the transaction in the United States on antitrust grounds at any time before or after completion.

See The Transaction Regulatory Matters .

Restrictions on the Ability of C-MAC Shareholders to Sell Solectron Common Stock and Exchangeable Shares

All shares of Solectron common stock and exchangeable shares received by C-MAC shareholders in connection with the transaction and all shares of Solectron common stock received upon exchange of exchangeable shares will be freely transferable under U.S. securities laws unless a C-MAC shareholder is deemed to be an affiliate of C-MAC prior to the completion of the transaction under the United States

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Securities Act of 1933. Shares of Solectron common stock held by C-MAC's affiliates may only be sold in compliance with Rule 145 under the United States Securities Act of 1933.

It is a condition to completion of the transaction that the relevant Canadian securities regulatory authorities shall have granted relief to permit resale of the Solectron common stock and exchangeable shares issued in the transaction or issued upon exchange of exchangeable shares or upon the exercise of the replacement options, without restriction by persons other than control persons, provided that no unusual effort is made to prepare the market for any such resale or to create a demand for the securities which are the subject of any such resale and no extraordinary commission or consideration is paid in respect thereof.

See The Transaction Resale of Exchangeable Shares and Shares of Solectron Common Stock .

Stock Exchange Listings

The shares of Solectron common stock issued in connection with the transaction will be listed on the New York Stock Exchange. Exchangeco intends to apply to The Toronto Stock Exchange to list the exchangeable shares, such listing to be effective prior to the effective date of the arrangement. There is no current intention to list the exchangeable shares on any stock exchange other than The Toronto Stock Exchange.

See The Transaction Stock Exchange Listings .

Dissenters and Appraisal Rights

Solectron

Holders of Solectron common stock do not have dissenters appraisal rights in connection with the transaction.

C-MAC

Registered C-MAC shareholders who properly exercise their dissent rights pursuant to the interim order issued by the Superior Court of Justice (Québec) will be entitled to be paid the fair value of their C-MAC common shares. The dissent procedures require that a registered C-MAC shareholder who wishes to dissent must provide C-MAC a dissent notice prior to 5:00 p.m. (Montreal time) on the business day preceding the C-MAC meeting. It is important that C-MAC shareholders strictly comply with this requirement, which is different from the statutory dissent provisions of the *Canada Business Corporations Act* which would permit a dissent notice to be provided at or prior to the C-MAC meeting.

See Dissenting Shareholder Rights .

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COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The following tables set forth certain historical per share data of Solectron and C-MAC and combined per share data on an unaudited pro forma basis after giving effect to the transaction using the purchase method of accounting. The following data should be read in conjunction with the separate historical consolidated financial statements of Solectron attached to this document as Annex J and the historical consolidated financial statements of C-MAC attached to this document as Annex K. The unaudited pro forma combined per share data does not necessarily indicate the operating results that would have been achieved had the transaction been completed as of the beginning of the earliest period presented and should not be taken as representative of future operations. The results may have been different if the companies had always been consolidated. All per share information has been restated, as applicable, for stock splits, as discussed in each entity's respective consolidated financial statements and notes thereto. No cash dividends have ever been declared or paid on Solectron common stock or C-MAC common shares.

	Solectron Year Ended August 31, 2000	C-MAC Twelve Months Ended September 30, 2000
	(in U.S. dollars unaudited)(1)	

**Net income per share
(basic):**

Canadian GAAP:

n/a \$0.94
 U.S. GAAP:
 \$0.83 \$0.94

**Net income per share
 (diluted):**

Canadian GAAP:
 n/a \$0.92

U.S. GAAP:
 \$0.80 \$0.91

**Book value per share
 (diluted)(2):**

Canadian GAAP:
 n/a \$14.93

U.S. GAAP:
 \$6.28 \$14.90

**Nine Months Ended
 May 31, 2001**

**Nine Months Ended
 June 30, 2001**

(in U.S. dollars unaudited)(1)

Net income per share (basic):

Canadian GAAP:
 n/a \$0.82

U.S. GAAP
 \$0.20 \$0.84

Net income per share (diluted):

Canadian GAAP:
 n/a \$0.80

U.S. GAAP
 \$0.19 \$0.83

Book value per share (diluted)(2):

Canadian GAAP:
 n/a \$16.86

U.S. GAAP
 \$8.24 \$16.86

As of and for the Year Ended August 31, 2000(3)

**Solectron
 Pro Forma Combined**

**C-MAC Equivalent
 Pro Forma Combined(5)**

(in U.S. dollars unaudited)(1)

**Net income per share
 (basic):**

Canadian GAAP:
 n/a n/a

U.S. GAAP:
 \$0.59 \$1.04

**Net income per share
 (diluted):**

Canadian GAAP:
 n/a n/a

U.S. GAAP:

\$0.57 \$1.00

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	As of and for the Nine Months Ended May 31, 2001(3)	
	Solectron Pro Forma Combined	C-MAC Equivalent Pro Forma Combined(5)
	(in U.S. dollars	unaudited)(1)
Net income per share (basic):		
Canadian GAAP:		
n/a n/a		
U.S. GAAP:		
\$0.11 \$0.19		
Net income per share (diluted):		
Canadian GAAP:		
n/a n/a		
U.S. GAAP:		
\$0.11 \$0.19		
Book value per share (diluted)(4):		
Canadian GAAP:		
n/a n/a		
U.S. GAAP:		
\$11.57 \$20.31		

- (1) The C-MAC statements of operations for the twelve months ended September 30, 2000 and for the nine months ended June 30, 2001, were converted from Cdn.\$ to U.S.\$ using average exchange rates for each period (U.S. \$0.6793 per Cdn.\$1 and U.S. \$0.6528 per Cdn.\$1, respectively). The balance sheets of C-MAC as of September 30, 2000 and June 30, 2001 were converted from Cdn.\$ to U.S.\$ using the exchange rate effective on the balance sheet dates (U.S. \$0.6651 per Cdn.\$1 and U.S. \$0.6605 per Cdn.\$1, respectively).
- (2) Historical book value per share is computed by dividing stockholders' equity by the number of shares of Solectron common stock or C-MAC common shares outstanding at the end of each period.
- (3) Because of different fiscal year ends, consolidated financial information relating to Solectron's fiscal year ended August 31, 2000 and nine months ended May 31, 2001 has been combined with the unaudited financial information for C-MAC for the twelve months ended September 30, 2000 and thirty-nine week period ended June 30, 2001, respectively.
- (4) Pro forma book value per share is computed by dividing pro forma stockholders' equity by the pro forma number of shares of Solectron common stock outstanding at the end of each period.
- (5) The C-MAC equivalent pro forma combined per share amounts are calculated by multiplying Solectron combined pro forma share amounts by 1.755 (the exchange ratio for the transaction).

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Solectron common stock is traded on the New York Stock Exchange under the symbol SLR . C-MAC common shares are traded on The Toronto Stock Exchange under the symbol CMS and on the New York Stock Exchange under the symbol EMS .

The following table sets forth, for the periods indicated, the high and low sale prices per share and the average trading volumes of Solectron common stock as reported on the New York Stock Exchange expressed in U.S.\$ (as adjusted to reflect stock splits in February 1999 and March 2000).

Fiscal Quarters	Solectron Common Stock Per Share Sales Prices		Solectron Common Stock Average Trading Volume
	High \$	Low \$	
1999:			
First Quarter	17.344	9.703	2,708,600
Second Quarter	23.563	16.250	4,862,885
Third Quarter	28.938	20.251	2,744,203
Fourth Quarter	39.469	26.125	2,618,022
2000:			
First Quarter	45.000	33.063	2,764,381
Second Quarter	49.000	31.250	4,907,971
Third Quarter	49.500	28.250	5,240,325
Fourth Quarter	48.375	30.938	3,279,624
September	49.813	43.750	3,295,165
October	52.625	39.250	4,383,682
November	46.000	28.000	7,317,586
December	34.930	24.540	6,067,175
2001:			
January	41.950	30.060	5,367,443
February	40.930	26.500	6,742,179
March	30.690	18.050	7,730,795
April	26.450	16.060	5,600,270
May	28.120	20.650	4,331,327
June			

23.350	16.330	4,943,467
July		
18.400	14.710	4,259,976
August		
19.000	13.440	6,525,126
September(1)		
13.600	11.450	7,569,650

(1) Through September 6, 2001.

The following table sets forth, for the periods indicated, the high and low sale prices per C-MAC common share and trading volume of C-MAC common shares as reported on The Toronto Stock Exchange expressed in Cdn.\$ and as reported on the New York Stock Exchange expressed in U.S.\$ (as adjusted to reflect a stock split in January 2000).

The Toronto Stock Exchange			New York Stock Exchange(1)		
High Cdn.\$	Low Cdn.\$	Average Volume	High U.S.\$	Low U.S.\$	Average Volume

1999:

First Quarter						
14.250	11.150	195,959	n/a	n/a	n/a	
Second Quarter						
16.375	12.575	109,106	n/a	n/a	n/a	
Third Quarter						
19.750	15.425	182,022	n/a	n/a	n/a	
Fourth Quarter						
44.250	18.500	322,835	n/a	n/a	n/a	

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The Toronto Stock Exchange			New York Stock Exchange(1)		
High Cdn.\$	Low Cdn.\$	Average Volume	High U.S.\$	Low U.S.\$	Average Volume

2000:

First Quarter						
80.250	32.875	451,222	n/a	n/a	n/a	
Second Quarter						
77.500	48.000	356,619	n/a	n/a	n/a	
Third Quarter						
112.800	69.900	457,035	76.750	56.688	297,003	
Fourth Quarter						
113.500	60.550	564,920	74.813	39.375	229,632	

2001

January						
84.750	56.100	643,706	55.938	37.625	190,405	
February						

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83.000	39.600	952,558	55.510	25.730	181,679
March					
40.190	27.450	1,171,088	26.050	17.700	142,582
April					
52.500	27.500	986,484	33.900	17.400	244,630
May					
59.750	44.750	824,192	38.890	29.120	177,991
June					
50.200	29.800	613,414	32.750	19.500	119,581
July					
43.650	32.650	579,721	28.200	21.000	109,910
August					
40.900	34.500	1,501,046	26.740	22.550	623,709
September(2)					
36.000	30.160	2,381,164	23.550	19.380	1,852,567

(1) The C-MAC common shares were listed on the New York Stock Exchange on August 9, 2000.

(2) Through September 6, 2001.

The following table shows the closing prices (1) per C-MAC common share as reported on each of The Toronto Stock Exchange and the New York Stock Exchange and (2) per share of Solectron common stock as reported on the New York Stock Exchange, on August 8, 2001, the business day preceding the public announcement that Solectron and C-MAC had entered into the combination agreement and September 6, 2001, the last full trading day for which closing prices were available at the time of the printing of this document.

The table also includes the equivalent price per C-MAC common share on those dates. This equivalent per share price reflects the value of the Solectron common stock C-MAC shareholders would receive for each C-MAC common share if the transaction had been completed on either of these dates applying the exchange ratio of 1.755 shares of Solectron common stock for each C-MAC common share on those dates.

	C-MAC Common Shares	C-MAC Common Shares	Solectron Common Stock	Equivalent Price Per Share
	(Cdn.\$ on TSE)	(U.S.\$ on NYSE)	(U.S.\$)	(U.S.\$)(1)
August 8, 2001				
	\$34.80	\$22.67	\$17.20	\$30.19
September 6, 2001				
	\$31.15	\$20.00	\$11.90	\$20.88

(1) Based on the exchange ratio applicable to the transaction of 1.755 shares of Solectron common stock for each C-MAC common share.

Because the market price of Solectron common stock is subject to fluctuation due to numerous market forces, the market value of the Solectron common stock that holders of C-MAC common shares will receive pursuant to the transaction or upon exchange of exchangeable shares may increase or decrease prior to the effective time of the arrangement or the time of exchange of the exchangeable shares (respectively). Shareholders are urged to obtain current market quotations for the C-MAC common shares and the Solectron common stock. Historical market prices are not indicative of future market prices.

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Solectron Dividend Policy

Solectron's policy has been to not pay dividends on its common stock in order to retain earnings for investment in Solectron's business. No cash dividends have ever been paid or declared on the shares of Solectron common stock. Solectron does not intend to pay cash dividends on its common stock in the foreseeable future.

Solectron's present intention is to retain its earnings to finance the growth and development of its business. Any future payments of dividends on Solectron's stock will be at the board's discretion and will depend upon, among other things, Solectron's earnings, financial condition, capital requirements, level of indebtedness and other factors that the Solectron board deems relevant.

C-MAC Dividend Policy

Since C-MAC began its operations, it has not paid any dividends on its common shares, except in connection with a two-for-one stock split effective January 14, 2000. C-MAC's board of directors has maintained a policy of retaining earnings to finance growth and expand its operations.

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

IN THIS DOCUMENT

This document contains forward-looking statements about Solectron and C-MAC within the meaning of Section 27A of the United States Securities Act of 1933 and Section 21E of the United States Securities Exchange Act of 1934, as amended, that are subject to the safe harbor provisions created by that statute. Statements about Solectron or C-MAC containing the words "believes", "anticipates", "estimates", "expects", or words of similar import, constitute forward-looking statements that involve risks and uncertainties. Such statements are based on current expectations and are subject to risks, uncertainties and changes in condition, significance, value and effect, including those discussed in the section of this document entitled "Risk Factors" and in reports filed by Solectron and C-MAC with the United States Securities and Exchange Commission, specifically forms 6-K, 8-K, 10-K, 10-Q, 40-F, S-3 and S-8, and reports and documents filed by C-MAC with securities regulatory authorities in Canada. Such risks, uncertainties and changes in condition, significance, value and effect could cause Solectron's or C-MAC's actual results to differ materially from those anticipated events.

In evaluating the transaction, you should carefully consider the discussion of risks and uncertainties discussed in the section of this document entitled "Risk Factors".

Although Solectron and C-MAC believe that their plans, intentions and expectations as reflected in or suggested by these forward-looking statements are reasonable, they can give no assurance that the plans, intentions or expectations will be achieved. Listed below and discussed elsewhere in this document are some important risks, uncertainties and contingencies which could cause actual results, performances or achievements to be materially different from the forward-looking statements made in this document, particularly if the transaction is not completed. These risks, uncertainties and contingencies include, but are not limited to, the following:

- anticipated revenues and expenses;
- possible price competition and erosion;
- expansion into new markets;
- future sales mix;
- future supply of raw materials;
- gross margins;
- raw material inventory procurement practices;
- customers;

future developments involving certain investments;

future availability of financings;

the receipt of stockholder and other approvals of the transaction;

general economic conditions; and

industry's continued reliance upon contract manufacturers.

In addition, events may occur in the future that Solectron and C-MAC are not able to accurately predict or control and that may cause actual results to differ materially from the expectations described in these forward-looking statements.

Readers should not place undue reliance on forward-looking statements contained in this document. These forward-looking statements speak only as of the date on which the statements were made. In evaluating forward-looking statements, you should consider these risks and uncertainties, together with the other risks described from time to time in Solectron's reports and documents filed with the United States Securities and Exchange Commission and C-MAC's reports and documents filed with the United States Securities and Exchange Commission and securities regulatory authorities in Canada, and you should not place undue reliance on those statements.

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RISK FACTORS

The transaction involves a substantial amount of risk. In addition to the other information contained in this document, the following risk factors should be considered by the C-MAC securityholders and Solectron stockholders in evaluating the transaction and deciding whether to approve the C-MAC arrangement resolution or Solectron share issuance. By voting in favor of the C-MAC arrangement resolution, C-MAC securityholders will be choosing to invest in Solectron common stock or exchangeable shares of Exchangeco (and certain ancillary rights) that are exchangeable for shares of Solectron common stock (or in certain circumstances may choose a combination thereof). An investment in Solectron common stock or exchangeable shares involves a substantial amount of risk. By voting in favor of the share issuance Solectron stockholders are authorizing the issuance of a substantial amount of additional shares of Solectron common stock. Unless the transaction adds a proportional amount of value, the value of outstanding Solectron common stock will be substantially diluted.

General risks relating to the proposed transaction

Solectron and C-MAC may not achieve the benefits they expect from the transaction, in which case the transaction could have a material adverse effect on the combined company's business, financial condition and operating results.

If the benefits of the transaction do not exceed the costs associated with the transaction, including any dilution to Solectron stockholders resulting from the issuance of shares in connection with the transaction, Solectron's financial results, including earnings per share, could be adversely affected. Solectron will need to overcome significant issues in order to realize any benefits or synergies from the transaction, including the timely, efficient and successful execution of a number of post-transaction events. Key events include:

integrating the operations of the two companies;

retaining and assimilating the key personnel of each company;

selling the existing services of each company to the other company's customers;

retaining the existing customers and strategic partners of each company;

developing new services that utilize the assets of both companies; and

maintaining uniform standards, controls, procedures and policies.

The execution of these post-transaction events will involve considerable risks and may not be successful. These risks include:

the potential disruption of the combined company's ongoing business and distraction of its management;

the difficulty of incorporating technology and rights into the combined company's products and services;

unanticipated expenses related to technology integration;

the impairment of relationships with employees and customers as a result of any integration of new management personnel; and

potential unknown liabilities associated with the acquired business.

The combined company may not succeed in addressing these risks or any other problems encountered in connection with the transaction. There can be no assurance that Solectron will successfully integrate the businesses, operations or product lines of Solectron and C-MAC, or that Solectron will realize any of the anticipated benefits of the transaction. Additionally, neither Solectron nor C-MAC can give any assurance that the growth rate of the combined company will equal the growth rate that has been experienced by Solectron and C-MAC in the past.

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Because C-MAC shareholders will receive a fixed number of shares of Solectron common stock and/or exchangeable shares, the actual dollar value of the Solectron common stock or exchangeable shares that C-MAC shareholders receive when the transaction is completed may be less than it is on the date that C-MAC securityholders vote on the transaction.

Upon the arrangement's completion, each C-MAC common share will be exchanged for either 1.755 shares of Solectron common stock, or at the option of validly electing Canadian resident C-MAC shareholders, 1.755 exchangeable shares of Exchangeco (and certain ancillary rights) or a combination of shares of Solectron common stock and exchangeable shares (and certain ancillary rights). Each exchangeable share of Exchangeco will be exchangeable after the effective time of the arrangement at the option of the holder for one share of Solectron common stock. The exchange ratios for both Solectron and Exchangeco shares are fixed, and there will be no adjustment for changes in the market price of either C-MAC common shares or shares of Solectron common stock. In addition, neither C-MAC nor Solectron may terminate the combination agreement or "walk away" from the transaction solely because of changes in the market price of Solectron common stock or C-MAC common shares. Accordingly, the specific dollar value of Solectron common stock and/or exchangeable shares that C-MAC shareholders will receive upon the transaction's completion will depend on the market value of Solectron common stock at that time and may decrease from the date C-MAC securityholders vote on the transaction. The share price of Solectron common stock is subject to the general price fluctuations in the market for publicly traded equity securities and has experienced significant volatility. Solectron and C-MAC urge you to obtain recent market quotations for Solectron common stock and C-MAC common shares and consult your own investment advisor prior to voting. Solectron cannot predict or give any assurances as to the market price of Solectron common stock at any time before or after the completion of the arrangement.

The market price of both Solectron common stock and C-MAC common shares may fluctuate.

The market price for Solectron common stock and C-MAC common shares could each fluctuate significantly in response to various factors and events, including the differences between Solectron's and C-MAC's actual financial or operating results and those expected by investors and analysts, changes in analysts' projections or recommendations, changes in general economic or market conditions and broad market fluctuations. Because historical market prices are not indicative of future market prices, C-MAC securityholders should obtain current market quotations for the Solectron common stock and the C-MAC common shares prior to voting. There can be no assurance that the market value of Solectron common stock and/or exchangeable shares that the holders of C-MAC common shares receive after consummation of the transaction will equal or exceed the market value of the C-MAC common shares held by such shareholders prior to the effective time of the arrangement.

C-MAC shareholders who receive exchangeable shares of Exchangeco and later request to exchange such shares for Solectron common stock will not receive the Solectron common stock for ten to fifteen business days from the date that they request such an exchange.

C-MAC shareholders who receive exchangeable shares on the arrangement and later request to receive Solectron common stock in exchange for their exchangeable shares will not receive Solectron common stock for ten to fifteen business days after the applicable request. During this ten to fifteen business day period, the market price of Solectron common stock may increase or decrease. Any such increase or decrease would affect the value of the consideration to be received by the holder of exchangeable shares on the effective date of exchange.

For Canadian-resident C-MAC shareholders who choose to receive exchangeable shares, file a tax election and thereby defer Canadian tax on any accrued capital gains, under current law such tax deferral will only be available for as long as they hold exchangeable shares.

The transaction has been structured to allow Canadian resident C-MAC shareholders who choose to receive exchangeable shares (and certain ancillary rights) pursuant to the arrangement and who validly make the required tax election to generally defer Canadian income taxation of accrued capital gains on

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their C-MAC common shares. Under current Canadian tax law, this deferral will generally continue only for as long as Canadian resident C-MAC shareholders continue to hold those exchangeable shares. Under current Canadian tax legislation, Canadian resident C-MAC shareholders will generally recognize (i) a gain or loss upon the sale of their exchangeable shares in the market, or (ii) a taxable dividend and/or a gain or loss upon the exchange of their exchangeable shares for Solectron common stock. However, based on an announcement of the Canadian Minister of Finance, it is possible that legislation will be introduced under which an exchange of exchangeable shares for Solectron common stock will be treated as a tax-deferred exchange in certain circumstances.

The exchange of exchangeable shares for Solectron common stock may occur at any time after the effective date if certain events occur permitting early redemption. Because of the existence of the call rights of Calco and Solectron, the exchange right and the automatic exchange right, a holder of exchangeable shares cannot control whether such holder will receive Solectron common stock by way of Exchangeco redeeming the exchangeable shares or by way of Solectron or Calco purchasing the exchangeable shares. The Canadian federal income tax consequences of a redemption differ from those of a purchase.

The sales and marketing channels of both Solectron and C-MAC may be negatively affected.

Solectron and C-MAC may experience disruption in sales and marketing as a result of attempting to integrate their respective sales channels, and may be unable to smoothly or effectively correct such disruption, or to successfully execute their sales and marketing objectives, even after the companies' respective sales and marketing forces have been integrated. In addition, sales cycles and sales models for the various products may vary significantly from product to product. Sales personnel not accustomed to the different sales cycles and approaches required for products newly added to their portfolio may experience delays and difficulties in selling these newly added products. Furthermore, it may be difficult to retain key sales personnel during the period prior to and after the effective date of the arrangement. As a result, Solectron and C-MAC may be unable to take full advantage of the combined sales forces' efforts, and the sales approach and distribution channels of one company may be ineffective in promoting the products of the other, which may have a material adverse effect on the business, financial condition or operating results of the combined company.

The market price of Solectron common stock and/or the exchangeable shares may decline as a result of the transaction.

The market price of Solectron common stock and the exchangeable shares may decline as a result of the transaction for a number of reasons, including if:

the integration of Solectron and C-MAC is unsuccessful;

Solectron does not achieve the perceived benefits of the transaction as rapidly or to the extent anticipated by financial or industry analysts; or

the effect of the transaction on Solectron's financial results is not consistent with the expectations of financial or industry analysts.

Failure to complete the transaction could negatively impact C-MAC's and/or Solectron's stock price, future business and operations.

If the transaction is not completed, C-MAC and/or Solectron may be subject to a number of material risks, including the following:

C-MAC may be required under certain circumstances to pay Solectron a termination fee of \$75 million;

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the price of C-MAC common shares and/or Solectron common stock may decline to the extent that the relevant current market price reflects a market assumption that the transaction will be completed; and

certain costs related to the transaction, such as legal, accounting and financial advisor fees, must be paid even if the transaction is not completed.

In addition, C-MAC's and/or Solectron's customers and strategic partners, in response to the announcement of the transaction, may delay or defer decisions concerning the applicable company. Any delay or deferral in those decisions by customers, strategic partners or suppliers could have a material adverse effect on the business and operations of the applicable company, regardless of whether the transaction is ultimately completed. Similarly, current and prospective C-MAC and/or Solectron employees may experience uncertainty about their future roles with Solectron until Solectron's strategies with regard to C-MAC are announced or executed. This may adversely affect C-MAC's and/or Solectron's ability to attract and retain key management, sales, marketing and technical personnel.

Further, if the transaction is terminated and C-MAC's board of directors determines to seek another merger or business combination, there can be no assurance that it will be able to find a partner willing to pay an equivalent or more attractive price than the price to be paid by Solectron pursuant to the arrangement.

The failure to obtain all required consents and waivers may cause third parties to terminate or alter existing contracts with C-MAC.

Some of the contracts C-MAC has with its suppliers, customers, lessors, licensors, licensees and other business partners require C-MAC to obtain the consent, waiver or approval of the other party to the contract in connection with the transactions contemplated by the combination agreement. If any such consent, waiver or approval cannot be obtained, C-MAC may suffer a loss of potential future revenue and may lose rights to facilities or intellectual property that are material to C-MAC's business. C-MAC has agreed to use reasonable efforts to secure the necessary consents, waivers and approvals. However, C-MAC may not be able to obtain all of the necessary consents, waivers and approvals and failure to do so could seriously harm the business and operating results of the combined company. In addition, some arrangements between C-MAC and its lenders require approval of such lenders in connection with the arrangement. If such approvals are not obtained and the arrangement is completed, C-MAC will be required to repay loans made by such lenders.

Solectron and C-MAC expect to incur significant costs associated with the transaction.

The combined estimated fees, costs and expenses of Solectron and C-MAC in connection with the transaction including, without limitation, financial advisors' fees, filing fees, legal and accounting fees, soliciting fees, dealer fees and printing and mailing costs are anticipated to be approximately \$32 million. The Solectron portion of the expenses are referred to in Note 1 to the Solectron unaudited pro forma consolidated condensed statements of operations and have been reflected in the Solectron unaudited pro forma consolidated condensed balance sheet included herein. See *Solectron Unaudited Pro Forma Financial Statements*. Solectron believes the combined company may incur charges to operations, which are not currently reasonably estimable, in the quarter in which the arrangement is completed or the following quarters, to reflect costs associated with integrating the two companies. There can be no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the transaction.

Solectron and C-MAC may be unable to obtain the required regulatory and court approvals for completing the arrangement.

The arrangement is subject to merger notification requirements pursuant to the antitrust laws of the United States, Canada, the European Union and Brazil and subject to review under the *Investment Canada Act*. The arrangement may be subject to additional foreign antitrust laws to be determined.

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Solectron and C-MAC intend to make all necessary filings where required by law. It is a condition to the completion of the arrangement that all waiting periods under applicable U.S., Canadian and foreign antitrust laws expire or are terminated and that Solectron and C-MAC obtain all government approvals without which the consummation of the transaction would be prohibited.

The combined company may be required to agree to various operating restrictions or other conditions, before or after receipt of shareholder approval, in order to obtain the necessary approvals of the arrangement under U.S. antitrust laws and foreign antitrust and investment review laws, or to ensure that U.S., Canadian or foreign governmental authorities do not seek to block the transaction. No additional shareholder approval is expected to be required or sought for any decision by Solectron or C-MAC, after the C-MAC and Solectron special meetings, to agree to any terms and conditions necessary to resolve any foreign regulatory objections to the transaction, and shareholder approval will not be sought unless such shareholder approval is required to approve such terms and conditions under applicable foreign law. Solectron or C-MAC or any of their subsidiaries or affiliates may be required to divest capital stock, businesses, assets or property of Solectron or its subsidiaries or affiliates or of C-MAC or its subsidiaries or affiliates. In addition, operating restrictions or other conditions required to secure U.S. or foreign regulatory approval may include the imposition of a material limitation on the ability of any of these parties to conduct their businesses or to own or exercise control of such assets, properties and stock. Any of these operating restrictions or conditions could have a material adverse effect on Solectron's ability to operate the combined company following consummation of the transaction or obtain the desired benefits of the combination. Even if all applicable waiting periods have expired and foreign regulatory approvals have been obtained, the laws of the U.S. and certain other jurisdictions permit federal, state and foreign governmental entities and any private person to challenge the transaction at any time before or after its completion.

In addition to regulatory approvals, the proposed arrangement under the *Canada Business Corporations Act* requires approval by the Superior Court of Justice (Québec). Prior to the mailing of this document, C-MAC obtained an interim order providing for the calling and holding of the C-MAC special meeting and other procedural matters. Subject to the approval of the C-MAC arrangement resolution at the C-MAC special meeting and the approval of the Solectron share issuance at the Solectron special meeting, the hearing to obtain a final order of the court is expected to take place on or about __, 2001 at __ (Montreal time) in room __ at the Montreal Courthouse at 1 Notre Dame Street East, Montreal, Québec.

C-MAC executive officers and directors have interests that may influence them to support and approve the transaction.

The officers and directors of C-MAC have interests in the transaction that are in addition to, or different than, those of C-MAC securityholders generally. These interests may include the following:

the receipt of options to purchase Solectron common stock in exchange for options to purchase C-MAC common shares;

the potential accelerated vesting of stock options in the event that the employment of some of C-MAC's senior employees with the combined company is terminated under certain circumstances following the completion of the transaction;

the receipt of severance benefits under employment, severance and retention agreements in the event that the employment of some of C-MAC's senior employees with the combined company is terminated following the completion of the transaction; and

the receipt of indemnification and insurance coverage with respect to acts taken and omissions to take action in their capacities as officers and directors of C-MAC and the combined company.

For the above reasons, the directors and officers of C-MAC could be more likely to vote to approve the C-MAC arrangement resolution than if they did not hold these interests. C-MAC securityholders should consider whether these interests may have influenced these directors and officers to support or

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recommend the transaction. The C-MAC board of directors was aware of these interests when it approved the combination agreement. See *The Transaction - Interests of Certain Persons in the Transaction* .

Risks relating to Solectron

Soletron is exposed to general economic conditions, which could have a material adverse impact on its business, operating results and financial condition.

As a result of recent unfavorable economic conditions and reduced capital spending, Soletron's sales have declined in the third quarter compared to the first two quarters of fiscal 2001. In particular, sales to OEMs, in the telecommunications, workstation and server equipment manufacturing industry worldwide were impacted during the third quarter of fiscal 2001. If the economic conditions in the United States worsen Soletron may experience a material adverse impact on its business, operating results and financial condition.

Soletron has significant debt leverage and debt service obligations; if Soletron is unable to service these debt obligations, its business, operating results and financial condition could be materially adversely impacted.

Soletron's ratio of earnings to fixed charges for the nine months ended May 31, 2001 was 2.10x as compared to 8.84x for the nine months ended May 31, 2000, which is the corresponding period for the prior year. This decline in the ratio is primarily due to interest expense growing at a greater rate than income during the period of fiscal 2001.

The degree to which Soletron may be leveraged could materially and adversely affect its ability to obtain financing for working capital, acquisitions or other purposes and could make Soletron more vulnerable to industry downturns and competitive pressures. Soletron's ability to meet its debt service obligations will be dependent upon its future performance, which will be subject to financial, business and other factors affecting its operations, many of which are beyond its control.

Soletron will require substantial amounts of cash to fund scheduled payments of principal and interest on its outstanding indebtedness, including future capital expenditures and any increased working capital requirements. If Soletron is unable to meet its cash requirements out of cash flow from operations, there can be no assurance that it will be able to obtain alternative financing, that any such financing would be on favorable terms, or that Soletron will be permitted to do so under the terms of its existing financing arrangements, or its financing arrangements in effect in the future. In the absence of such financing, Soletron's ability to respond to changing business and economic conditions, to make future acquisitions, to experience adverse operating results or to fund required capital expenditures or increased working capital requirements may be adversely affected.

Most of Soletron's net sales comes from a small number of customers; if it loses any of these customers, its net sales could decline significantly.

Most of Soletron's annual net sales come from a small number of its customers. Soletron's ten largest customers accounted for approximately 65% and 72% of net sales in the three- and nine-month periods ended May 31, 2001, respectively, and approximately 68% and 71% of net sales for the corresponding periods of fiscal 2000. Since Soletron depends on continued net sales from its ten largest customers, any material delay, cancellation or reduction of orders from these or other major customers could cause its net sales to decline significantly. Some of these customers individually account for more than ten percent of Soletron's annual net sales. Soletron cannot guarantee that it will be able to retain any of its ten largest customers or any other accounts. In addition, Soletron's customers may materially reduce the level of services ordered from it at any time. This could cause a significant decline in Soletron's net sales, and Soletron may not be able to reduce the accompanying expenses at the same time. Moreover, Soletron's business, financial condition and results of operations will continue to depend significantly on its ability to obtain orders from new customers, as well as on the financial condition and success of its customers. Therefore, any adverse factors affecting any of Soletron's customers or their

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customers could have a material adverse effect on Soletron's business, financial condition and results of operations.

Soletron's long-term contracts do not include minimum purchase requirements.

Although Soletron has long-term contracts with a few of its top ten customers, including Cisco, Ericsson and Nortel, under which these customers are obligated to obtain services from Soletron, not all of them are obligated to purchase any minimum amount of services. As a result, Soletron cannot guarantee that it will receive any net sales from these contracts. In addition, customers with whom Soletron has long-term contracts may materially reduce the level of services ordered at any time. This could cause a significant decline in Soletron's net sales, and Soletron may not be able to reduce its accompanying expenses at the same time.

Possible fluctuation of operating results from quarter to quarter could affect the market price of Solectron's securities.

Solectron's quarterly earnings may fluctuate in the future due to a number of factors including the following:

differences in the profitability of the types of manufacturing services Solectron provides. For example, high-velocity and low-complexity printed circuit board, or PCB, and systems assembly services have lower gross margins than low-volume, high-complexity PCB and systems assembly services;

Solectron's ability to maximize the use of its equipment and facilities depends on the duration of the production run time for each job and customer;

the amount of automation Solectron can use in the manufacturing process for cost reduction varies, depending upon the complexity of the product being made;

Solectron's ability to optimize the ordering of inventory as to timing and amount to avoid holding inventory in excess of immediate production needs;

fluctuations in demand for Solectron's services or the products being manufactured;

fluctuations in the availability and pricing of components;

timing of expenditures in anticipation of increased sales;

cyclicality in Solectron's target markets; and

expenses associated with acquisitions.

Therefore, Solectron's operating results in the future could be below the expectations of securities analysts and investors. If this occurs, the market price of Solectron's securities could be harmed.

Solectron depends upon the electronics industry, which continually produces technologically advanced products with short life cycles; Solectron's inability continually to manufacture such products in a cost effective manner would harm its business, financial condition and results of operations.

Most of Solectron's net sales are to companies in the electronics industry, which is subject to rapid technological change and product obsolescence. If Solectron's customers are unable to create products that keep pace with the changing technological environment, its customers products could become obsolete, and the demand for Solectron's services could decline significantly. If Solectron is unable to offer technologically advanced, cost-effective, quick-response manufacturing services to customers, demand for Solectron's services would also decline. In addition, a substantial portion of Solectron's net sales is derived from its ability to offer complete service solutions for its customers. For example, if Solectron fails to maintain high-quality design and engineering services, its net sales would significantly decline.

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For Solectron's technology solutions business, it has experienced, and may in the future experience, delays from time to time in the development and introduction of new products. Moreover, Solectron cannot ensure that it will be successful in selecting, developing, manufacturing and marketing new products or enhancements. Solectron cannot ensure that defects or errors will not be found in its products after commencement of commercial shipments, which could delay the market acceptance of those products. The inability to introduce new products or enhancements could harm Solectron's business, financial condition and results of operations.

Solectron depends on a limited or sole source of suppliers for critical components. The inability to obtain sufficient components as required would cause harm to its business.

Solectron depends on certain suppliers, including limited and sole source suppliers, to provide key components used in its products. Solectron has experienced and may continue to experience delays in component deliveries, which could cause delays in product shipments and

require the redesign of certain products. Also, for its technology solutions business, Solectron depends on certain limited or sole source suppliers for critical components used for its memory module, communications card and embedded computer products. The electronics industry has experienced in the past, and may experience in the future, shortages in semiconductor devices, including DRAM, SRAM, flash memory, tantalum capacitors and other commodities that may be caused by such conditions as overall market demand surges or supplier production capacity constraints. Except for certain commodity parts, Solectron generally has no written agreements with its suppliers. Solectron cannot give any assurance that it will receive adequate component supplies on a timely basis in the future. The inability to continue to obtain sufficient components as required, or to develop alternative sources as required, could cause delays, disruptions or reductions in product shipments or require product redesigns, which could damage relationships with current or prospective customers, thereby causing harm to Solectron's business.

Solectron potentially bears the risk of price increases associated with potential shortages in the availability of electronics components.

At various times, there have been shortages of components in the electronics industry. One of the services that Solectron performs for many customers is purchasing electronics components used in the manufacturing of the customers' products. As a result of this service, Solectron potentially bears the risk of price increases for these components if it is unable to purchase components at the pricing level anticipated to support the margins assumed in its agreements with its customers.

Solectron's net sales could decline if its competitors provide comparable manufacturing services and improved products at a lower cost.

Solectron competes with different contract manufacturers, depending on the type of service it provides or the location of its operations. The memory module, communications card and embedded computer subsystem industries are also intensely competitive. Competitors may have greater manufacturing, financial, research and development and/or marketing resources than Solectron. In addition, Solectron may not be able to offer prices as low as some of its competitors because those competitors may have lower cost structures as a result of their geographic location or the services they provide. Solectron's inability to provide comparable or better manufacturing services at a lower cost than its competitors could cause its net sales to decline. Solectron also expects its 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 could cause a decline in sales, loss of market acceptance of Solectron's products or services, or profit margin compression.

Solectron depends on the memory module product market.

Most of Solectron's technology solutions net sales is derived from memory modular products. The market for these products is characterized by frequent transitions in which products rapidly incorporate

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new features and performance standards. A failure to develop products with required feature sets or performance standards or a delay as short as a few months in bringing a new product to market could reduce Solectron's net sales which may have a material adverse effect on its business, financial condition and results of operations. In addition, the market for semiconductor memory devices has been cyclical. The industry has experienced significant economic downturns at various times, characterized by diminished product demand, excess production, and accelerated erosion of average selling prices. In the past, there have been significant declines in the prices for DRAM, SRAM and flash memory. Similar occurrences in the future would reduce Solectron's profit.

Solectron depends on the continuing trend of OEMs to outsource.

A substantial factor in Solectron's revenue growth is attributable to the transfer of manufacturing and supply base management activities from its OEM customers. Future growth depends partially on new outsourcing opportunities. To the extent that these opportunities are not available, its future growth would be unfavorably impacted. These outsourcing opportunities may include the transfer of assets such as facilities, equipment and inventory.

If Solectron is unable to manage its rapid growth and cost effectively assimilate new operations, its profitability could decline.

Solectron has experienced rapid growth over many years. Solectron's historical growth may not continue. In recent years Solectron has established operations throughout the world. For example, in fiscal 1998, it opened offices in Taipei, Taiwan and Norrkoping and Stockholm, Sweden and commenced manufacturing operations in Guadalajara, Mexico; Suzhou, China; and Timisoara, Romania. Also in fiscal 1998,

Solectron acquired facilities in Sao Paulo, Brazil and Dublin, Ireland. Furthermore, through acquisitions in fiscal 1998 and 1999, it added facilities in Columbia, South Carolina and Memphis, Tennessee and enhanced its capabilities in Charlotte, North Carolina; Austin, Texas; and Milpitas, California.

In fiscal 2000, Solectron completed acquisitions of AMERICOM, SMART Modular Technologies Inc. (SMART) and the Bluegum Group (Bluegum), each of which was accounted for as a pooling of interests. Through additional acquisitions, Solectron also acquired facilities in Puerto Rico, Mexico, Canada, France, Sweden, Wales, France, Northern Ireland, and Australia.

During the second quarter of fiscal 2001, Solectron completed acquisitions of NatSteel Electronics Ltd (NEL), Sony's manufacturing facilities in Japan and Taiwan and IBM's repair center in the Netherlands. During the third quarter of fiscal 2001, Solectron completed the acquisition of Centennial Technologies, Inc. During the fourth quarter of fiscal 2001, Solectron completed the acquisition of Singapore Shinei Sangyo Pte Ltd and its subsidiaries.

Solectron's expansion and growth places a heavy strain on its personnel and management, manufacturing and other resources. Solectron's ability to manage the expansion to date, as well as any future expansion, will require progressive increases in manufacturing capacity, enhancements or upgrades of accounting and other internal management systems, and implementation of various procedures and controls. Solectron cannot ensure that significant problems in these areas will not occur. Any failure to enhance or expand these systems and implement such procedures and controls in an efficient manner and at a pace consistent with its business activities could harm its financial condition and results of operations. Also, in order to achieve anticipated revenue and other financial performance targets, Solectron will continue to be required to manage its assets and operations efficiently. In addition, should Solectron continue to expand geographically, it may experience certain inefficiencies from the management of geographically dispersed facilities.

As Solectron manages and continues to expand new operations, it may incur substantial infrastructure and working capital costs. If Solectron does not achieve sufficient growth to offset increased expenses associated with rapid expansion, its profitability would decline.

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Solectron needs to integrate its acquisitions successfully to maintain profitability.

As Solectron expands its operations through acquisitions and continues to evaluate acquisition opportunities, it may pursue additional acquisitions over time. These acquisitions involve risks, including:

integration and management of the operations;

retention of key personnel;

integration of purchasing operations and information systems;

retention of the customer base of acquired businesses;

management of an increasingly larger and more geographically dispersed business; and

diversion of management's attention from other ongoing business concerns.

Solectron's profitability will suffer if it is unable to integrate and manage recent acquisitions and pending acquisitions successfully including, in particular, the NEL, Shinei and Centennial transactions, as well as any future acquisitions that it might pursue, or if it does not achieve sufficient revenue to offset the increased expenses associated with these acquisitions.

Solectron's non-U.S. locations represent a significant and growing portion of its net sales; Solectron is increasingly exposed to risks associated with operating internationally.

In the three- and nine-month periods ended May 31, 2001, approximately 58% and 49%, respectively, of Solectron's net sales came from sites outside the United States, while approximately 46% and 43%, of net sales came from sites outside the United States in the same periods of

fiscal 2000. As a result of its foreign sales and facilities, Solectron's operations are subject to a variety of risks unique to international operations, including the following:

adverse changes in value of foreign currencies against the U.S. dollar in which its results are reported;

import and export duties and value-added taxes;

import and export regulation changes that could erode its profit margins or restrict exports;

potential restrictions on the transfer of funds;

inflexible employee contracts in the event of business downturns; and

the burden and cost of complying with foreign laws.

In addition, Solectron has operations in several emerging or developing economies that have a potential for higher risk. The risks associated with these economies include, but are not limited to currency volatility and other economic or political risks. In the future, these factors may harm Solectron's results of operations. Solectron locations in emerging or developing economies include Indonesia, Mexico, Brazil, China, Malaysia and Romania. As of May 31, 2001 Solectron had \$220.8 million in cumulative foreign exchange translation losses on its balance sheet, primarily attributable to the devaluation of the Brazilian real in January of 1998. While, to date, these factors have not had a significant adverse impact on its results of operations, Solectron cannot give any assurance that there will not be such an impact. Furthermore, while it may adopt measures to reduce the impact of losses resulting from volatile currencies and other risks of doing business abroad, Solectron cannot give any assurance that such measures will be adequate.

The Malaysian government adopted currency exchange controls, including controls on its currency, the ringgit, held outside Malaysia, and established a fixed exchange rate for the ringgit against the U.S. dollar. The fixed exchange rate provides a stable rate environment when applied to local expenses denominated in ringgit. The long-term impact of such controls is not predictable due to dynamic economic conditions that also affect or are affected by other regional or global economies.

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Solectron has been granted a tax holiday effective through January 31, 2002, subject to some conditions, for its Malaysian sites. Solectron has also been granted various tax holidays in China. These tax holidays are effective for various terms and are subject to some conditions. It is possible that the current tax holidays will be terminated or modified or that future tax holidays that Solectron may seek will not be granted. If the current tax holidays are terminated or modified, or if additional tax holidays are not granted in the future, Solectron's effective income tax rate would likely increase.

Solectron is exposed to fluctuations in foreign currency exchange rates.

Solectron does not use derivative financial instruments for speculative purposes. Its policy is to hedge its foreign currency denominated transactions in a manner that substantially offsets the effects of changes in foreign currency exchange rates. Presently, Solectron uses foreign currency borrowings and foreign currency forward contracts to hedge only those currency exposures associated with certain assets and liabilities denominated in non-functional currencies. Corresponding gains and losses on the underlying transaction generally offset the gains and losses on these foreign currency hedges.

As of May 31, 2001, the majority of the foreign currency hedging contracts were scheduled to mature in less than three months, and there were no material deferred gains or losses. In addition, Solectron's international operations in some instances act as a natural hedge because both operating expenses and a portion of sales are denominated in local currency. In these instances, including Solectron's current experience involving the devaluation of the Brazilian real, although an unfavorable change in the exchange rate of a foreign currency against the U.S. dollar would result in lower sales when translated to U.S. dollars, operating expenses would also be lower in these circumstances. Also, since less than 13% of Solectron's net sales for the nine-month period ended May 31, 2001 are denominated in currencies other than the U.S. dollar, it does not believe its total exposure is significant.

Solectron has currency exposures arising from both sales and purchases denominated in currencies other than the functional currency of its sites. Fluctuations in the rate of exchange between the currency of the exposure and the functional currency of its sites could seriously harm its business, operating results and financial condition. For example, an increase in the rate at which a foreign currency is exchanged for U.S. dollars would require more of the foreign currency to equal a specified amount of U.S. dollars than before the rate increase. In such cases, and if Solectron prices its products and services in the foreign currency, Solectron would receive less in U.S. dollars than it did before the rate increase went into effect. If Solectron prices its products and services in U.S. dollars and competitors price their products in local currency, an increase in the relative strength of the U.S. dollar would result in Solectron's prices being uncompetitive in markets where business is transacted in the local currency.

Solectron is exposed to interest rate fluctuations.

The primary objective of Solectron's investment activities is to preserve principal and, at the same time, maximize yields without significantly increasing risk. To achieve this objective, Solectron maintains its portfolio of cash equivalents and short-term investments in a variety of securities, including both government and corporate obligations, certificates of deposit and money market funds. As of May 31, 2001, approximately 96% of Solectron's total portfolio investments were scheduled to mature in less than six months. In addition, Solectron's investments are diversified and of relatively short maturity.

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The following table presents the amounts of Solectron's cash equivalents and short-term investments that are subject to interest rate risk by calendar year of expected maturity and weighted average interest rates as of May 31, 2001:

	Expected Maturity			Fair Value
	Q1 2002	Q4 2002	Total	
	(in thousands)			
Cash equivalents and short-term investments				
\$1,122.8 \$46.5 \$1,169.3 \$1,169.3				
Average interest rate				
4.70% 6.30%				

Solectron has entered into an interest rate swap transaction under which it pays a fixed rate of interest hedging against the variable interest rates implicit in the rent charged by the lessor for the facility lease at Milpitas, California. The interest rate swap expires June 3, 2002, which coincides with the maturity date of the lease term. As Solectron intends to hold the interest rate swap until the maturity date, it is not subject to market risk. In substance, such interest rate swap has fixed the interest rate for the facility lease, thus reducing interest rate risk.

Solectron's long-term debt instruments are subject to fixed interest rates. In addition, the amount of principal to be repaid at maturity is also fixed. In the case of the convertible notes, such notes are based on fixed conversion ratios into common stock. Therefore, Solectron is not exposed to variable interest rates related to its long-term debt instruments.

Solectron may not be able to adequately protect or enforce its intellectual property rights; and it could become involved in intellectual property disputes.

Solectron's ability to compete effectively may be affected by its ability to protect its proprietary information. Solectron holds a number of patents and other license rights. These patent and license rights may not provide meaningful protection for Solectron's manufacturing processes and equipment innovations. In the semiconductor, computer, telecommunications and networking industries, companies receive notices from time to time alleging infringement of patents, copyrights or other intellectual property rights, and litigation sometimes arises out of such notices. For example, in January 2000, SMART filed a lawsuit seeking to have declared invalid, and/or not infringed, three patents purportedly applicable to industry standard memory products, including those manufactured by SMART and the other manufacturers of these industry standard memory products. The owner of these patents brought a cross-complaint alleging patent infringement against SMART, and has also brought suit against several other memory product manufacturers alleging infringement of the three patents. Solectron believes that SMART's memory products do not infringe any valid claims of any of the three patents at issue. Moreover, Solectron has been and may from time to time continue to be notified of claims that it may be infringing patents, copyrights or other intellectual property rights owned by other third parties.

The current litigation or any other litigation could result in substantial costs and diversion of resources and could have a material adverse effect on Solectron's business, financial condition and results of operations. In the future, third parties may assert infringement claims against Solectron or its customers. In the event of an infringement claim, Solectron may be required to spend a significant amount of money to develop a non-infringing alternative or to obtain licenses. Solectron may not be successful in developing such an alternative or obtaining a license on reasonable terms, if at all. In addition, any such litigation could be lengthy, costly and could harm Solectron's financial condition.

Failure to comply with environmental regulations could harm Solectron's business.

As a company in the electronics manufacturing services industry, Solectron is subject to a variety of environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals used during its manufacturing processes. Although Solectron has never sustained any significant loss as a result of non-compliance with such regulations, any failure by it to comply with environmental laws and regulations could result in material liabilities, the suspension of production or a material adverse effect on

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its business or financial condition. In addition, these laws and regulations could significantly restrict Solectron's ability to expand its facilities or require it to acquire costly equipment or incur other material costs to comply with regulations.

Solectron's administrative facilities and principal business operations are located in California, and any disruption in the available power supply in California could disrupt its operations, reduce its revenues, and increase its expense.

The State of California is in the midst of an energy crisis that could interrupt Solectron's power supply or that of the third-party service providers and thereby disrupt its operations, reduce its revenues and increase its expenses. A substantial portion of Solectron's operating activities and facilities, including its headquarters and principal administrative facilities, are located in California. During acute power shortages, California has implemented, and may in the future continue to implement, rolling blackouts throughout the state. The rolling blackouts that have occurred to date have not materially disrupted the operations of Solectron's facilities. Should these blackouts continue or increase in severity, however, they could materially disrupt the operations of one or more of Solectron's facilities. Although Solectron currently does not have backup generator or long-term alternate sources of power in the event of a blackout, it does have some flexibility to shift some manufacturing volume to other manufacturing sites around the world. If blackouts interrupt its power supply, Solectron would be temporarily unable to continue operations at its affected facilities. Solectron's current insurance does not provide coverage for any damages it or its customers may suffer as a result of any interruption in its power supply. Consequently, any interruption in Solectron's ability to continue operations at its facilities could damage its reputation, harm its ability to retain existing customers and to obtain new customers, and could result in lost revenue, any of which would substantially harm its business and results of operations.

In addition, the utility deregulation program instituted in 1996 by the California government deregulated wholesale prices while continuing to regulate the retail prices charged by the electrical utilities. While wholesale prices have increased dramatically, retail prices have, until recently, not increased at a comparable rate. Solectron's business is substantially dependent on the availability and price of electricity. If retail electricity prices rise dramatically, Solectron would expect its expenses to increase, its operating results to be harmed, and the possible decline of its stock price.

Solectron's stock price may be volatile due to factors outside of its control.

Solectron's stock price could fluctuate due to the following factors, among others:

announcements of operating results and business conditions by its customers;

announcements by its competitors relating to new customers, technological innovation or new services;

economic developments in the electronics industry as a whole;

political and economic developments in countries where it has operations; and

general market conditions.

Solectron's low stock price may reduce its diluted earnings per share.

On January 27, 2002, Solectron may become obligated to purchase all or a portion of the outstanding 4.0% liquid yield option notes, or LYONs, at a price of \$510.03 per note (the purchase price) at the option of the holders of such securities. Solectron has the option to pay the purchase price of LYONs in cash or Solectron common stock or any combination thereof. If Solectron elects to pay the purchase price, in whole or part, in shares of its common stock, the number of shares of Solectron common stock to be delivered shall equal the purchase price divided by the average of the sale prices of the Solectron common stock for the five trading day period ending on the third business day prior to January 27, 2002. The LYONs are convertible into Solectron common stock at a price of \$34.13 per share or 14.944 shares per

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LYON. In the event that Solectron's stock price remains below \$34.13 per share at January 27, 2002, Solectron may have to issue additional shares to the holders. Accordingly, Solectron's diluted earnings per share may be reduced.

Failure to retain key personnel and skilled associates could hurt Solectron's operations.

Solectron's continued success depends to a large extent upon the efforts and abilities of key managerial and technical associates. Losing the services of key personnel could harm Solectron. Solectron's business also depends upon its ability to continue to attract and retain senior managers and skilled associates. Failure to do so could harm Solectron's operations.

Solectron's anti-takeover defense provisions may deter potential acquirors and may depress its stock price.

Solectron's certificate of incorporation, bylaws and the stockholder rights plan recently approved by the Solectron board of directors, contain provisions that could make it more difficult for a third party to acquire, or may discourage a third party from attempting to acquire, control of Solectron. These provisions allow Solectron to issue preferred stock with rights senior to those of its common stock and impose various procedural and other requirements that could make it more difficult for its stockholders to effect certain corporate actions.

Risks relating to C-MAC

C-MAC depends on Nortel for a significant portion of its business, and further declines in sales to Nortel would materially harm its business, financial condition and operating results.

For the year ended December 31, 2000, Nortel Networks Corporation and its affiliates accounted for approximately 60% of C-MAC's revenue, compared to 62% in the previous year. For the twenty-six week period ended June 30, 2001, Nortel and its affiliates accounted for approximately 46.8% of C-MAC's revenue compared to approximately 64.3% for the corresponding period of the previous year. C-MAC expects to continue to depend on Nortel for a significant percentage of its revenue, and any material delay, cancellation, or reduction of orders from Nortel, or any significant pricing or margin pressures exerted by Nortel, would have a material adverse effect on C-MAC's business, financial condition and operating results. In addition, C-MAC cannot guarantee that it will be able to retain Nortel's business or any other customer's business in its entirety.

C-MAC typically does not enter into minimum purchase contracts with its customers.

C-MAC's contracts with its customers typically do not provide for minimum purchases. Most of C-MAC's sales are derived from purchase orders from its customers, which typically commit to production schedules up to 90 days in advance. As a result, C-MAC cannot guarantee that it will receive any orders under its existing contracts. Orders may generally be cancelled, reduced or delayed with little advance notice. C-MAC cannot be certain that it will be able to replace delayed or reduced orders with new business. As a result, cancellations, reductions or rescheduling of orders could have an adverse effect on C-MAC's operating results.

C-MAC is exposed to general economic conditions, which could have a material adverse impact on its business, operating results and financial condition.

As a result of recent unfavorable economic conditions, C-MAC's sales in the third quarter have declined over the first two quarters of 2001. In particular, sales to OEMs, in the communications market in the United States and Canada were particularly affected during the third quarter of 2001. If the economic conditions in the United States and Canada worsen or if a wider or global economic slowdown occurs, C-MAC may

experience a material adverse impact on its business, operating results and financial condition.

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C-MAC's annual and quarterly operating results may fluctuate.

C-MAC's operating results may fluctuate significantly from quarter to quarter and from year to year due to a number of factors, including the following:

the level and timing of customer orders;

differences in profitability in the type of products and services it sells;

the volume of orders relative to its capacity;

fluctuations in demand for its products and services due to seasonality in the communications equipment market;

the impact of acquisitions;

pricing and other competitive pressures;

fluctuations in the availability and cost of raw materials;

its ability to manage inventory and fixed assets effectively; and

its ability to coordinate expenditures in anticipation of future sales.

C-MAC's customers generally require short delivery cycles. Quarterly sales and operating results therefore depend in large part on the volume and timing of orders received during the quarter. C-MAC is unable to forecast the level of customer orders with certainty, which may lead to fluctuations in operating results. These fluctuations make it difficult to schedule production and maximize utilization of C-MAC's manufacturing capacity. In the past, C-MAC has been required to increase staffing, purchase materials and incur other expenses to meet the anticipated demand of its customers. In addition, some of the expenses related to C-MAC's operations are relatively fixed in nature and planned expenditures are based in part on anticipated orders. Any inability to adjust spending quickly enough to compensate for any revenue shortfall may magnify the adverse impact of such revenue shortfall on C-MAC's business, financial condition and operating results.

C-MAC is dependent on the continuing trend of outsourcing by OEMs, and its growth could be adversely affected if this trend slows or ceases to continue.

C-MAC's revenue growth is significantly attributable to the increased outsourcing of manufacturing and supply chain services by its original equipment manufacturer, or OEM, customers. C-MAC's future growth is partially dependent on new outsourcing opportunities. These outsourcing opportunities may include the transfer by OEMs of assets such as facilities, equipment, inventory and labor. To the extent that these opportunities are not available or the outsourcing trend by OEMs does not continue, C-MAC's future growth would be adversely affected.

C-MAC depends upon the electronics industry, particularly the communications equipment market, which is subject to rapid technological change and product obsolescence.

C-MAC's business is heavily dependent upon the electronics industry, particularly the communications equipment market, which is subject to rapid technological change and product obsolescence. If C-MAC is unable to provide technologically advanced products and manufacturing services at competitive prices, demand for its services will decline. In the past, C-MAC has experienced delays in the development and introduction of new products. C-MAC cannot guarantee that it will not experience similar delays in the future. Any inability to maintain high-quality design and engineering services or introduce new products at competitive prices would adversely affect its operating results. Furthermore, if C-MAC's major customers do not design products that keep pace with this rapid technological change, their products could become obsolete and their demand for C-MAC's services could decline significantly.

Table of Contents**C-MAC operates in a highly competitive industry which could cause it to experience downward pressure on prices, fewer customer orders and the loss of market share.**

The EMS industry is highly competitive. Consolidation in the EMS industry is leading to a continually changing competitive landscape and the creation of larger and more geographically diverse competitors with significant combined resources. In addition, C-MAC may in the future encounter competition from other large electronic manufacturers that are selling, or may begin to sell, electronic manufacturing services. C-MAC also faces potential competition from the manufacturing operations of its current and potential customers, who are continually evaluating the merits of manufacturing products internally versus the advantages of outsourcing. C-MAC will face increasing competitive pressures to grow its business in order to remain competitive. Increased competition from existing or potential competitors could result in price reductions, fewer customer orders or loss of market share.

C-MAC may experience component shortages, which would increase its costs or cause it to delay shipments to customers.

C-MAC procures components and incorporates them into the assemblies and subassemblies it manufactures. C-MAC depends on a single supplier or a limited number of suppliers for certain raw materials or components, and it generally does not have long-term supply agreements. Therefore, C-MAC may occasionally experience delays in component deliveries which could cause delays in product shipments. The inability to procure sufficient components, or to develop alternative sources if required, could cause delays, disruptions or reductions in product shipments and could adversely affect its operating results.

While most of its significant customers' contracts permit quarterly or other periodic adjustments to pricing based on increases or decreases in component prices, C-MAC typically bears the risk of component price increases that occur between any such repricings or, if such repricings are not permitted, during the balance of the term of the particular customer's contract. Accordingly, certain component price increases could adversely affect C-MAC's operating margins.

C-MAC may fail to successfully complete future acquisitions and may not successfully integrate acquired businesses which could adversely affect its financial performance.

C-MAC has, for the past several years, pursued a strategy of growth in large part through acquisitions. C-MAC cannot give any assurance that it would be able to successfully complete future acquisitions, due primarily to increased competition for the acquisition of electronics manufacturing services operations. Similarly, C-MAC cannot give any assurance that it will be able to successfully integrate the operations and management of its recent acquisitions or future acquisitions. Acquisitions of companies and assets involve significant risks that could have a material adverse effect on C-MAC, including:

Operating risks, such as:

the inability to successfully integrate acquired operations, businesses and personnel, or to realize anticipated synergies, economies of scale or other value;

diversion of C-MAC's management's attention;

difficulties in scaling-up production and coordinating management of operations at new sites;

the strain placed on C-MAC's systems and resources;

disruption in manufacturing operations;

the possible modification or termination of customer programs; and

loss of key employees of the acquired businesses.

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Financial risks, such as:

the dilutive effect of the issuance of additional equity securities;

the incurrence of additional debt;

the incurrence of large one-time write-offs;

possible effect of adverse tax and accounting treatments; and

unforeseen liabilities of the acquired businesses.

C-MAC may fail to successfully establish new facilities.

C-MAC faces numerous risks in establishing, equipping and commencing operations in any new facilities that it establishes. These risks, which could be more pronounced for facilities that C-MAC establishes outside of North America, include:

the failure to identify and acquire or lease suitable properties;

construction delays and cost overruns;

the cost and unavailability of necessary equipment;

the failure to hire, train and manage manufacturing personnel; and

production delays, unfavorable manufacturing yields and lengthening delivery schedules.

Failure to manage its growth may seriously harm C-MAC's business.

C-MAC's business has grown rapidly in recent years through both internal growth and acquisitions. This growth has placed, and will continue to place, significant strain on its operations. To manage its growth effectively, C-MAC must continue to improve and expand its financial, operational and management information systems; continue to develop the management skills of its managers and supervisors; and continue to train, manage and motivate its employees. If C-MAC is unable to manage its growth effectively, its operating results could be harmed.

Failure to effectively manage the risks associated with its international operations could harm C-MAC's operating results.

International operations involve significant risks. The failure to effectively manage these risks could harm C-MAC's operating results. During 2000, approximately 20% of its revenue was derived from sales outside of North America. C-MAC also has substantial manufacturing operations in Europe and C-MAC purchases components manufactured outside of North America. International sales and operations may be limited or disrupted by increased regulatory requirements, the imposition of government and currency controls, export license requirements, political instability, labor unrest, transportation delays and interruptions, trade restrictions, changes in tariffs and difficulties in staffing and co-ordinating communications among international operations. Additionally, C-MAC's business and operating results may be harmed by fluctuations in international currency exchange rates as well as increases in duty rates, constraints on the ability to maintain or increase prices, and competition. C-MAC cannot give any assurance that its international operations will continue to contribute positively to its business and operating results.

C-MAC depends on certain key personnel, and the loss of key personnel may harm its business.

C-MAC's future success depends in large part on the continued service of its key technical and management personnel and on its ability to continue to attract and retain qualified employees, particularly those highly skilled design, process and test engineers involved in the manufacture of existing products and the development of new products and processes. The competition for such personnel is intense, and the

loss of key employees, none of whom is subject to an employment agreement for a specified term or a post-employment non-competition agreement, could harm its business.

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The products C-MAC manufactures may contain defects that are difficult to detect and correct; if C-MAC fails to detect or correct them, C-MAC could lose customers and be subject to warranty or other claims.

Some of the products C-MAC manufactures are highly complex and sophisticated and may contain defects that are difficult to detect and correct. Even though designs are generally provided by its customers, C-MAC cannot give any assurance that errors will not be found in products after commencement of commercial shipments or, if discovered, that C-MAC will be able to successfully correct such errors in a timely manner or at all. The occurrence of errors and failures in its products could result in warranty claims or loss of customers. Correcting such defects could require significant capital investment. When defective products are integrated in its customers' equipment, C-MAC may face product liability claims based on damages to such equipment. Any claims, errors or failures could have an adverse effect on its operating results and its business.

C-MAC is exposed to foreign currency risk.

C-MAC's financial results are reported in Canadian dollars. A significant portion of its revenue and expenses as well as its accounts payable, accounts receivable and other balance sheet items are denominated in currencies other than the Canadian dollar, primarily in United States dollars. Fluctuations in the exchange rate between these other currencies and the Canadian dollar could reduce its reported revenue, increase its costs or give rise to a charge related to foreign currency translation, all of which could adversely affect its operating results and reported earnings.

C-MAC relies primarily on trade secrets to protect its technology; C-MAC may also be subject to claims for infringement on the intellectual property of others.

C-MAC believes that certain of its proprietary design and manufacturing technologies give C-MAC a competitive advantage. Accordingly, C-MAC has taken, and intends to continue to take, appropriate steps to protect this proprietary information, including signing non-disclosure agreements with certain customers, employees and other parties. C-MAC relies primarily on trade secrets and C-MAC generally does not rely on copyright protections, trademarks or patents. C-MAC's protection measures may not be sufficient to prevent the misappropriation or unauthorized disclosure of its technology or information.

C-MAC also faces the risk that infringement claims may be brought against C-MAC or its customers in the future. If someone does successfully assert an infringement claim, C-MAC may be required to spend significant time and money to defend against such claim, to develop a manufacturing process that does not infringe upon the rights of such other person or to obtain licenses for the technology, process or information from the owner. C-MAC may not be successful in the defense of such claims and may not be able to develop processes that do not infringe on the rights of third parties or obtain licenses on commercially acceptable terms, if available at all. In addition, any litigation could be lengthy and costly and could adversely affect C-MAC, its operations or financial results, whether or not C-MAC is successful in defending any litigation.

Failure to comply with environmental laws could harm its business.

Like other EMS companies, C-MAC is subject to extensive environmental laws and regulations in various jurisdictions. Although all of its manufacturing facilities have personnel responsible for monitoring environmental compliance, there can be no assurance that violations have not or will not occur in the future as a result of human error, equipment failure or other causes. In the event of a violation of environmental laws, C-MAC could be held liable for fines or penalties and be subject to revocation of certain environmental permits. Any revocation of, or the failure to renew, environmental permits could require C-MAC to cease or limit production at one or more of its facilities, which could adversely affect its operating results. Under certain environmental laws, C-MAC could also be liable for the cost of remedial action. Environmental laws could become more stringent over time. The costs of compliance with, and penalties and damages associated with violation of, environmental laws could be significant.

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THE SPECIAL MEETING OF SOLECTRON STOCKHOLDERS

General

Solectron is furnishing this document to all stockholders of record of Solectron common stock in connection with the solicitation of proxies by the Solectron board of directors for use at the special meeting of Solectron stockholders to be held on __, 2001, and at any adjournment or postponement thereof. This document is also being furnished to C-MAC securityholders by Solectron as a prospectus of Solectron in connection with the issuance by Solectron of shares of Solectron common stock as contemplated by the combination agreement and plan of arrangement.

The rules of the New York Stock Exchange require that a listed issuer obtain the consent of its stockholders prior to completing any transaction that would result in the issuance of more than 20% of the issuer's outstanding common stock. The transaction provides that Solectron will issue shares of its common stock (either directly or on exchange of exchangeable shares) representing, in the aggregate, in excess of 20% of its outstanding common stock. If Solectron were to consummate the transactions without stockholder approval, Solectron common stock could not remain listed on the New York Stock Exchange. Stockholder approval of the transactions is not required by Delaware law or Solectron's certificate of incorporation.

Although Solectron stockholders are not being asked to vote on the combination agreement or the plan of arrangement, the issuance of Solectron common stock is necessary in order to complete the acquisition of C-MAC as contemplated by those agreements.

Date, Time and Place

The special meeting of stockholders of Solectron will be held on __, 2001 at __, California time, at Solectron's corporate offices at 847 Gibraltar Drive, Milpitas, California 95035.

Purpose of the Special Meeting

At the special meeting, and any adjournment or postponement thereof, Solectron stockholders will be asked:

1. to consider and vote upon a proposal to approve the issuance of up to __ shares of Solectron common stock pursuant to the combination agreement and the plan of arrangement; and
2. to transact other business that may properly come before the special meeting and any adjournment or postponement of the special meeting.

Copies of the combination agreement and all related exhibits, including the plan of arrangement, are attached to this document as Annexes A-1, A-2 and C through E. Solectron stockholders are encouraged to read the combination agreement and related exhibits in their entirety and the other information contained in this document carefully before deciding how to vote.

Record Date for the Special Meeting

The Solectron board of directors has fixed the close of business on __, 2001 as the record date for determination of Solectron stockholders entitled to notice of and to vote at the special meeting.

Vote Required

In order for the Solectron share issuance to be approved, the rules of the New York Stock Exchange require that a majority of the votes cast at a special meeting of Solectron stockholders (at which a quorum is present) must approve the issuance. Each share of Solectron common stock entitles the holder to one vote per share with respect to the matters expected to be submitted to the stockholders at the special meeting. There are no other voting securities of Solectron.

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As of the close of business on the record date for the special meeting, approximately _ shares of Solectron common stock were issued and outstanding, and there were approximately _ stockholders of record. Each share of Solectron common stock is entitled to one vote. There are no other shares of Solectron capital stock entitled to vote at the special meeting.

As of the close of business on the record date for the special meeting of Solectron stockholders at which the Solectron share issuance will be considered and voted upon, directors and executive officers of Solectron (and their respective affiliates) collectively owned approximately _% of the outstanding shares of Solectron common stock entitled to vote at the special meeting on the issuance. This does not include _ shares of Solectron common stock underlying presently exercisable options which these directors and officers beneficially own. If all of these stock options had been exercised prior to the record date for the special meeting, the directors and executive officers of Solectron (and their respective affiliates) would collectively own approximately _% of the outstanding shares of Solectron common stock entitled to vote at the special meeting.

Quorum, Abstentions and Broker Non-Votes

A majority of all issued and outstanding voting shares of Solectron as of the record date, represented in person or by proxy, constitutes a quorum for the transaction of business at the special meeting. Solectron has appointed Susan Wang to function as the inspector of elections of the special meeting. The inspector of elections will ascertain whether a quorum is present, tabulate votes and determine the voting results on all matters presented to Solectron stockholders at the special meeting. If a quorum is not obtained, the special meeting may be postponed or adjourned for the purpose of allowing additional time for obtaining additional proxies or votes, and at any subsequent reconvening of the special meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent special meeting.

If you submit a proxy that indicates an abstention from voting in all matters, your shares will be counted as present for the purpose of determining the existence of a quorum at the special meeting, but they will not be voted on any matter at the applicable special meeting. In addition, the failure of a Solectron stockholder to return a proxy will have the effect of reducing the number of votes cast at the special meeting thereby also reducing the number of votes needed to approve the Solectron share issuance. The failure to return a proxy may also contribute to a failure to obtain a quorum at the special meeting.

Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients, who are the beneficial owners of the shares, brokers have discretion to vote these shares on routine matters but not on non-routine matters. The approval of the Solectron share issuance at the special meeting is not considered a routine matter. Accordingly, brokers will not have discretionary voting authority to vote your shares at the special meeting. A broker non-vote occurs when brokers do not have discretionary voting authority and have not received instructions from the beneficial owners of the shares. At the special meeting, broker non-votes will be counted for the purpose of determining the presence of a quorum but will not be counted for the purpose of determining the number of votes cast on a matter. Consequently, **Solectron stockholders are urged to return the enclosed proxy card marked to indicate their vote.**

Solicitation of Proxies and Expenses

Solectron will bear its own expenses in connection with the solicitation of proxies for its special meeting of stockholders, except that C-MAC and Solectron will divide evenly all out-of-pocket expenses (other than fees and expenses of attorneys, accountants, investment bankers and other advisors) incurred in connection with the printing and filing of the C-MAC circular, this document and the filing and registration with any governmental entity of any documents in connection with the transaction, including registration and filing fees.

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In addition to solicitation by mail, directors, officers and employees of Solectron may solicit proxies from stockholders by telephone, facsimile, e-mail or in person. No additional compensation will be paid to these individuals for any such services. Some of these individuals may have interests in the transaction that are different from, or in addition to, the interests of Solectron stockholders generally. Solectron has retained Morrow & Co. for the purpose of soliciting proxies and will pay Morrow & Co. \$12,500 for its services. Record holders such as brokerage houses, nominees, fiduciaries and other custodians will be requested to forward soliciting materials to beneficial owners and to request authority for the exercise of proxies, and, upon the request of such record holders, they will be reimbursed for their reasonable expenses incurred in sending proxy materials to beneficial owners.

Voting of Proxies at the Special Meeting and Revocation of Proxies

Solectron requests that all holders of Solectron common stock on the record date complete, date and sign the accompanying proxy and promptly return it in the accompanying envelope or otherwise mail it to Solectron. Brokers holding voting shares in street name may vote the shares only if the stockholder provides instructions on how to vote. Brokers will provide directions to stockholders on how to instruct your broker to vote the shares. Please note, however, that if the holder of record of your shares is your broker, bank or other nominee and you wish to vote at the meeting, you must bring a letter from the broker, bank or other nominee confirming that you are the beneficial owner of the shares. All properly executed proxies that Solectron receives prior to the vote at the special meeting, and that are not revoked, will be voted in accordance with the instructions indicated on the proxy card. If no direction is indicated on such proxies, such proxies will be voted in favor of approval of the Solectron share issuance (except for broker non-votes, which are discussed above). The Solectron board of directors does not currently intend to bring any other business before the special meeting and, to the knowledge of the Solectron board of directors, no other matters are to be brought before the special meeting. If other business properly comes before the special meeting, the proxies will vote in accordance with their own judgment.

A Solectron stockholder may revoke a proxy at any time prior to its use:

by delivering to the Secretary of Solectron a later-dated signed notice of revocation;

by delivering to the Secretary of Solectron a later-dated signed proxy (which will automatically replace any earlier dated proxy card that you returned); or

by attending the special meeting and voting in person.

Attendance at the special meeting does not in itself constitute the revocation of a proxy.

In addition to voting by the enclosed proxy card, you may vote by telephone, or electronically through the Internet, if you are a registered shareholder of Solectron. If you wish to vote by these methods, please follow the instructions included with your proxy card.

If your shares are held in street name, your broker or nominee may permit you to vote by telephone or electronically. Please check your proxy card or contact your broker or nominee to determine whether this method of voting is available to you.

Dissenters' Appraisal Rights

Under the Delaware General Corporation Law, holders of Solectron common stock will not be entitled to demand appraisal of, or to receive payment for, their shares of Solectron common stock.

Other Matters

Solectron is not aware of any business or matter other than those indicated above that may be properly presented at the special meeting. If, however, any other matter properly comes before the special meeting, the proxy holders will, in their discretion, vote on it in accordance with their best judgment.

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Recommendation of Solectron Board of Directors

The Solectron board of directors has approved the combination agreement and the transactions contemplated by the combination agreement, including the issuance of shares of Solectron common stock. Accordingly, the Solectron board of directors recommends that stockholders vote **FOR** approval of the Solectron share issuance. In considering such recommendation, Solectron stockholders should be aware that some Solectron directors and officers have interests in the transaction that are different from, or in addition to, those of Solectron stockholders, and that Solectron provides indemnification to directors and officers of Solectron.

The matters to be considered at the special meeting are of great importance to the stockholders of Solectron. Accordingly, you are urged to read and carefully consider the information presented in this document, and to complete, date, sign and promptly return the

enclosed proxy in the enclosed postage-paid envelope.

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THE SPECIAL MEETING OF C-MAC SECURITYHOLDERS

General

C-MAC is furnishing this document to its securityholders in connection with the solicitation of proxies by the management of C-MAC for use at the C-MAC special meeting to be held on __, 2001.

Date, Time and Place

The special meeting of securityholders of C-MAC will be held on __, 2001 at __, Montreal time at __.

Purpose of the Special Meeting

At the C-MAC special meeting, C-MAC securityholders will be asked:

1. to consider, pursuant to an order of the Superior Court of Justice (Québec) dated __, 2001, and, if deemed advisable, to pass, with or without variation, a special resolution to approve the arrangement under Section 192 of the *Canada Business Corporations Act* involving the indirect acquisition by Solectron of all the issued and outstanding common shares of C-MAC; and
2. to transact such further or other business as may properly come before the C-MAC special meeting or any adjournment or postponement thereof.

Copies of the combination agreement and all related exhibits, including the plan of arrangement, are attached to this document as Annexes A-1, A-2 and C through E. C-MAC securityholders are encouraged to read the combination agreement and related exhibits in their entirety and the other information contained in this document, including the annexes, carefully before deciding how to vote.

Record Date for Special Meeting

The *Canada Business Corporations Act* does not require a fixed record date. The C-MAC board of directors has not fixed a record date for the special meeting. Pursuant to the *Canada Business Corporations Act*, the record date for determining the C-MAC securityholders entitled to notice of and to vote at the special meeting will be __, 2001, the date before notice of the meeting is given.

Vote Required

The C-MAC arrangement resolution must be approved by not less than two-thirds of the votes cast by the holders of C-MAC common shares and holders of options to purchase C-MAC common shares, voting together as a class, in person or by proxy, at the C-MAC special meeting.

As of __, 2001, there were __ C-MAC common shares outstanding and there were options outstanding entitling holders thereof to receive __ C-MAC common shares.

The C-MAC shareholders whose names were entered on the register of shareholders of C-MAC at the close of business on __, 2001 and the C-MAC optionholders on __, 2001 will be entitled to attend in person, or appoint a proxy nominee to attend, the C-MAC special meeting and to vote on a show of hands and, on a poll, to one vote for each C-MAC common share held on that date and for each C-MAC common share underlying any C-MAC options held on that date.

In the event that a holder has transferred any C-MAC common shares after __, 2001, the transferee shall be entitled to vote at the C-MAC special meeting if such transferee produces properly endorsed share certificates or otherwise establishes proof of ownership of the shares and

demands, not later than ten days before the C-MAC special meeting that such transferee's name be included in the list of shareholders entitled to vote at the C-MAC special meeting. The list of shareholders of C-MAC will be available for inspection on and after __, 2001, during usual business hours at the Montreal office of C-MAC's transfer agent and at the special meeting.

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To the knowledge of the directors and senior officers of C-MAC, as at __, 2001, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, C-MAC common shares and C-MAC options collectively carrying more than 10% of the voting rights attributable to all the outstanding C-MAC common shares and C-MAC options.

Quorum and Non-Registered Shareholders

At least two persons present in person or by proxy or by any other duly authorized representative shall constitute a quorum for any meeting of the shareholders of C-MAC if the persons so present are shareholders of C-MAC and entitled to cast, in the aggregate, not less than ten percent of the votes which all of the shareholders of C-MAC are entitled to cast; provided that, if at the opening of any meeting a quorum is not present, one or more persons present in person or by proxy or by any other duly authorized representative shall constitute a quorum to adjourn the meeting of the shareholders of C-MAC if the person or persons so present hold at least one common share of C-MAC.

Non-registered shareholders should follow the directions of their intermediaries with respect to the procedures to be followed for voting. Generally, non-registered shareholders will not receive the same proxy form as distributed by C-MAC to registered shareholders but will be provided with either a request for voting instructions or a proxy form executed by the intermediary but otherwise uncompleted. Intermediaries will then submit votes on behalf of the non-registered shareholders. If you are a non-registered shareholder, please submit your voting instructions to your intermediary in sufficient time to ensure that your votes are received by C-MAC on or before 5:00 p.m., Montreal time, on __, 2001.

Solicitation of Proxies and Expenses

Proxies may be solicited personally or by telephone by representatives of C-MAC. The cost of solicitation will be borne by C-MAC. C-MAC has retained RBC Dominion Securities to form a soliciting dealer group to assist in the solicitation of proxies. C-MAC will pay to RBC Dominion Securities a fee for managing the solicitation, payable in the event of the successful completion of the transaction. In addition, each member of the soliciting dealer group whose name appears in the appropriate place on a proxy from a holder of C-MAC common shares or C-MAC options is to be paid a fee of Cdn.\$0.18 for each C-MAC common share or C-MAC option represented by the proxy that is voted in favor of the arrangement resolution provided that the solicitation fee in respect of any single beneficial owner of C-MAC common shares or C-MAC option will not be less than Cdn.\$85 or more than Cdn.\$1,500. Where the voted shares registered in a single name are beneficially owned by more than one person, the minimum and maximum amounts will be applied separately in respect of each such beneficial owner. The members of the soliciting dealer group may be required to furnish evidence of such beneficial ownership. The solicitation fee is only payable in the event that the transaction is completed.

Voting of Proxies at Special Meeting and Revocation of Proxies

The forms of proxy accompanying this document confer discretionary authority upon the proxy nominee with respect to any amendments or variations to the matter identified in the notice of special meeting of securityholders of C-MAC and any other matter which may properly come before the C-MAC special meeting or any adjournment thereof.

If a proxy given to C-MAC management is signed and returned, the securities represented by the proxy will be voted for or against the C-MAC arrangement resolution, in accordance with the instructions marked on the proxy. If no instructions are marked, the securities represented by such a proxy will be voted FOR the C-MAC arrangement resolution and in accordance with C-MAC management's recommendation with respect to amendments or variations of the matters set out in the C-MAC notice of special meeting or any other matters which may properly come before the C-MAC special meeting.

The persons named in the C-MAC forms of proxy are officers of C-MAC. **A C-MAC securityholder has the right to appoint a person (who need not be a C-MAC securityholder) to represent such**

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securityholder at the C-MAC special meeting other than the persons designated in the form of proxy and may exercise such right by inserting the name in full of the desired person in the blank space provided in the C-MAC forms of proxy and striking out the names now designated.

Securityholders who do not expect to attend the C-MAC special meeting in person are requested to complete, sign, date and return the enclosed appropriate form of proxy in the enclosed envelope addressed to C-MAC Industries Inc., c/o General Trust of Canada, 1100 University Street, Montreal, Québec, Canada H3B 2G7 or 121 King Street West, Suite 600, Toronto, Ontario, Canada M5H 3T9, facsimile numbers (514) 871-7506 or (416) 865-7610. The C-MAC forms of proxy must be received by no later than 5:00 p.m. (Montreal time) on __, 2001 or, in the event that the C-MAC special meeting is adjourned or postponed, by no later than 5:00 p.m. (Montreal time) on the second business day prior to the day fixed for the adjourned or postponed C-MAC special meeting.

There are two forms of proxy, a yellow proxy applicable to C-MAC shareholders and a grey proxy applicable to C-MAC optionholders. If you have the wrong form of proxy, please contact General Trust of Canada for the correct form at the address and phone number set out in the letters of transmittal and election forms sent to C-MAC securityholders with this document.

A C-MAC securityholder executing the form of proxy enclosed with the C-MAC circular has the power to revoke it by instrument in writing executed by the C-MAC securityholder or an attorney authorized in writing or, where the C-MAC shareholder is a corporation, by a duly authorized officer or attorney of the corporation. The instrument of revocation must be delivered to C-MAC Industries Inc., c/o General Trust of Canada, 1100 University Street, Montreal, Québec, Canada H3B 2G7 or 121 King Street West, Suite 600, Toronto, Ontario, Canada M5H 3T9, facsimile numbers (514) 871-7506 or (416) 865-7610 at any time up to and including the last business day preceding the date of the C-MAC special meeting or any adjournment thereof or to the Chairman of the C-MAC special meeting on the day of the C-MAC special meeting or any adjournment thereof before any vote in respect of which the proxy is to be used is taken or in any other manner permitted by law.

Dissenting Shareholder Rights

Pursuant to the provisions of the interim order, registered C-MAC shareholders have been granted the right to dissent with respect to the C-MAC arrangement resolution. If the arrangement becomes effective, a registered C-MAC shareholder who dissents will be entitled to be paid the fair value of its C-MAC common shares by C-MAC. This right to dissent is described in this document and in the plan of arrangement which is attached to this document as Annex C. **The dissent procedures require that a registered holder of C-MAC common shares who wishes to dissent must provide to C-MAC Industries Inc., c/o General Trust of Canada, 1100 University Street, Montreal, Québec, Canada H3B 2G7 or 121 King Street West, Suite 600, Toronto, Ontario, Canada M5H 3T9, facsimile numbers (514) 871-7506 or (416) 865-7610 a dissent notice prior to 5:00 p.m. (Montreal time) on the last business day preceding the C-MAC special meeting. It is important that C-MAC shareholders strictly comply with this requirement and the other procedural requirements described in the interim order and this document, which are different from the statutory dissent provisions of the *Canada Business Corporations Act* that would permit a dissent notice to be provided at or at any time prior to the C-MAC special meeting. Failure to comply strictly with the dissent procedures may result in the loss or unavailability of any right of dissent. See **Dissenting Shareholder Rights** .**

Other Matters

As at the date of this document, management of C-MAC is not aware of any amendments or variations to the C-MAC arrangement resolution, or of any other matter to be presented for action at the C-MAC special meeting.

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Recommendation of the C-MAC Board of Directors

The board of directors of C-MAC has approved the combination agreement and the transaction contemplated by the combination agreement, including the arrangement. Accordingly, the board of directors recommends that the securityholders of C-MAC vote **FOR** approval of the C-MAC arrangement resolution. In considering such recommendation, C-MAC securityholders should be aware that some C-MAC directors and officers have interests in the transaction which are different from or in addition to, those of C-MAC securityholders generally, and

that Solectron provides indemnification to directors and officers of C-MAC. For more information about these interests see the section of this document entitled "The Transaction - Interest of Certain Persons in Transaction".

The matters to be considered at the C-MAC special meeting are of great importance to the securityholders of C-MAC. Accordingly, you are urged to read and carefully consider the information presented in this document, including its annexes, and to complete, date, sign and promptly return the applicable enclosed form of proxy card in the enclosed postage paid envelope.

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THE TRANSACTION

The following is a description of the material aspects of the transaction, including the combination agreement, the plan of arrangement, and certain other agreements to be entered into in connection with the transaction. While Solectron and C-MAC believe that the following description covers the material terms of the combination agreement, the plan of arrangement and the related transactions and agreements, the description may not contain all of the information that is important to you. You should read this entire document and the other documents referred to carefully for a more complete understanding of the transaction. In particular, the following summaries of the combination agreement and the plan of arrangement are not complete and are qualified in their entirety by reference to the copies of the combination agreement and the plan of arrangement which are attached to this document as Annexes A-1, A-2 and C and are incorporated by reference into this document in their entirety. You should read the combination agreement and the plan of arrangement and the other transaction agreements in their entirety for a complete understanding of the terms of the transaction.

General

The Solectron board of directors and the C-MAC board of directors have each approved the combination agreement. The combination agreement provides that subsidiaries of Solectron will acquire all of the C-MAC common shares, subject to, among other things:

approval of the Solectron share issuance by Solectron stockholders;

approval of the C-MAC arrangement resolution by the C-MAC securityholders; and

approval of the arrangement by the Superior Court of Justice (Québec).

As a consequence of the arrangement, C-MAC will become an indirect wholly-owned subsidiary of Solectron. Pursuant to the arrangement, Solectron Global Services Canada Inc. (an indirect, wholly-owned subsidiary of Solectron referred to in this document as Exchangeco), will acquire all of the outstanding common shares of C-MAC (other than those of C-MAC shareholders who properly exercise their dissent rights and are paid by C-MAC and those held by Solectron or its affiliates), and the C-MAC shareholders (other than those who properly exercise their dissent rights or Solectron or its affiliates) will receive from Exchangeco for each C-MAC common share held either:

1.755 shares of Solectron common stock; or

in the case of Canadian resident C-MAC shareholders who validly so elect, 1.755 exchangeable shares of Exchangeco (and certain ancillary rights), or a combination of shares of Solectron common stock and exchangeable shares (and certain ancillary rights)

C-MAC shareholders who are not eligible to receive exchangeable shares or who are so eligible but do not validly elect to receive exchangeable shares will receive 1.755 shares of Solectron common stock for each C-MAC common share they own.

Persons owning C-MAC common shares through a holding company at the time of the transaction and meeting certain conditions may participate in the transaction by having Exchangeco acquire all of the shares of their holding company instead of the C-MAC common shares held by such holding company, in exchange for the same consideration otherwise receivable for such C-MAC common shares. This holding company alternative involves a complex series of transactions and is described in greater detail in "Transaction Mechanics - Holding Company Alternative".

Solectron, its affiliates and directors and, to Solectron's knowledge, none of its officers currently own any C-MAC common shares. Prior to the effective time of the arrangement, Exchangeco has agreed, in contemplation of the arrangement, to purchase at least Cdn.\$1 million, but not

more than Cdn.\$3 million, of C-MAC common shares on the open market. Based on the number of C-MAC common shares outstanding on __, 2001, immediately following completion of the transaction, the former holders of C-MAC common shares will hold an aggregate of approximately __ million exchangeable shares and

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shares of Solectron common stock (which does not include shares of Solectron common stock issuable to holders of C-MAC options upon exercise of C-MAC options after they are exchanged for options to purchase shares of Solectron common stock). Assuming all C-MAC common shares are exchanged for Solectron common stock and based upon the number of shares of Solectron common stock and C-MAC common shares outstanding as of __, 2001, immediately following completion of the transaction existing C-MAC shareholders would hold approximately __% of the outstanding Solectron common stock. See Pro Forma Capitalization of Solectron.

The exchangeable shares will be issued by Exchangeco and their holders will be entitled to dividend and other rights that are substantially economically equivalent to those of holders of Solectron common stock, and, through a voting trust, to vote at meetings of Solectron stockholders. See Description of Exchangeable Shares Voting, Dividend and Liquidation Rights .

Holders of exchangeable shares will have the right at any time to exchange each exchangeable share for one share of Solectron common stock. At any time on or after the seventh anniversary of the effective date of the arrangement (subject to acceleration if, (i) at any time after the fifth anniversary of the effective date of the arrangement, there are then outstanding exchangeable shares constituting fewer than 30% of the actual number of exchangeable shares issuable as determined at the election deadline for the arrangement; (ii) if at any time there are then outstanding exchangeable shares constituting fewer than 10% of the actual number of exchangeable shares issuable as determined at the election deadline for the arrangement; (iii) if at any time a merger, amalgamation, arrangement, tender offer, material sale of rights or similar transaction involving Solectron occurs and the board of directors of Exchangeco determines it is necessary to the transaction for the redemption to occur; or (iv) in certain other circumstances), Exchangeco will have the right, but not the obligation, to redeem all outstanding exchangeable shares (other than those held by Solectron and its affiliates) for an equal number of shares of Solectron common stock and an amount equal to all declared and unpaid dividends.

Solectron will also have the right, but not the obligation, to acquire (or cause Calco to acquire) all outstanding exchangeable shares (other than those held by Solectron and its affiliates) for an equal number of shares of Solectron common stock and an amount equal to all declared and unpaid dividends in the event of a change in Canadian federal and Québec tax legislation that allows holders of exchangeable shares who are Canadian residents to make such exchange on a tax deferred basis. See Description of Exchangeable Shares Mandatory Redemption by Exchangeco Solectron Call Right .

The combination agreement also provides that if, in the opinion of counsel to C-MAC, a change in tax law is enacted and becomes effective prior to the effective date of the arrangement pursuant to which beneficial holders of C-MAC common shares who are Canadian residents and who hold their shares as capital property for purposes of the *Income Tax Act* (Canada) (and any applicable Québec provincial legislation) may exchange their C-MAC common shares for shares of Solectron common stock on a tax-deferred basis for purposes of the *Income Tax Act* (Canada) (and any applicable Québec provincial legislation) then, at the option of Solectron, no exchangeable shares will be issued and the plan of arrangement will be amended accordingly.

C-MAC shareholders who properly exercise their dissent rights will be entitled to be paid the fair value of their C-MAC common shares. Dissenters appraisal rights under the Delaware General Corporation Law are not available to Solectron stockholders in connection with the transaction. See Dissenting Shareholder Rights .

Background of the Transaction

In the first quarter of 2001, representatives of Banc of America Securities, C-MAC's financial advisor, met with Dennis Wood, Chairman of the Board, President and Chief Executive Officer of C-MAC, on several occasions to discuss industry dynamics, potential acquisition opportunities and other possible transactions. During these conversations, a potential transaction with Solectron was discussed and Mr. Wood informed Banc of America Securities that a transaction with Solectron would need to be considered if a proposal were made.

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On May 25, 2001, representatives of Banc of America Securities contacted Susan Wang, at the time Senior Vice President, Chief Financial Officer and Secretary of Solectron, and, effective September 1, 2001, Senior Vice President of Business Development and Secretary of Solectron, to discuss industry trends and, during such meeting, discussed acquisition opportunities, including a potential transaction with C-MAC. Ms. Wang informed Banc of America Securities that Solectron was interested in pursuing discussions regarding a potential transaction with C-MAC.

On June 4, 2001, representatives of Merrill Lynch, Pierce, Fenner and Smith Incorporated, Solectron's financial advisor, met with Koichi Nishimura, Chairman, Chief Executive Officer and President of Solectron, and Ms. Wang to discuss various acquisition opportunities available to Solectron, one of which was a potential transaction with C-MAC.

Subsequent to such discussions, an introductory meeting was held on June 7, 2001 in Monterey, California between Dr. Nishimura and Mr. Wood. At this meeting, Dr. Nishimura and Mr. Wood discussed current industry dynamics and the merits of a potential combination of the two companies.

Between June 7 and June 15, 2001, Dr. Nishimura and Mr. Wood had several informal discussions regarding a possible business combination of Solectron and C-MAC.

On June 15, 2001, Mr. Wood informed the C-MAC board of directors as to his discussions with Dr. Nishimura and as to the proposed meetings scheduled to take place on June 19, 2001.

On June 19, 2001, Solectron and C-MAC entered into a mutual non-disclosure agreement. On the same date, C-MAC retained Banc of America Securities as its financial advisor in connection with a potential transaction involving C-MAC and Solectron.

On June 19 and 20, 2001, at the offices of Banc of America Securities in Palo Alto, California, executive management of Solectron, including Dr. Nishimura, Ms. Wang, Saeed Zohouri, Senior Vice President and Chief Operating Officer of Solectron, and Dan Perez, Senior Vice President of Worldwide Account Management and Marketing of Solectron, met with executive management of C-MAC, including Mr. Wood, Claude Michaud, Vice President and Chief Financial Officer of C-MAC, Suzanne Gunther, Vice President, Strategic Development of C-MAC, John Naismith, Executive Vice President, Global Supply Chain Management of C-MAC, and Rick Rollinson, Vice President and President of Electronics Manufacturing Services of C-MAC. At these meetings, the parties engaged in more detailed discussions relating to the potential benefits of a business combination of Solectron and C-MAC and commenced the exchange of information. No financial advisors were present at these discussions.

Between June 20 and June 27, 2001, management and advisors of Solectron continued to exchange preliminary due diligence information and had discussions with management and advisors of C-MAC. On June 27, 2001, Solectron management and representatives of Merrill Lynch were provided an on-site due diligence tour at C-MAC's facility in Creedmoor, North Carolina. Following the tour, Solectron executive management and C-MAC executive management, together with representatives of Merrill Lynch and Banc of America Securities, held meetings in Creedmoor at which they further discussed the potential for a business combination, exchanged additional information and discussed setting up a formal due diligence process.

On June 28, 2001, a meeting of Solectron's board of directors was convened at which Merrill Lynch and Solectron management briefed the board on the discussions with C-MAC and the results of due diligence to date. Following a discussion of the merits and risks of a potential acquisition of C-MAC, the Solectron board of directors authorized management to proceed with a non-binding preliminary proposal to acquire C-MAC.

On June 29, 2001, Solectron management, including Dr. Nishimura, Ms. Wang and Onye Uzoukwu, Director, Business Development, and executive management of C-MAC, including Mr. Wood, Ms. Gunther and Mr. Michaud, and representatives of Merrill Lynch and Banc of America Securities held a meeting in Montreal at C-MAC's offices at which Solectron presented its broad outline of the terms on

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which a potential transaction could be premised, which was followed by discussions among the parties regarding the pricing terms of that proposal.

On July 5, 2001, a meeting of C-MAC's board of directors was convened at which Banc of America Securities and C-MAC management briefed the board of directors about the discussions with Solectron and the potential transaction. Following discussion about the general framework of such a transaction and the associated benefits and risks, the C-MAC board of directors authorized management and C-MAC's advisors to explore further the proposed transaction with Solectron. At the meeting, the C-MAC board of directors decided to form an ad hoc committee of independent directors to study the proposed transaction and report back to the C-MAC board of directors. The ad hoc committee's mandate included reviewing the proposed transaction, including the transaction documents, and reporting to the board of directors on its due diligence meetings with management of C-MAC and as to whether the board of directors could rely on a fairness opinion to be rendered by Banc of America Securities. The ad hoc committee is comprised of Messrs. Ronald T. Riley (as Chairman), Richard Royer and C. Wesley Scott.

On July 6, 2001, the parties amended their mutual non-disclosure agreement to include non-solicitation provisions and a standstill undertaking.

On July 6, 2001, a meeting of the Solectron board of directors was convened at which Solectron management and representatives of Merrill Lynch updated the board of directors on the status of discussions with, and the potential business combination with C-MAC. Following discussion about the general framework of such a transaction and the associated benefits and risks, Solectron's board of directors authorized management and Solectron's advisors to proceed with a more detailed due diligence review of C-MAC.

Between July 9 and July 12, 2001, representatives of Solectron, together with Solectron's advisors, conducted detailed due diligence on C-MAC at the offices of Stikeman Elliott, C-MAC's Canadian legal advisors, in Montreal, Québec, which included numerous meetings and discussions between representatives of Solectron and C-MAC and their respective advisors.

On July 16, 2001, Solectron delivered to C-MAC the initial draft of the combination agreement and on July 17 delivered the initial draft of the plan of arrangement in connection with the proposed transaction.

Between July 16 and July 19, 2001, C-MAC, together with its advisors, conducted due diligence on Solectron at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, Solectron's U.S. legal advisors, in Palo Alto, California, which included meetings and discussions between representatives of Solectron and C-MAC and their advisors.

On July 20, 2001 Solectron formally executed its engagement letter with Merrill Lynch outlining Merrill Lynch's role as exclusive financial advisor to Solectron with regard to a potential transaction with C-MAC.

Between July 16 and July 23, 2001 Solectron and C-MAC and their respective advisors continued to conduct due diligence. During this period, on each of July 18 and July 22, 2001, the Solectron board of directors met to discuss the progress of Solectron's due diligence review, negotiations regarding the definitive agreements, terms of the definitive agreements and the transaction process. At these meetings, representatives of Wilson Sonsini Goodrich & Rosati, with advice as to Canadian legal matters from Osler Hoskin & Harcourt LLP, Canadian counsel to Solectron, updated the board on the status of negotiations with C-MAC, including key issues under discussion and the relative positions of the parties with respect to such issues, and changes in the terms of the agreements since the last Solectron board meeting. At the July 22, 2001 board meeting, Wilson Sonsini Goodrich & Rosati, advised the Solectron board regarding its duties to the stockholders of Solectron.

Between July 16 and July 23, 2001, Solectron and C-MAC and their respective legal and financial advisors negotiated the terms of the definitive agreements in connection with the transaction, including the

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combination agreement, the plan of arrangement and all the exhibits to those agreements. These negotiations involved numerous calls between the parties involved in the negotiations.

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The ad hoc committee of C-MAC's board of directors met for the first time on July 19, 2001 with Mr. Dennis Wood. Mr. Wood discussed with the members of the ad hoc committee the terms of the proposed transaction, the rationale for creating the ad hoc committee and the ad hoc committee's mandate.

On July 20, 2001 the ad hoc committee decided to retain Ogilvy Renault as legal advisors to advise it in connection with its mandate and RBC Dominion Securities as its financial advisor. Also on July 20, 2001, the C-MAC board of directors decided to retain RBC Dominion Securities to provide financial advice in connection with the proposed transaction and to review the proposed transaction.

On July 20, 2001, a meeting of C-MAC's board of directors was convened at which representatives of Banc of America Securities presented to the board of directors the general framework of the proposed transaction with Solectron and the associated benefits and risks and Stikeman Elliott and Davis Polk & Wardwell, U.S. counsel to C-MAC, updated the board on the negotiations of the transaction agreements. During such meeting, Stikeman Elliott advised the C-MAC board of directors as to their duties to the C-MAC shareholders.

The members of the ad hoc committee discussed with its legal advisors the principal terms and features of the proposed transaction and determined that the proposed transaction was not made in circumstances which required the formation of a special or independent committee required by applicable Canadian securities laws. The ad hoc committee agreed that it would be made clear to management and the board of directors of C-MAC that the ad hoc committee would not make a recommendation to the board of directors as to the fairness of the proposed arrangement, such decision being left to the full board of directors. Rather, the ad hoc committee's report to the board of directors would be limited to the due diligence conducted, to its examination of the legal documentation and, based on the advice of its financial advisors and legal advisors, to whether members of the board of directors, subject to consideration of their respective duties and the relevant information available to them, could rely on the fairness opinion of Banc of America Securities in their consideration of the fairness of the proposed arrangement to shareholders of C-MAC.

On July 22, July 23, August 2 and August 6, 2001 the ad hoc committee of the C-MAC board of directors held meetings at which management of C-MAC and C-MAC's advisors provided more detailed summaries of the proposed transaction and, at each such meeting, presented management's recommendation that C-MAC continue to move forward with the transaction. At various times between July 22 and August 6, 2001, the ad hoc committee had discussions with RBC Dominion Securities to review the proposed transaction.

Also on July 22, 2001, a meeting of C-MAC's board of directors was convened at which Banc of America Securities provided additional details regarding the framework of the proposed transaction to the board of directors.

On July 23, 2001, Solectron management determined to suspend negotiations with C-MAC in order to evaluate market reaction to C-MAC's earnings announcement for the second quarter of 2001 to be issued the following day. In response, representatives of C-MAC informed Solectron that due diligence would be suspended pending the reinstatement of negotiations.

On July 24, 2001, C-MAC issued its earnings announcement in a press release and analyst conference call.

On July 27, 2001, representatives of Solectron and C-MAC discussed the market reaction to C-MAC's earnings announcement on July 24, and C-MAC management provided additional financial information.

On August 2, 2001, after extended discussions between the parties, C-MAC management determined to reinstate due diligence by Solectron. The parties conducted due diligence through August 6, 2001.

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On August 4, 2001, Solectron's board of directors held a meeting at which management, representatives of Merrill Lynch and Solectron's legal advisors informed the board of C-MAC's earnings announcement and other C-MAC financial information, as well as the results of due diligence to date. After extensive discussions of the merits of the proposed transaction, the board authorized management to reengage in negotiations with C-MAC.

On August 4, 2001, Solectron and C-MAC and their respective legal and financial advisors reinstated the negotiations of the terms of the definitive agreements in connection with the transactions, which continued through August 8, 2001.

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On August 6, 2001, a meeting of the Solectron board of directors was convened at which Solectron management, representatives of Merrill Lynch and Solectron's legal advisors updated the board on the negotiations, the results of the ongoing due diligence process, the result of negotiations with C-MAC about the exchange ratio and the status of the transaction. Representatives of Solectron's legal advisors updated the board on the status of negotiations with C-MAC, including key issues still under discussion and the relative positions of the parties with respect to such issues.

On August 6, 2001, the ad hoc committee of the C-MAC board of directors met to receive an update from representatives of Banc of America Securities, Stikeman Elliott and Ogilvy Renault regarding the results of negotiations with Solectron with respect to the exchange ratio and the status of the transaction. Banc of America Securities reviewed with the ad hoc committee its preliminary conclusions, which had incorporated the changes that had occurred over the previous weeks and, in particular, since C-MAC's earnings announcement of July 24, 2001. At various times between July 23 and August 6, members of C-MAC's management together with C-MAC's financial and legal advisors had informal discussions with members of the board and the ad hoc committee to update them as to the status of discussions.

Following the meeting of the C-MAC's board of directors, members of Solectron and C-MAC management, together with their respective legal and financial advisors, continued to negotiate the terms of the definitive agreements.

On August 7, 2001 Banc of America Securities discussed with the ad hoc committee a draft of its board presentation and fairness opinion. Subsequently, the ad hoc committee met with Ogilvy Renault and RBC Dominion Securities to review and discuss Banc of America Securities draft board presentation and fairness opinion to be delivered to C-MAC's board of directors. After an extensive review and thorough discussion of a number of facts and issues, the ad hoc committee concluded unanimously that it was appropriate for the board of directors of C-MAC to rely, when delivered, on the fairness opinion of Banc of America Securities. It was also agreed by the members of the ad hoc committee that, notwithstanding the scope of the mandate of the ad hoc committee, their respective individual opinions that the proposed arrangement was fair, from a financial point of view, to the shareholders of C-MAC and was in C-MAC's best interest would be communicated to the C-MAC board of directors. On the same day, a meeting of the C-MAC board of directors was convened at which C-MAC management and representatives of Banc of America Securities, Stikeman Elliott and Davis Polk & Wardwell updated the board of directors on the negotiations, including key issues still under discussion, the status of negotiations with Solectron about the exchange ratio and the transaction generally.

On August 8, 2001, a meeting of the Solectron board of directors was convened at which Solectron management and their advisors discussed with the board the fully negotiated terms of the transaction as agreed to with C-MAC. Solectron's legal counsel reviewed for the board the changes to the terms of the definitive agreements since the last board meeting. Solectron's advisors updated the board on the results of their ongoing due diligence review of C-MAC. Wilson Sonsini Goodrich & Rosati advised the board again regarding its duties to the stockholders of Solectron. Merrill Lynch delivered its oral opinion to the board of directors, subsequently confirmed in writing, that, as of that date, the exchange ratio was fair, from a financial point of view, to Solectron. The Solectron board of directors considered the results of the due diligence investigation, the terms of the definitive agreements, and the potential advantages and risks associated with the transaction, and after discussing and considering the analysis and opinion of Merrill Lynch, unanimously approved the combination agreement and the transactions contemplated by the

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combination agreement and authorized management to enter into the combination agreement and the related agreements.

Also on August 8, 2001, a meeting of the C-MAC board of directors was convened at which C-MAC management and representatives of Banc of America Securities and C-MAC's legal advisors provided a final update to the board of directors on the results of negotiations with Solectron. At the meeting, Banc of America Securities delivered its opinion to the board of directors that, as of that date, the exchange ratio was fair, from a financial point of view, to the shareholders of C-MAC. The board of directors then approved the combination agreement and the transactions contemplated by the combination agreement.

Before the open of the market on August 9, 2001, Solectron and C-MAC issued a joint press release publicly announcing the transaction.

On August 24, 2001, Solectron proposed a modified transaction structure in order to ensure obtaining the desired tax treatment. On the same day, Solectron's and C-MAC's respective legal advisors had discussions regarding the proposed structure and mechanics of the transaction and potential alternative structures. After reaching agreement on the terms of an alternative structure, the C-MAC board of directors met on September 6, 2001 to approve the revised terms of the combination agreement and Solectron and C-MAC executed an amendment to the combination agreement on September 7, 2001.

Joint Reasons for the Transaction

The following discussion of Solectron's and C-MAC's reasons for the transaction contains a number of forward-looking statements that reflect the current views of Solectron and C-MAC with respect to future events that may have an effect on the combined company's future financial performance. Forward-looking statements are subject to risks and uncertainties. Actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Cautionary statements that identify important factors that could cause or contribute to differences in results and outcomes include those discussed in the sections of this document entitled "Cautionary Statements Regarding Forward-Looking Statements in this Document" and "Risk Factors".

The boards of directors of Solectron and C-MAC approved the combination agreement and the transactions contemplated by the combination agreement because they determined that the combined company would have the potential to realize a stronger competitive position and improved long-term operating and financial results. In particular, the boards of directors believe that the transaction will allow the combined companies the opportunity to:

selectively vertically integrate a variety of services across the supply chain, from microtechnology and electronic components to electro-mechanical components (PCB, backplane and enclosures);

complement Solectron's diversified contract manufacturing business through the addition of C-MAC's design and engineering, systems integration and test capabilities;

capitalize on the strength of some industries served by C-MAC, including the automotive electronics industry;

benefit from combining established customer and supplier relationships of both companies and cross-selling products and services into each other's installed customer base;

leverage manufacturing and production resources and technology; and

reduce costs through broader-based manufacturing activities and vertical integration.

The boards of directors of Solectron and C-MAC also believe that the transaction will contribute to the success of the combined companies because:

the transaction offers the opportunity to better serve the needs of existing and new customers who desire a more complete supply chain solution from contract manufacturers;

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the transaction affords C-MAC the scalability and the technology to take on larger, complex systems programs and to have the manufacturing expertise to produce most of the content of the systems in-house, where it makes economic sense to do so;

the transaction will allow each of Solectron and C-MAC to leverage each other's existing customer relationships, technology and manufacturing expertise in industries previously not part of their respective core business, including, with respect to Solectron, microtechnology manufacturing for the automobile industry; and

the transaction will further strengthen Solectron's pool of sales and engineering talent.

Recommendation of Solectron's Board of Directors

Solectron's board of directors consulted with senior management and Solectron's financial and legal advisors and considered a number of factors, including those set forth below, in reaching its decision to approve the combination agreement and the transactions contemplated by the combination agreement, and to recommend that Solectron's stockholders vote **FOR** approval of the Solectron share issuance. The factors considered by Solectron's board of directors include:

the trading prices of the C-MAC common shares and Solectron common stock prior to August 8, 2001;

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the fairness opinion of Solectron's financial advisor, Merrill Lynch, Pierce, Fenner & Smith Incorporated to the effect that, as of the date of the opinion, the exchange ratio was fair, from a financial point of view, to Solectron;

historical information concerning the businesses, prospects, financial performance and condition, operations, technology, management and competitive position of Solectron and C-MAC and industry trends;

the anticipated financial condition, results of operations and businesses of Solectron and C-MAC after giving effect to the transaction;

current financial market conditions and historical market prices, volatility and trading information with respect to Solectron common stock;

the possible effect of the transaction on Solectron's employees, customers and current facilities;

the opportunity afforded by the transaction for Solectron to combine its operations with those of C-MAC;

the structure of the transaction;

the terms and conditions of the combination agreement generally, including the parties' representations, warranties and covenants, the circumstances in which a termination fee is payable to Solectron, and the terms of the combination agreement restricting C-MAC from soliciting, or subject to certain conditions, entering into a competing acquisition transaction; and

the results of due diligence investigations by management, legal and financial advisors and environmental consultants.

In considering the transaction, the Solectron board of directors recognized that there were certain risks associated with the transaction, including the risk that the potential benefits set forth above may not be realized, that there may be higher than anticipated costs associated with realizing such benefits, the potential dilutive effects of the issuance of Solectron common stock and the factors as set forth in this document under the heading "Risk Factors".

The foregoing discussion of the information and factors considered by Solectron's board of directors, while not exhaustive, includes the material factors considered by the Solectron board of directors. In view of the variety of factors considered in connection with its evaluation of the transaction, Solectron's board

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of directors did not find it practicable to, and did not, quantify or otherwise assign relative or specific weight or values to any of these factors, and individual directors may have given different weights to different factors.

After careful consideration, Solectron's board of directors deemed it advisable that the combination agreement and all of the transactions contemplated thereby be approved, and has approved the combination agreement and the transactions contemplated by the combination agreement, including the issuance of shares of Solectron common stock, and recommends that Solectron stockholders vote FOR approval of the Solectron share issuance.

Opinion of Solectron's Financial Advisor

Solectron retained Merrill Lynch to act as its financial advisor with respect to the transaction. In connection with that engagement, Solectron requested that Merrill Lynch evaluate the fairness, from a financial point of view, to Solectron of the exchange ratio in the arrangement. At the meeting of the board of directors of Solectron on August 8, 2001, Merrill Lynch rendered its oral opinion to the board of directors of Solectron, subsequently confirmed in writing, that as of August 8, 2001, based upon the assumptions made, matters considered and limits of such review, as set forth in its opinion, the exchange ratio was fair to Solectron from a financial point of view.

The full text of Merrill Lynch's opinion, which sets forth material information relating to Merrill Lynch's opinion that the exchange ratio was fair, from a financial point of view, to Solectron, including the assumptions made, matters considered and qualifications and limitations on the scope of review undertaken by Merrill Lynch, is attached as Annex G and is incorporated into this document by reference in its entirety. This description of Merrill Lynch's opinion should be reviewed together with the full text of the opinion, and

you are urged to read the opinion and consider it carefully. Merrill Lynch's opinion is addressed to Solectron's board of directors and addresses only the fairness, from a financial point of view, of the exchange ratio to Solectron. The terms of the arrangement, including the exchange ratio, were determined through negotiations between Solectron and C-MAC and were not determined or recommended by Merrill Lynch. Merrill Lynch's opinion does not address the merits of the underlying decision of Solectron to engage in the transaction and does not constitute, nor should it be construed as, a recommendation to any stockholder of Solectron or securityholder of C-MAC as to how to vote on the Solectron share issuance or any matter related to the arrangement.

In arriving at its opinion, Merrill Lynch, among other things:

reviewed certain publicly available business and financial information relating to Solectron and C-MAC that Merrill Lynch deemed to be relevant;

reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of Solectron and C-MAC, as well as the amount and timing of the cost savings and related expenses and synergies expected to result from the arrangement (referred to in this document as the "expected synergies"), furnished to it by Solectron and C-MAC, respectively;

conducted discussions with members of senior management of Solectron and C-MAC concerning the matters described above, as well as their respective businesses and prospects before and after giving effect to the arrangement and the expected synergies;

reviewed the historical market prices and valuation multiples for Solectron common stock and C-MAC common shares and compared them with those of certain publicly traded companies that Merrill Lynch deemed to be relevant;

reviewed the results of operations of Solectron and C-MAC and compared them with those of certain publicly traded companies which Merrill Lynch deemed to be relevant;

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compared the proposed financial terms of the transaction with the financial terms of certain other transactions that Merrill Lynch deemed to be relevant;

participated in certain discussions and negotiations among representatives of Solectron and C-MAC and their financial and legal advisors;

reviewed the potential pro forma impact of the transaction;

reviewed a draft of the combination agreement dated August 8, 2001; and

reviewed such other financial studies and analyses and took into account such other matters as Merrill Lynch deemed necessary, including its assessment of general economic, market and monetary conditions.

In preparing its opinion, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it, discussed with or reviewed by or for it, or publicly available, and Merrill Lynch did not assume any responsibility for independently verifying such information or undertake an independent evaluation or appraisal of any of the assets or liabilities of C-MAC or Solectron, nor was Merrill Lynch furnished with any such evaluation or appraisal. In addition, Merrill Lynch did not assume any obligation to conduct any physical inspection of the properties or facilities of C-MAC or Solectron. With respect to the financial forecast information and the expected synergies furnished to or discussed with Merrill Lynch by C-MAC or Solectron, it assumed that they have been reasonably prepared and reflect the best currently available estimates and judgment of C-MAC's or Solectron's management as to the expected future financial performance of C-MAC or Solectron, as the case may be, and the expected synergies. Merrill Lynch also assumed that the final form of the combination agreement would be substantially similar to the last draft reviewed by Merrill Lynch.

Merrill Lynch's opinion was necessarily based upon market, economic and other conditions as they existed and could be evaluated on the date of the opinion, and upon the information made available to Merrill Lynch as of the date of the opinion. Merrill Lynch assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the arrangement, no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that will have a material adverse effect on the contemplated benefits of the transaction. Merrill Lynch also assumed that the arrangement will be consummated in accordance with the terms of the combination agreement without waiver of any material condition.

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According to the terms of its engagement by Solectron, Merrill Lynch has no obligation to update its opinion to take into account events occurring after the date that its opinion was delivered to Solectron's board of directors. As a result, circumstances could develop prior to consummation of the arrangement that, if known at the time Merrill Lynch rendered its opinion, would have altered such opinion. Merrill Lynch expresses no opinion as to the prices at which shares of Solectron common stock or C-MAC common shares will trade following the announcement or consummation of the transaction.

The matters considered by Merrill Lynch in arriving at its opinion are based on numerous macroeconomic, operating and financial assumptions with respect to industry performance, general business and economic conditions, many of which are beyond the control of C-MAC and Solectron, and involve the application of complex methodologies and educated judgment. Any estimates incorporated in the analyses performed by Merrill Lynch are not necessarily indicative of actual past or future results or values, which may be significantly more or less favorable than these estimates. Estimated values do not purport to be appraisals and do not necessarily reflect the prices at which businesses or companies may be sold in the future.

At the meeting of Solectron's board of directors held on August 8, 2001, Merrill Lynch presented certain financial analyses accompanied by written materials in connection with the delivery of its oral opinion at that meeting and its subsequent written opinion. The following is a summary of certain material financial analyses performed by Merrill Lynch in arriving at its opinion.

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Premiums and Synergies

Premium to Historical Stock Price and Exchange Ratio. Merrill Lynch reviewed, over various periods, both the average closing stock price of C-MAC common shares as well as the average historical exchange ratio of the C-MAC common share price to that of the Solectron common stock price. Merrill Lynch then reviewed the premiums represented by the implied transaction offer price (\$30.19) to the average closing share prices of C-MAC and the premiums represented by the transaction exchange ratio (1.755x) to the average historical exchange ratios over such periods. Merrill Lynch then reviewed the premiums paid in comparable electronics manufacturing services (EMS) transactions and similar sized (\$2-5 billion) technology transactions:

Period Prior to the Transaction Announcement Date	Period Average C-MAC Share Price	Premium Represented by the Implied Offer Price	Mean Implied Offer Price Premium in Comparable Transactions	
			Selected EMS Transactions	Selected Technology Transactions \$2-5 Bn
1 Day	\$22.67	33.2%	44.4%	40.9%
1 Month Average \$23.59 28.0% 54.0% 55.0%				
3 Month Average \$27.03 11.7% 63.7% 61.3%				

Period Prior to the Transaction Announcement Date	Period Average C-MAC Exchange Ratio	Premium Represented by the Transaction Exchange Ratio	Mean Transaction Exchange Ratio Premium in Comparable Transactions	
			Selected EMS Transactions	Selected Technology Transactions \$2-5 Bn
1 Day	1.3180x	33.2%	40.2%	39.8%
1 Month Average				

1.4254x 23.1% 44.7% 52.5%
 3 Month Average
 1.3768x 27.5% 50.3% 58.6%

Merrill Lynch observed that the implied offer price premium and the transaction exchange ratio premium was below the mean statistic of premiums paid for all of the one day, one month and three month means of both comparable EMS transactions and similar sized technology transactions.

Synergy Analysis. Merrill Lynch considered the effects of potential synergies on the estimated pro forma results of operations of the combined company after the transaction. This analysis was based solely upon the estimates of the management of Solectron of the synergies that the combined company may be able to achieve following completion of the transaction. The actual synergies achieved by the combined company after the transaction may vary from the potential synergies estimated by Solectron's management and the variations may be material. Based upon the estimates of Solectron's management, Merrill Lynch noted that the combined company could achieve annual pretax synergies approximating \$60 to \$120 million.

C-MAC

Trading Analysis. Merrill Lynch reviewed the recent trading performance of the common shares of C-MAC. The per share closing price trading data for various periods prior to announcement on August 9, 2001 are summarized in the table below:

Period	Low (\$)	High (\$)
12 Months	\$ 18.01	\$ 74.69
6 Months	18.01	46.88
3 Months	20.17	38.62
1 Month	21.00	26.77
10 Trading Days	22.67	24.68

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Merrill Lynch observed that the implied offer price for C-MAC was in the range of the twelve, six and three month trading ranges and above the one month and ten trading day performance of the C-MAC common shares.

Comparable Public Trading Multiples Analysis. Using publicly available Wall Street equity analyst projections and other information, Merrill Lynch compared selected financial data of C-MAC with similar data for selected publicly traded companies engaged in businesses that Merrill Lynch judged to be reasonably comparable to those of C-MAC. These companies were:

Tier I	Tier II
Celestica Inc.	Benchmark Electronics Inc.
Flextronics International Ltd.	Elcoteq Network Corporation
Jabil Circuit, Inc.	Manufacturers Services Ltd.
Sanmina Corporation	Plexus Corporation
SCI Systems, Inc.	Viasystems Group, Inc.
Solectron Corporation	

Merrill Lynch selected these companies because they engage in businesses reasonably comparable to those of C-MAC. Merrill Lynch used publicly available financial projections by equity analysts covering each comparable company to determine the ratio of price to projected calendar year earnings per share for 2001 and 2002 for each of these companies as well as other comparable multiple statistics. The following

table presents a summary of the range of price to earnings per share multiples of the comparable companies.

	Tier I		Tier II	
	2001	2002	2001	2002
Maximum Multiple	42.8x	30.7x	36.9x	28.4x
Minimum Multiple	29.6x	24.0x	11.7x	6.6x

Merrill Lynch observed that the implied multiples of the price being paid by Solectron to the 2001 and 2002 projected earnings of C-MAC based on published research analyst reports were in the range of the comparable company price to projected earnings multiples for each of 2001 and 2002.

It should be noted that no company utilized in the analysis above is identical to C-MAC. In evaluating companies identified by Merrill Lynch as comparable to C-MAC, Merrill Lynch made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of C-MAC, such as the impact of competition on the business of C-MAC and the industry generally, industry growth and the absence of any material change in the financial condition and prospects of C-MAC or the industry or in the financial markets in general. A complete analysis involves complex considerations and judgments concerning differences in financial and operating characteristics of the comparable companies and other factors that could affect the public trading values of such comparable companies to which they are being compared; mathematical analysis is not in itself a meaningful method of using selected company data.

Comparable Transaction Analysis. Using publicly available Wall Street equity research analyst projections and other information, Merrill Lynch examined the following transactions that Merrill Lynch deemed to be relevant to determine the multiple of transaction value to last twelve months (or LTM) EBITDA where transaction value is generally defined as the sum of the per share offer price for the target company multiplied by the number of target company shares outstanding and the number of target company options outstanding, net of option proceeds, plus the preferred equity at liquidation, if any, the short-term debt, the long-term debt and any minority interests, less cash, marketable securities and exercisable option proceeds. EBITDA is generally defined as earnings before interest, taxes, depreciation,

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amortization and any non-recurring charges. Merrill Lynch also calculated the multiple of price to LTM earnings per share (or EPS) paid in such transactions. The transactions are:

Acquiror	Target
Sanmina Corporation	SCI Systems, Inc.
Celestica Inc.	Omni Industries Ltd.
Sanmina Corporation	AB Segerstrom & Svenson
Solectron Corporation	NatSteel Electronics
Flextronics International Ltd.	JIT Holdings
Flextronics International Ltd.	Chatham Technologies
Sanmina Corporation	Hadco Corporation
Flextronics International Ltd.	DII Group, Inc.
Solectron Corporation	Smart Modular Technologies, Inc.

All calculations of multiples paid for the selected transactions were based on public information available at the time of public announcement, and Merrill Lynch's analysis did not take into account different market and other conditions during the period in which the selected transactions occurred. The comparable transaction analysis yielded the following mean and median multiples:

Mean	Median
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Transaction Offer Value/ LTM EBITDA	17.9x	18.7x
Implied Offer Price/ LTM EPS		
35.3x 37.2x		

Merrill Lynch observed that the implied transaction offer value to LTM EBITDA multiple for C-MAC as well as the implied offer price to the LTM EPS multiple for C-MAC was below both the mean and median of the comparable transactions.

It should be noted that no transaction utilized in the analysis above is identical to the proposed Solectron-C-MAC transaction. A complete analysis involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved in these transactions and other factors that could affect the transaction multiples or premiums paid in such comparable transactions to which the transaction is being compared; mathematical analysis (such as determining the mean or the median) is not in itself a meaningful method of using selected transaction data.

Discounted Cash Flow Analysis. Merrill Lynch performed a discounted cash flow analysis of C-MAC, without giving effect to the transaction, for the fiscal years 2002 through 2006 based on published research analyst reports and First Call estimates. Merrill Lynch calculated a range of equity values per share for C-MAC based upon the sum of the discounted net present value of C-MAC's five-year stream of projected unlevered free cash flows plus the discounted net present value of the terminal value based on a range of multiples of its projected 2006 EBITDA.

Using discount rates ranging from 18.0% to 20.0% and terminal value multiples of estimated 2006 EBITDA ranging from 9.0x to 15.0x, Merrill Lynch calculated the following range of implied equity values per common share of C-MAC:

	Low (\$)	High (\$)
Implied Equity Value Per Common Share of C-MAC	24.18	41.19

Merrill Lynch observed that the implied offer price for C-MAC was within the range of the implied equity value per share of C-MAC common shares as determined by the discounted cash flow analysis.

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SOLECTRON

Trading Analysis. Merrill Lynch reviewed the recent trading performance of shares of Solectron common stock. The per share closing price trading data for various periods prior to announcement on August 9, 2001 are summarized in the table below:

Period	Low (\$)	High (\$)
12 months	14.79	52.00
6 Months	14.79	34.20
3 Months	14.79	27.13
1 Month	14.79	18.62
10 Trading Days	17.11	18.62

Merrill Lynch observed that the Solectron share price one day prior to the transaction announcement date was in the range of the twelve, six, three and one month and ten day trading performance of the Solectron stock.

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Comparable Public Trading Multiples Analysis. Using publicly available Wall Street equity analyst projections and other information, Merrill Lynch compared selected financial data of Solectron with similar data for selected publicly traded companies engaged in businesses that Merrill Lynch judged to be reasonably comparable to those of Solectron. These companies were:

Celestica Inc.
Flextronics International Ltd.
Jabil Circuit, Inc.
C-MAC Industries Inc.
Sanmina Corporation
SCI Systems, Inc.

Merrill Lynch selected these companies because they engage in businesses reasonably comparable to those of Solectron. Merrill Lynch used publicly available financial projections by equity analysts covering each comparable company to determine the ratio of price to projected earnings per share for calendar years 2001 and 2002 for each of these companies. The following table presents a summary of the range of price to projected earnings per share multiples of the comparable companies.

	<u>2001</u>	<u>2002</u>
Maximum Multiple	42.8x	30.7x
Minimum Multiple		
25.9x 20.0x		

Merrill Lynch observed that the trading multiple of Solectron based on published research analyst reports was in the range of the comparable company price to projected earnings per share multiples for each of 2001 and 2002.

It should be noted that no company utilized in the analysis above is identical to Solectron. In evaluating companies identified by Merrill Lynch as comparable to Solectron, Merrill Lynch made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Solectron, such as the impact of competition on the business of Solectron and the industry generally, industry growth and the absence of any material change in the financial condition and prospects of Solectron or the industry or in the financial markets in general. A complete analysis involves complex considerations and judgments concerning differences in financial and operating characteristics of the comparable companies and other factors that could affect the public trading values of such comparable companies to which they are being compared; mathematical analysis is not in itself a meaningful method of using selected company data.

Discounted Cash Flow Analysis. Merrill Lynch performed a discounted cash flow analysis of Solectron, without giving effect to the transaction, for the fiscal years 2002 through 2006 based on published research analyst reports and First Call estimates. Merrill Lynch calculated a range of equity

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values per share for Solectron based upon the sum of the discounted net present value of Solectron's five-year stream of projected unlevered free cash flows plus the discounted net present value of the terminal value based on a range of multiples of its projected 2006 EBITDA.

Using discount rates ranging from 18.0% to 20.0% and terminal value multiples of estimated 2006 EBITDA ranging from 9.0x to 15.0x, Merrill Lynch calculated the following range of implied equity values per share for Solectron common stock:

	<u>Low (\$)</u>	<u>High (\$)</u>
Implied Equity Value Per Share of Solectron Common Stock	12.84	25.25

Merrill Lynch observed that the Solectron share price, on the day prior to the day of the transaction announcement, was within the range of the implied equity value per share of Solectron common stock as determined by the discounted cash flow analysis.

Relative Valuation Analysis

Historical Exchange Ratio Analysis. Merrill Lynch reviewed the historical stock prices of Solectron common stock and C-MAC common shares and the implied market exchange ratios determined by dividing the closing price per C-MAC common share by the price per share of Solectron common stock. The implied exchange ratios for the various periods prior to announcement on August 9, 2001 are summarized in the table below:

Period	Low	High
12 Months	0.7810x	1.8058x
6 Months	0.7810x	1.7260x
3 Months	1.1938x	1.7260x
1 Month	1.2507x	1.7260x

Merrill Lynch observed that the offer exchange ratio of 1.755 shares of Solectron common stock per C-MAC common share was in the range of the historical market exchange ratios determined by dividing the price per C-MAC common share by the price per share of Solectron common stock for the twelve month period, and exceeded the historical exchange ratio for six, three and one month periods.

Relative Comparable Company Analysis. Merrill Lynch, utilizing the comparable public trading multiples analyses (as described herein) calculated the implied exchange ratio by the division of the implied equity value per common share of C-MAC by the equity value per share of Solectron common stock. Based upon this analysis, Merrill Lynch calculated the following implied exchange ratio range:

	Low	High
Relative Public Comparables Exchange Ratio	1.0279x	2.4800x

Merrill Lynch observed that the offer exchange ratio of 1.755 shares of Solectron common stock per C-MAC common share was in the range of the relative public comparables exchange ratios.

Relative Discounted Cash Flow Analysis. Merrill Lynch, utilizing the standalone discounted cash flow analyses (as described herein) calculated the implied exchange ratio by the division of the discounted cash flow equity value per common share of C-MAC by the discounted cash flow equity value per share of Solectron common stock. Based upon this analysis, Merrill Lynch calculated the following implied exchange ratio range:

	Low	High
Relative Discounted Cash Flow Analysis Exchange Ratio	0.9576x	3.2079x

Merrill Lynch observed that the offer exchange ratio was in the range of the relative discounted cash flow exchange ratios.

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Other Items

The summary set forth above does not purport to be a complete description of the analyses performed by Merrill Lynch in arriving at its opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to partial analysis or summary description, and taking portions of the analyses set out above, without considering the analysis as a

whole, would, in the view of Merrill Lynch, create an incomplete and misleading picture of the processes underlying the analyses considered in rendering Merrill Lynch's opinion. In arriving at its opinion, Merrill Lynch did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Merrill Lynch believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all factors and analyses, could create a misleading view of the analyses underlying Merrill Lynch's opinion.

Solectron retained Merrill Lynch based upon Merrill Lynch's experience and expertise. Merrill Lynch is an internationally recognized investment banking firm with substantial experience in transactions similar to the proposed Solectron/ C-MAC transaction. Merrill Lynch, as part of its investment banking business, is continually engaged in the valuation of businesses and securities in connection with business combinations and acquisitions and for other purposes and has substantial experience in transactions similar to the proposed Solectron/ C-MAC transaction.

Under the terms of the engagement letter between Merrill Lynch and Solectron, Merrill Lynch provided financial advisory services and the financial fairness opinion in connection with the transaction, and Solectron agreed to pay Merrill Lynch a customary fee, a significant portion of which is contingent upon consummation of the transaction. In addition, Solectron has agreed to indemnify Merrill Lynch and its affiliates, their respective directors, officers, agents, employees and controlling persons against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Merrill Lynch's engagement.

In the ordinary course of its business, Merrill Lynch may actively trade in the securities of Solectron and C-MAC, for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Recommendation of C-MAC's Board of Directors

The C-MAC board of directors believes that the terms of the arrangement are fair to C-MAC's securityholders and in the best interests of C-MAC and its shareholders. Accordingly, the C-MAC board of directors has unanimously approved the combination agreement and recommends that C-MAC's securityholders vote FOR the C-MAC arrangement resolution.

Each of the directors of C-MAC has advised C-MAC that he or she will vote the C-MAC common shares and/ or options to purchase C-MAC common shares held by him or her, directly or indirectly, in favor of the C-MAC arrangement resolution approving the arrangement.

In approving the combination agreement, the C-MAC board of directors considered a number of factors, including:

the fairness opinion of C-MAC's financial advisor, Banc of America Securities to the effect that, as of the date of the opinion, the exchange ratio was fair, from a financial point of view to C-MAC shareholders;

historical information concerning the businesses, prospects, financial performance and condition, operations, technology, management and competitive position of C-MAC and Solectron and industry trends;

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the anticipated financial condition, results of operations and businesses of C-MAC and Solectron after giving effect to the transaction;

current financial market conditions and historical market prices, volatility and trading information with respect to C-MAC common shares;

the possible effect of the transaction on C-MAC's employees, customers and current facilities;

the opportunity afforded by the transaction for C-MAC to combine its operations with the operations of Solectron to become part of an entity with greater financial and business resources than C-MAC alone, which should enhance the competitive position of the combined businesses and increase its ability to create value;

the current industry and market trends affecting C-MAC, including with respect to OEM outsourcing opportunities;

the risks and the potential rewards associated with, as an alternative to the transaction, continuing to execute C-MAC's strategic plan as an independent entity operating in a highly competitive environment;

the fact that C-MAC shareholders will receive shares of Solectron common stock that are more liquid than their C-MAC common shares under the transaction, given the larger market capitalization and liquidity of Solectron common stock;

the historical trading prices of the Solectron common stock and the C-MAC common shares;

the structure of the transaction which effectively permits Canadian resident C-MAC shareholders to receive exchangeable shares (and certain ancillary rights), generally (upon filing the required tax election) without realizing a gain for Canadian federal income tax purposes at the time of the arrangement and permits C-MAC shareholders that are registered pension plans or trusts governed by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans governed by Canadian law to hold such exchangeable shares without regard to limitations on holding foreign property;

the terms and conditions of the combination agreement generally, including the amount of and the circumstances in which the C-MAC termination fee is payable, and the fact that the terms of the combination agreement do not prevent C-MAC from accepting a superior proposal;

the fairness opinion of Banc of America Securities, its financial advisor, to the effect that, as of August 8, 2001, the 1.755 exchange ratio was fair, from a financial point of view, to C-MAC shareholders, as described below;

the report of the ad hoc committee, as described below; and

other factors that the C-MAC board of directors deemed relevant in order to make its decision.

In considering the transaction, the C-MAC board of directors recognized that there were certain risks associated with the transaction, including the risks that the potential benefits set forth above may not be realized and that there may be higher than anticipated costs associated with realizing such benefits. The C-MAC board of directors also considered the factors set forth in this document under the heading Risk Factors .

The foregoing discussion of the information and factors considered by C-MAC's board of directors, while not exhaustive, includes the material factors considered by the C-MAC board of directors. In view of the variety of factors considered in connection with its evaluation of the transaction, C-MAC's board of directors did not find it practicable to, and did not, quantify or otherwise assign relative or specific weight or values to any of these factors, and individual directors may have given different weights to different factors.

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Conclusion of the Ad Hoc Committee of C-MAC's Board of Directors

The ad hoc committee of the board of directors of C-MAC, after an extensive review and thorough discussion of a number of facts and issues, as set out under The Transaction Background of the Transaction concluded unanimously on August 7, 2001 that it was appropriate for the board of directors of C-MAC to rely, when delivered, on the fairness opinion of Banc of America Securities for purposes of evaluating the fairness from a financial point of view of the exchange ratio to C-MAC shareholders. It was also agreed by the members of the ad hoc committee that, notwithstanding the scope of the mandate of the ad hoc committee, their respective individual opinions that the proposed arrangement was fair, from a financial point of view, to the shareholders of C-MAC and was in C-MAC's best interest would be communicated to the board of directors of C-MAC.

In arriving at its conclusion, the ad hoc committee considered the advice of its legal and financial advisors and had discussions with the management of C-MAC and representatives of Banc of America Securities and C-MAC's legal advisors. In particular, the ad hoc committee report indicates that they considered the following items:

the fairness opinion to be delivered by Banc of America Securities to the effect that on the date of such opinion, the exchange ratio pursuant to the proposed arrangement is fair, from a financial point of view, to the shareholders of C-MAC;

the report of RBC Dominion Securities to the ad hoc committee that, in its view, (a) the scope of methodologies and analysis undertaken and the assumptions used by Banc of America Securities in preparing its fairness opinion are appropriate in the circumstances of the proposed arrangement and its conclusions therein are reasonable; (b) it is appropriate for the ad hoc committee to recommend to the board

of directors of C-MAC that it may rely on the advice provided by Banc of America Securities as to the fairness of the exchange ratio to C-MAC's shareholders from a financial point of view, subject to consideration by the members of each of the ad hoc committee and the board of directors of C-MAC of their respective duties and the relevant information that is or may be available to them; and (c) the proposed arrangement has merit to C-MAC's shareholders and the board of directors should take the normal steps necessary to make it available to the C-MAC shareholders for their consideration;

the fact that no realistic alternative transaction has been presented to the senior management or the board of directors of C-MAC during the preceding several months;

the current economic, industry and market trends affecting C-MAC, including trends which favour the concentration of business in the hands of a small number of large suppliers of electronic manufacturing services to the original equipment manufacturing market;

the level of diversification to C-MAC's customer base that Solectron would bring;

the fact that Solectron will, after the proposed arrangement, be a stronger corporation with the addition of C-MAC's senior management, expertise and selective vertical integration strategy, as well as the fact that there seems to be a reasonable prospect that the views of C-MAC's senior management would command attention in the combined companies;

the fact that the shareholders of C-MAC will receive highly liquid shares of Solectron common stock in consideration for their C-MAC common shares under the transaction given Solectron's relatively large float and trading volume;

the ability of the shareholders of C-MAC to continue to participate in future earnings and growth of Solectron after completion of the proposed arrangement through their ownership of shares of Solectron common stock or exchangeable shares of Exchangeco;

the fact that the proposed arrangement may, for certain Canadian resident C-MAC shareholders, be a tax deferred transaction for Canadian federal income tax purposes;

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the terms and conditions of the proposed arrangement and the other provisions included in the combination agreement;

the terms of the combination agreement, which should not preclude a third party from submitting an unsolicited superior proposal;

the approval process for the proposed arrangement, including the requirement for necessary approvals by the securityholders of C-MAC and the requirement for the Superior Court of Québec to approve the proposed arrangement and to issue a final order in connection therewith; and

the ad hoc committee's view that the proposed arrangement represents a better strategic opportunity for C-MAC than trying to continue on independently.

In reaching its conclusion, the ad hoc committee did not find it practical to and did not assign any relative or specific weights to the foregoing factors which were considered, and individual members of the ad hoc committee may have given differing weights to different factors.

Opinion of C-MAC's Financial Advisor

C-MAC retained Banc of America Securities to act as its financial advisor in connection with a proposed transaction involving business opportunities acceptable to C-MAC whereby C-MAC may be combined with Solectron. Banc of America Securities is a nationally recognized investment banking firm in Canada and the United States. Banc of America Securities is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. C-MAC selected Banc of America Securities to act as its financial advisor on the basis of Banc of America Securities' experience and expertise in transactions similar to the arrangement, its reputation in the electronics manufacturing services industry and investment community and its historical investment banking relationship with C-MAC.

On August 8, 2001, Banc of America Securities delivered its written opinion to C-MAC's board of directors, based upon and subject to the various assumptions and limitations set forth therein, that the exchange ratio under the combination agreement was fair from a financial point of view to C-MAC's shareholders as of that date. The exchange ratio was determined by negotiations between C-MAC and Solectron and was not

based on recommendations from Banc of America Securities.

The full text of Banc of America Securities' written opinion to C-MAC's board of directors is attached to this document as Annex H, which is incorporated into this document in its entirety. You should read this opinion carefully and in its entirety in connection with this document. However, the following summary of Banc of America Securities' opinion has also been included, which is qualified in its entirety by reference to the full text of the opinion.

Banc of America Securities' opinion is directed to C-MAC's board of directors. It does not constitute a recommendation to securityholders of C-MAC on how to vote with respect to the C-MAC arrangement resolution. The opinion addresses only the fairness of the exchange ratio from a financial point of view to C-MAC's shareholders as of the date of the opinion. The opinion does not address the relative merits of the arrangement or any alternatives to the arrangement, the underlying decision of C-MAC's board of directors to proceed with or effect the arrangement or any other aspect of the arrangement. In furnishing its opinion, Banc of America Securities did not admit that it is an expert within the meaning of the term "expert" as used in the United States Securities Act of 1933, nor did it admit that its opinion constitutes a report or valuation within the meaning of the Securities Act. Statements to that effect are included in the Banc of America Securities opinion.

For the purposes of its opinion, Banc of America Securities:

reviewed publicly available financial statements and other business and financial information of C-MAC and Solectron;

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reviewed selected internal financial statements and other financial and operating data concerning C-MAC and Solectron;

analyzed financial forecasts, reports and other information regarding C-MAC and Solectron published by research analysts from selected investment banking firms and discussed this information with representatives of management of C-MAC and Solectron;

participated in meetings and discussions with representatives of the management of C-MAC and Solectron to discuss the business, operations, historical financial data and certain other financial and operating data of the respective companies;

reviewed and discussed with senior executives of C-MAC and Solectron information relating to strategic, financial and operational benefits anticipated (including the costs required to achieve the anticipated benefits) from the arrangement, prepared by management of C-MAC and Solectron;

considered the possible accretion and dilution effects that the transaction would have on the forward cash earnings per share of Solectron based on average projections by research analysts from selected investment banking firms;

reviewed the reported prices and trading history for C-MAC common shares and shares of Solectron common stock as compared to the reported prices and histories of other comparable companies Banc of America Securities deemed relevant;

compared the financial performance of C-MAC and Solectron with that of certain other publicly traded companies Banc of America Securities deemed relevant;

compared each of C-MAC and Solectron as stand alone entities from a financial point of view with selected public companies Banc of America Securities deemed relevant;

compared financial terms of the arrangement to corresponding financial terms, to the extent publicly available, of selected recent business combination transactions Banc of America Securities deemed relevant, including the "sunset clauses" attaching to the mandatory conversion of the exchangeable shares;

considered the excess in purchase price (including that derived from exchange ratios) over the stock price of companies from transactions that Banc of America Securities deemed relevant, in whole or in part, to the contemplated transaction;

considered the contribution of several income statement items by C-MAC and Solectron on a percentage basis in comparison to the percentage ownership by each company's respective shareholders of the combined company;

participated in discussions and negotiations among representatives of C-MAC and Solectron and their financial and legal advisors;

reviewed the August 8, 2001 draft of the combination agreement and related documents;

considered the general tax treatment which will be afforded C-MAC shareholders who are resident in Canada or the United States under the combination agreement, as described to Banc of America Securities by C-MAC's and Solectron's tax advisors; and

performed such other financial studies, analyses and investigations and considered such other factors as Banc of America Securities deemed relevant.

Banc of America Securities assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information reviewed by Banc of America Securities for the purposes of its opinion. Banc of America Securities also made the following assumptions with the consent of C-MAC's board of directors:

with respect to the financial and other information, including financial forecasts published by research analysts from selected investment banking firms and information relating to strategic,

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financial and operational benefits anticipated from the arrangement, that they were reasonably prepared on bases reflecting the best available estimates at the time of their preparation and good faith judgments of the future financial performance of C-MAC and Solectron;

that the arrangement will be consummated as contemplated in the August 8, 2001 draft of the combination agreement, with full satisfaction of all covenants and conditions and without any waivers; and

that the rights, terms and other privileges of the exchangeable shares are equivalent in all material respects to those of Solectron common stock.

Banc of America Securities relied upon, without any independent verification, the assessment by the management of C-MAC and Solectron of their respective technology, products and services, and the integration of C-MAC's technology, products and services with Solectron's technology, products and services and the timing of introduction of future products incorporating such technology, products and services and C-MAC's ability to retain key managers.

C-MAC and Solectron do not publicly disclose internal management forecasts of the type provided to Banc of America Securities by the management of C-MAC and Solectron in connection with Banc of America Securities' review of the arrangement. The forecasts were not prepared with a view toward public disclosure. In addition, the forecasts were based on numerous variables and assumptions that are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from the results set forth in the forecasts. Banc of America Securities has assumed no liability for the forecasts.

For purposes of its opinion, Banc of America Securities did not make any independent valuation or appraisal of any of the assets or liabilities of C-MAC, nor did Banc of America Securities receive any such appraisals. In addition, Banc of America Securities was not requested to and did not solicit any expressions of interest from any other parties with respect to the sale of all or any part of C-MAC or any other alternative transaction. Consequently, no opinion is expressed as to whether any alternative transaction might produce consideration for C-MAC's shareholders in an amount in excess of that contemplated in the combination agreement.

Banc of America Securities' opinion was based on economic, market and other conditions as they existed on the date of its opinion and on information made available to it as of the date of its opinion. According to the terms of its engagement by C-MAC, Banc of America Securities has no obligation to update, revise or reaffirm its opinion to take into account events occurring after the date that its opinion was delivered to C-MAC's board of directors. As a result, circumstances could develop after the date of its opinion and prior to consummation of the arrangement that, if known at the time Banc of America Securities rendered its opinion, would have altered such opinion.

The following represents a brief summary of the material financial analyses performed by Banc of America Securities in connection with providing its opinion to C-MAC's board of directors. Some of the summaries of financial analyses performed by Banc of America Securities include information presented in tabular format. In order to fully understand the financial analyses performed by Banc of America Securities, you should read the tables together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables without considering the full narrative description of the financial analyses, including the

methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Banc of America Securities.

Valuation Analyses Regarding C-MAC

All references to C-MAC's share prices are expressed in U.S. dollars and are as quoted on the New York Stock Exchange.

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Comparable Company Analysis. Based on public and other available information, Banc of America Securities calculated the multiples of enterprise value to calendar year 2002 projected net sales and equity value to calendar year 2002 projected cash net income for five companies in the electronics manufacturing services industry in addition to Solectron that Banc of America Securities deemed to be comparable to C-MAC.

Banc of America Securities defined enterprise value to mean:

equity value, defined as the product of the number of shares of common stock outstanding for a company multiplied by its stock price; plus
 outstanding funded debt and minority interest; less
 cash and cash equivalents.

The following table sets forth multiples indicated by this analysis for these five companies:

	<u>Range of Multiples</u>	<u>Median</u>	<u>Mean</u>
Enterprise Value to:			
CY2002 net sales	0.72x to 1.95x	0.91x	1.11x
Equity Value to:			
CY2002 cash net income	22.1x to 29.7x	26.0x	26.3x

The comparable company analysis compared C-MAC to selected companies in the electronics manufacturing services industry on the basis that the selected companies were deemed to be the most relevant given the factors set forth above. Consequently, Banc of America Securities did not include every company that could be deemed to be a participant in the same industry.

Based on the foregoing and other factors that Banc of America Securities deemed to be relevant, Banc of America Securities concluded that appropriate reference ranges for C-MAC would be an enterprise value to calendar year 2002 projected net sales multiple of 0.8x to 1.0x and an equity value to calendar year 2002 projected cash net income multiple of 24.0x to 30.0x.

Banc of America Securities noted that the enterprise value implied by the arrangement resulted in an enterprise value to calendar year 2002 projected net sales multiple of 1.29x, and the equity value implied by the arrangement resulted in an equity value to calendar year 2002 projected cash net income multiple of 24.9x.

No company used in the comparable company analysis is identical to C-MAC. Accordingly, an analysis of the foregoing results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading value of the companies to which C-MAC is being compared.

Comparable Transactions Analysis. Based on public and other available information, Banc of America Securities calculated the multiples of enterprise value to the latest twelve months net sales and equity value to the latest twelve months cash net income for the acquired company implied in 16 selected acquisitions of electronics manufacturing services companies that have been announced since January 1, 1998.

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The following table sets forth the multiples indicated by this analysis for these 16 acquisitions:

	Range of Multiples	Median	Mean
Enterprise Value to:			
Latest twelve months net sales			
0.27x to 2.54x	1.09x		1.24x
Equity Value to:			
Latest twelve months cash net income			
8.4x to 45.6x	21.7x		26.0x

The comparable transactions analysis compared the arrangement to selected acquisitions of electronics manufacturing services companies on the basis that the selected transactions were deemed to be the most

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relevant given the factors set forth above. Consequently, Banc of America Securities did not include every transaction that could be deemed to have occurred in the relevant industries.

Based on the foregoing and other factors that Banc of America Securities deemed to be relevant, Banc of America Securities concluded that appropriate reference ranges for C-MAC would be an enterprise value to latest twelve months net sales multiple of 1.0x to 1.5x and an equity value to latest twelve months cash net income multiple of 20.0x to 30.0x.

Banc of America Securities noted that the enterprise value implied by the arrangement resulted in an enterprise value to latest twelve months net sales multiple of 1.35x and the equity value implied by the arrangement resulted in an equity value to latest twelve months cash net income multiple of 23.7x. The latest twelve months financial information for C-MAC was calculated as of June 30, 2001.

No transaction used in the comparable transaction analysis is identical to the arrangement. Accordingly, an analysis of the foregoing results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in the business and operations of the companies being acquired and other factors that could affect the multiples paid in the transactions to which the arrangement is being compared.

Premiums Paid Analysis. Based on public and other available information, Banc of America Securities reviewed the prices paid or offered in two categories of transactions with values over \$1 billion and calculated the premiums of the aforementioned prices over the stock prices one day and one month prior to announcement for the companies in question. The two categories consisted of (a) stock-for-stock merger and acquisition transactions announced since January 1, 1995, January 1, 2000 and July 1, 2000; and (b) selected technology merger and acquisition transactions announced since January 1, 2000 and July 1, 2000.

This analysis indicated the following median and mean premiums:

	Premium One Day Before Announcement		Premium One Month Before Announcement	
	Median	Mean	Median	Mean
Stock-for-Stock Transactions:				
Since January 1, 1995				
24.7%	32.1%	34.7%	44.2%	
Since January 1, 2000				
25.2%	33.4%	42.7%	47.0%	
Since July 1, 2000				

22.4% 29.9% 36.1% 39.5%

Selected Technology Transactions:

Since January 1, 2000

35.7% 39.7% 53.0% 59.0%

Since July 1, 2000

34.9% 39.4% 53.0% 57.0%

The premiums paid analysis compared the arrangement to selected stock-for-stock transactions and technology transactions on the basis that the selected transactions were deemed to be the most relevant given the factors set forth above. Consequently, Banc of America Securities did not include every transaction that could be deemed to have occurred in the relevant industries.

Based on the foregoing and other factors that Banc of America Securities deemed to be relevant, Banc of America Securities concluded that appropriate reference ranges for C-MAC would be 20.0% to 40.0% over the share price one day prior and 30.0% to 55.0% over the one month prior share price.

Banc of America Securities noted that the per share value of the Solectron common stock consideration to be received by C-MAC shareholders in connection with the arrangement resulted in a premium of 33.2% over C-MAC's closing share price on August 8, 2001 and a premium of 31.3% over C-MAC's one month prior share price.

No transaction used in the premiums paid analysis is identical to the arrangement. Accordingly, an analysis of the foregoing results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in the business and operations of the companies being acquired and other

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factors that could affect the premiums paid in the transactions to which the arrangement is being compared.

Exchange Ratio Premiums Analysis. Based on public and other available information, Banc of America Securities reviewed the exchange ratios in selected electronics manufacturing services stock-for-stock transactions and calculated the premiums of the aforementioned exchange ratios over the one day, one month average and three month average exchange ratios of the companies in question.

This analysis indicated the following premiums:

Period Prior to Announcement	Premium to Historical Exchange Ratio			
	Low	High	Median	Mean
One Day	6.3%	72.7%	27.3%	34.6%
One Month Average	12.9%	86.7%	43.0%	48.6%
Three Month Average	13.6%	84.0%	54.5%	49.1%

The exchange ratio premiums analysis compared the arrangement to selected electronics manufacturing services transactions on the basis that the selected transactions were deemed to be the most relevant given the factors set forth above. Consequently, Banc of America Securities did not include every transaction that could be deemed to have occurred in the relevant industries.

Based on the foregoing and other factors that Banc of America Securities deemed to be relevant, Banc of America Securities concluded that appropriate reference ranges for C-MAC would be 20.0% to 30.0% over the exchange ratio one day prior, 28.0% to 45.0% over the one month average exchange ratio and 30.0% to 55.0% over the three month average exchange ratio.

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Banc of America Securities noted that the 1.755 exchange ratio implied by the stock consideration to be received by C-MAC shareholders in connection with the arrangement resulted in a premium of 33.2%, 23.1% and 27.4% over the one day, one month average and three month average exchange ratio, respectively, based on C-MAC's closing share price on August 8, 2001.

No transaction used in the exchange ratio premiums analysis is identical to the arrangement. Accordingly, an analysis of the foregoing results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in the business and operations of the companies being acquired and other factors that could affect the exchange ratio premiums in the transactions to which the arrangement is being compared.

Exchange Ratio Analysis. Banc of America Securities reviewed the historical ratio of the closing price per C-MAC common share to that of the price per share of Solectron common stock for several time periods during the one-year period from August 9, 2000 through August 8, 2001. During this period, the historical exchange ratio calculated on a daily basis ranged from a low of 0.78x on March 13, 2001 to a high of 1.81x on December 18, 2000.

This analysis indicated the following exchange ratios for the selected time periods shown since August 9, 2000:

Period Prior to August 9, 2001	Mean Exchange Ratio
One Day	1.318x
1 Month Average	
1.425x	
3 Month Average	
1.377x	
6 Month Average	
1.238x	
Average Since August 9, 2000	
1.323x	

Banc of America Securities noted that the exchange ratio offered in the arrangement was 1.755x which compared favorably to the exchange ratios for each period reviewed and that the exchange ratio

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offered in the arrangement was greater than the historical exchange ratio between C-MAC and Solectron for all but two days since C-MAC's U.S. listing on the New York Stock Exchange on August 9, 2000.

Contribution Analysis. Banc of America Securities used the estimates for C-MAC and Solectron prepared by research analysts from selected investment banking firms to review the estimated contribution of each company to certain pro forma operating statistics for estimated calendar years 2001 and 2002. This analysis did not take into account any potential synergies resulting from the arrangement and was performed as if the transaction were consummated at the beginning of each calendar year.

This analysis indicated the following contribution percentages:

C-MAC's Contribution to:	On an Estimated Calendar Year 2001 Basis	On an Estimated Calendar Year 2002 Basis
Net Sales	10.4%	10.8%
Gross Profit		
19.6% 19.9%		
EBITA		
21.7% 21.0%		

EBIT	27.5%	25.5%
Cash Net Income (before adjusting for LYONs add-back)	18.2%	19.2%
Cash Net Income (after adjusting for LYONs add-back)	15.2%	16.4%

Banc of America Securities then compared the contributions to the pro forma share ownership of the combined company to be owned by each company's shareholders, assuming the arrangement was consummated under the terms of the August 8, 2001 draft combination agreement. On a pro forma basis, C-MAC shareholders would own approximately 18.8% of the combined company on a fully diluted basis before adjusting for the effect of the additional shares issuable on account of the conversion of Solectron's outstanding LYONs and approximately 16.8% of the combined company on a fully diluted basis after adjusting for the effect of the additional shares issuable on account of the conversion of Solectron's outstanding LYONs.

Accretion/ Dilution Analysis. Banc of America Securities used the estimates for C-MAC and Solectron prepared by research analysts from selected investment banking firms to calculate the pro forma effects of the arrangement, including a comparison of estimated earnings per share on a stand alone basis for Solectron to the estimated earnings per share of the combined company, for Solectron's fiscal year ending August 31, 2002.

Banc of America Securities noted that, assuming completion of the arrangement under the terms of the August 8, 2001 draft of the combination agreement and without taking into account any potential synergies resulting from the transaction, the dilution to Solectron's fiscal year 2002 earnings per share would be (0.9)% and that \$7.3 million of pre-tax synergies would need to be realized in fiscal year 2002 for the transaction to be non-dilutive.

Historical Stock Price Analysis. Banc of America Securities reviewed the performance of the per share market price and trading volume of C-MAC common shares for the period between August 9, 2000 through August 8, 2001 based on the U.S. listing on the New York Stock Exchange. The analysis indicated that the closing market price per C-MAC common share during this period ranged from \$18.01 to \$74.69.

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Banc of America Securities also reviewed the average closing price for C-MAC common shares over a number of periods:

<u>Period Prior to August 9, 2001</u>	<u>Average Closing Price per C-MAC Common Share</u>
1 week	\$23.12
1 month	
\$23.59	
3 months	
\$26.89	
6 months	
\$26.94	

Banc of America Securities noted that the equity value per share to C-MAC shareholders based on the terms of the arrangement and the closing price of shares of Solectron common stock on August 8, 2001 was \$30.19, which compared favorably to the average closing price of C-MAC common shares for each period reviewed.

The discussion above is merely a summary of the analyses and examinations that Banc of America Securities considered to be material to its opinion. It is not a comprehensive description of all analyses and examinations actually conducted by Banc of America Securities. The preparation of a fairness opinion is not susceptible to partial analysis or summary description. Banc of America Securities believes that its analyses and the summary above must be considered as a whole. Banc of America Securities further believes that selecting portions of its analyses and the factors considered, without considering all analyses and factors, would create an incomplete view of the process underlying the analyses set forth in its presentation to C-MAC's board of directors. Banc of America Securities did not assign any specific weight to any of the analyses described above. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that such

analysis was given greater weight than any other analysis. Accordingly, the ranges of valuations resulting from any particular analysis described above should not be taken to be Banc of America Securities' view of the actual value of C-MAC.

In performing its analyses, Banc of America Securities made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of C-MAC and Solectron. The analyses performed by Banc of America Securities are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those suggested by these analyses. These analyses were prepared solely as part of Banc of America Securities' analysis of the fairness of the exchange ratio from a financial point of view to shareholders of C-MAC and were provided to C-MAC's board of directors in connection with the delivery of Banc of America Securities' opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future.

As described above, Banc of America Securities' opinion and presentation to C-MAC's board of directors were among the many factors taken into consideration by C-MAC's board of directors in making its determination to approve, and to recommend that C-MAC's securityholders approve, the combination agreement.

C-MAC agreed to pay Banc of America Securities as compensation for its services under this engagement a customary fee, a significant portion of which is contingent upon consummation of the transaction. C-MAC's board of directors was aware of this fee structure and took it into account in considering Banc of America Securities' fairness opinion and in approving the arrangement. The engagement letter calls for C-MAC to reimburse Banc of America Securities for its reasonable out-of-pocket expenses, and C-MAC has agreed to indemnify Banc of America Securities, its controlling persons, and their respective directors, officers, employees, agents, affiliates and representatives against particular liabilities, including liabilities under the United States federal securities laws.

In the past, Banc of America Securities or its affiliates have provided financial advisory and financing services for C-MAC and Solectron and have received fees for the rendering of these services, and there is presently debt outstanding from C-MAC and Solectron to one or more of such affiliates. In the ordinary

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course of their businesses, Banc of America Securities and its affiliates may actively trade the debt and equity securities of C-MAC and Solectron for their own account or for the accounts of customers. Accordingly, Banc of America Securities or its affiliates may at any time hold long or short positions in those securities.

Interests of Certain Persons in the Transaction

In considering the recommendation of C-MAC's board of directors with respect to the transaction, you should be aware that some of the directors and executive officers of C-MAC have interests in the transaction and participate in arrangements that may present them with actual or potential conflicts of interest in connection with the transaction. The C-MAC board of directors was aware of these interests and considered them, among other matters, when it approved the arrangement. These interests include the following:

as of the close of business on ___, 2001, directors and officers of C-MAC (and their respective affiliates) collectively owned or exercised control over approximately ___% of the outstanding C-MAC common shares entitled to vote at the special meeting. This does not include ___ C-MAC common shares underlying presently exercisable options which these directors and officers beneficially own. If all of these stock options had been exercised prior to ___, 2001, the directors and officers of C-MAC (and their respective affiliates) would collectively own or exercise control over approximately ___% of the outstanding C-MAC common shares entitled to vote at the C-MAC special meeting;

C-MAC has purchased directors' and officers' liability insurance covering liability, including defense costs, of directors and officers of C-MAC incurred as a result of acting as such directors or officers, provided they acted honestly and in good faith with the view to the best interests of C-MAC;

officers and directors of C-MAC are indemnified by C-MAC to the fullest extent permitted by the *Canada Business Corporations Act*;

each of Dennis Wood, Brian Antell, Anthony Byk, Frederik Rollinson, Claude Michaud, John Naismith, Suzanne Gunther, Peter Kielstra, Donna Pasteris, Roch Asselin, and Denis Marchand have entered into letter agreements with C-MAC providing for benefits to be paid

upon termination of employment, including for good reason but excluding for cause, generally within 12 months following a change of control in C-MAC (which includes the arrangement). For all the above persons except for Mr. Wood, the agreements generally provide for a lump sum payment to be made equal to 24 months of salary and bonus. The agreement entered with Mr. Wood generally provides for a lump sum payment to be made equal to 36 months of Mr. Wood's salary and bonus. In addition, the vesting schedule of options granted to these persons may be accelerated in certain circumstances, including in the event of termination without cause following completion of the arrangement;

following the effective time of the arrangement, Dennis Wood, Chairman, President and Chief Executive Officer and President of C-MAC, and C. Wesley M. Scott, both current directors of C-MAC, will become members of the board of directors of Solectron. At that time, two of the eleven members of Solectron's board of directors will consist of former C-MAC directors;

the combination agreement provides that all rights to indemnification for officers and directors of C-MAC as provided in the articles of incorporation of C-MAC, the bylaws of C-MAC or the articles and bylaws of any successor of C-MAC, in effect on the effective date of the arrangement, will survive the arrangement for a period not less than six years from the effective date of the arrangement, and Solectron will assume, effective upon consummation of the arrangement, all such liability in respect of these matters arising prior to the effective date of the arrangement. The combination agreement also provides that, for not less than six years from the effective date of the arrangement, Solectron will maintain in effect coverage equivalent to that in effect under current policies of the directors and officers liability insurance and fiduciary liability insurance maintained

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by C-MAC on terms comparable to those applicable to the current directors and officers of C-MAC, provided that in no event will Solectron or a successor of C-MAC be required to expend in any one year an amount in excess of 200% of the annual premiums currently paid by C-MAC for such insurance; and

Jean Pierre Ouellet, a director of C-MAC, is Vice Chairman of RBC Dominion Securities Inc., which was retained as financial advisor to the ad hoc committee of C-MAC's board of directors and to render other services to C-MAC in connection with the transaction.

Court Approval of the Arrangement and Completion of the Transaction

Under the *Canada Business Corporations Act*, the arrangement requires court approval. Prior to the mailing of this document, C-MAC obtained an interim order from the Superior Court of Justice (Québec) providing for the calling and holding of the C-MAC special meeting and other procedural matters. A copy of each of the interim order and the notice of application for a final order is attached hereto as Annex B.

Subject to the approval of the C-MAC arrangement resolution by the C-MAC shareholders and optionholders at the C-MAC special meeting and the approval of the Solectron share issuance by the Solectron stockholders at the Solectron special meeting, the hearing in respect of a final court order is expected to take place on or about, __, 2001 at _ (Montreal time) in room _ at the Montreal courthouse at 1 Notre Dame Street East, Montreal, Québec.

Any C-MAC securityholder who wishes to appear or be represented and to present evidence or arguments must serve and file a notice of appearance as set out in the notice of application for the final order and satisfy any other requirements of the court. The court will consider, among other things, the fairness and reasonableness of the arrangement. The court may approve the arrangement in any manner the court may direct, subject to compliance with such terms and conditions, if any, as the court deems fit.

Assuming the final order is granted and the other conditions to closing contained in the combination agreement are satisfied or waived, it is anticipated that the following will occur substantially simultaneously:

articles of arrangement for C-MAC will be filed with the director under the *Canada Business Corporations Act* to give effect to the arrangement;

the voting and exchange trust agreement and the exchangeable share support agreement (attached hereto as Annexes E and D, respectively) will be executed and delivered; and

the various other documents necessary to consummate the transactions contemplated under the combination agreement will be executed and delivered.

Subject to the foregoing, it is expected that the effective time of the arrangement will occur as soon as practicable after the requisite C-MAC shareholder and optionholder approval and Solectron stockholder approval have been obtained.

Accounting Treatment

The transaction will be accounted for by Solectron under the purchase method of accounting as defined by recently issued SFAS No. 141, *Business Combinations*, which is effective for all business combinations consummated after June 30, 2001. Under the purchase method, the estimated market value of Solectron common stock and the exchangeable shares issued in the transaction, the fair value of the Solectron stock options issued and the amount of Solectron's direct transaction costs will be recorded as the cost of acquiring the business of C-MAC. That cost will be allocated to the individual assets acquired and liabilities assumed, including intangible assets arising due to contractual or legal rights, or capable of being separated, based on their respective fair values. The excess of the purchase cost over the fair value of the net assets will be allocated to goodwill. According to recently issued SFAS No. 142, *Goodwill and Other Intangible Assets*, which became effective for Solectron on September 1, 2001, goodwill will not be amortized but will be periodically reviewed for impairment. Certain identifiable intangible assets will be

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amortized over their estimated useful lives. As described in the Solectron unaudited pro forma financial statements, the amount of purchase cost allocated to goodwill is estimated to be approximately \$1.46 billion. The preliminary allocation for this transaction does not include any identifiable intangibles. C-MAC's results of operations will be included in Solectron's consolidated results of operations after the completion of the transaction.

Stock Exchange Listings

Solectron has agreed to:

cause the shares of Solectron common stock to be issued on the arrangement to be approved for listing on the New York Stock Exchange before the completion of the arrangement, subject to official notice of issuance;

cause the shares of Solectron common stock to be issued upon exchange of the exchangeable shares and upon exercise of replacement options to purchase Solectron common stock to be approved for listing on the New York Stock Exchange before completion of the arrangement, subject to official notice of issuance; and

cause the exchangeable shares of Exchangeco to be issued on the arrangement to be conditionally approved for listing on The Toronto Stock Exchange before the completion of the arrangement, subject to filing of the required documentation.

The Solectron common stock will be listed on the New York Stock Exchange under the symbol SLR. Exchangeco intends to apply to The Toronto Stock Exchange to list the exchangeable shares, such listing to be effective prior to the effective date of the arrangement. There is no current intention to list the exchangeable shares on any other stock exchange.

Eligibility for Investment in Canada

On the date of issue, the exchangeable shares and exchangeable share rights will not be precluded as eligible investments under the following statutes (and, where applicable, the regulations thereunder):

Insurance Companies Act (Canada);

Pension Benefits Standards Act, 1985 (Canada);

Trust and Loan Companies Act (Canada);

Loan and Trust Corporations Act (Ontario);

Pension Benefits Act (Ontario);

An Act respecting insurance (Québec), for an insurer, as defined therein, incorporated under the laws of the Province of Québec, other than a guarantee fund;

An Act respecting trust companies and savings companies (Québec), for a trust company or savings company, as defined therein, which invests its own funds and funds received as deposits except for a trust company with respect to funds, other than deposits, which it administers for other persons;

Supplemental Pension Plans Act (Québec), for an insured plan as defined therein;

Insurance Act (Alberta);

Employment Pension Plans Act (Alberta);

Loan and Trust Corporations Act (Alberta);

The Insurance Act (Manitoba);

The Trustee Act (Manitoba);

Pension Benefits Act (Manitoba);

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Financial Institutions Act (British Columbia); and

Pension Benefits Standards Act (British Columbia);

subject to compliance with the prudent investment standards and general investment provisions and restrictions of the statutes referred to above (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies or goals and, in certain cases, the filing of such policies or goals.

For investment eligibility considerations under the *Income Tax Act (Canada)* for certain deferred income plans and a discussion of whether the exchangeable shares, exchangeable share rights and ancillary rights are foreign property for purposes of Part XI of the *Income Tax Act (Canada)*, see [Tax Considerations for C-MAC Securityholders](#) [Canadian Tax Considerations for C-MAC Shareholders](#) [Eligibility for Investment in Canada](#) .

Regulatory Matters

Except as described in this document, neither Solectron nor C-MAC is aware of any material approval or other action by any federal, provincial, state or foreign government or any administrative or regulatory agency that would be required to be obtained prior to completion of the transaction other than compliance with the applicable corporate laws of Delaware and Canada.

Investment Canada Act

Under the *Investment Canada Act*, certain transactions involving the acquisition of control of a Canadian business by a non-Canadian are subject to review and cannot be implemented unless the Minister responsible for the *Investment Canada Act* is satisfied that the transaction is likely to be of net benefit to Canada. If a transaction is subject to the review requirement, an application for review must be filed with the Investment Review Division of Industry Canada prior to the implementation of the reviewable transaction. The Minister is then required to determine whether the reviewable transaction is likely to be of net benefit to Canada taking into account, among other things, certain factors specified in the *Investment Canada Act* and any written undertakings that may have been given by the applicant. The *Investment Canada Act* contemplates an initial review period of 45 days after filing; however, if the Minister has not completed the review by that date, the Minister may unilaterally extend the review period by up to 30 days (or a longer period, if agreed to by the applicant) to permit completion of the review.

The prescribed factors of assessment to be considered by the Minister include, among other things, the effect of the investment on the level and nature of economic activity in Canada (including the effect on employment and utilization of Canadian products and services and exports), the degree and significance of participation by Canadians in the acquired business, the effect of the investment on productivity, industrial

efficiency, technological development, product innovation and product variety in Canada, the effect of the investment on competition within any industry in Canada, the compatibility of the investment with national industrial, economic and cultural policies (taking into consideration corresponding provincial policies) and the contribution of the investment to Canada's ability to compete in world markets. If the Minister determines that he is not satisfied that a reviewable transaction is likely to be of net benefit to Canada, the reviewable transaction may not be implemented.

As the acquisition of control of C-MAC contemplated by the transaction is a reviewable transaction, Solectron plans to file an application for review under the *Investment Canada Act*.

In order to secure the Minister's approval under the *Investment Canada Act*, it may be necessary for Solectron to enter into written commitments with respect to such matters as the way in which C-MAC will be integrated with Solectron, employment, capital expenditures, research and development and other matters relating to the impact of the transaction in Canada.

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Hart-Scott-Rodino (U.S.)

The transaction is subject to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, under which a transaction cannot be completed until required information and materials are furnished to the Antitrust Division of the Department of Justice and the Federal Trade Commission and the waiting periods expire or are terminated. On ___, 2001, Solectron and C-MAC made the required filings with the Department of Justice and the Federal Trade Commission.

However, the Antitrust Division of the Department of Justice or the Federal Trade Commission may challenge the transaction on antitrust grounds after termination of the mandatory waiting period. Accordingly, at any time before or after the completion of the transaction, either the Antitrust Division of the Department of Justice or the Federal Trade Commission could take action under the antitrust laws as it deems necessary or desirable in the public interest. Other persons, including any state or private person, could also take action under applicable antitrust laws, including seeking to enjoin the transaction or seeking divestiture by Solectron or C-MAC. There can be no assurance that a challenge to the transaction will not be made or that, if a challenge is made, Solectron and C-MAC will prevail or would not be required to accept certain conditions, possibly including certain divestitures, in order to consummate the transaction.

Competition Act

The *Competition Act* (Canada) requires the parties to certain proposed merger transactions which exceed specified size thresholds to provide the Commissioner of Competition appointed under the *Competition Act* with prior notice of and information relating to the transactions and the parties thereto, and to await the expiration of a prescribed waiting period prior to completing the transaction. The waiting period may be 14 or 42 days from the time a complete pre-merger notification is provided to the Commissioner, depending on whether a short-form or a more detailed long-form filing is provided to the Commissioner.

Solectron and C-MAC have made a short-form pre-merger notification filing with the Commissioner pursuant to the provisions of the *Competition Act* and the applicable waiting period will expire 14 days after the date on which the Commissioner certifies that the complete filing was received unless, prior to the expiry of the 14 day period, the Commissioner informs Solectron and C-MAC that a long-form filing is required. In that case, the waiting period will be extended to 42 days from the time such further filing is certified to be received by the Commissioner.

The merger provisions of the *Competition Act* also permit the Commissioner to apply to the Competition Tribunal to seek relief in respect of merger transactions which are likely to prevent or lessen competition substantially. The relief that may be ordered by the Competition Tribunal includes, in the case of a proposed merger transaction, prohibiting completion of the transaction and, in the case of a completed merger, the dissolution of the merger or the divestiture of the assets or shares. Proceedings under the merger provisions of the *Competition Act* may be instituted for a period of three years after a merger transaction has been substantially completed.

Additional Regulatory Approvals

The transaction is also subject to various foreign antitrust laws, some of which, including those of the European Union and Brazil, require us to make filings with foreign antitrust authorities. Solectron and C-MAC intend to make required foreign antitrust filings. Solectron and

C-MAC will not be permitted to complete the transaction until all waiting periods under applicable foreign antitrust laws have expired or been terminated, and until they have obtained any approvals governmental entities without which the consummation of the arrangement would be prohibited.

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Resale of Exchangeable Shares and Shares of Solectron Common Stock

United States

The shares of Solectron common stock to be issued in connection with the transaction have been registered under the United States Securities Act of 1933 and will be freely transferable under the Securities Act, except for shares of Solectron common stock issued to any person who is deemed to be an affiliate (as defined in the Securities Act) of C-MAC. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under common control of C-MAC and may include some of the officers and directors of C-MAC, as well as C-MAC's principal shareholders. Affiliates may not sell their shares of Solectron common stock acquired in the transaction except pursuant to:

an effective registration statement under the United States Securities Act of 1933 covering the resale of those shares;

an exemption under paragraph (d) of Rule 145 under the United States Securities Act of 1933; or

any other applicable exemption under the United States Securities Act of 1933.

The exchangeable shares to be issued to C-MAC shareholders in the transaction will not be registered under the United States Securities Act of 1933. Those shares will instead be issued in reliance upon the exemption provided by Section 3(a)(10) of the Securities Act. Section 3(a)(10) exempts only securities issued in exchange for one or more *bona fide* outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom such securities will be issued have the right to appear. The Superior Court of Justice (Québec) is authorized to conduct a hearing to determine the fairness of the terms and conditions of the arrangement, including the proposed issuance of securities in exchange for other outstanding securities. Subject to the approval of C-MAC arrangement resolution by the C-MAC securityholders, a hearing on the fairness of the arrangement will be held on or about ___ 2001 by the court. See The Transaction Court Approval of the Arrangement and Completion of the Transaction .

The exchangeable shares to be issued in connection with the transaction will be freely transferable under the Securities Act, except for exchangeable shares issued to any person who is deemed to be an affiliate (as defined in the Securities Act) of either Solectron or C-MAC, which will be subject to the same restrictions as shares of Solectron common stock issued to affiliates.

Solectron will file a registration statement on Form S-3 with the U.S. Securities and Exchange Commission to be effective at or prior to the effective time of the arrangement which will provide for the free transfer of shares of Solectron common stock issued upon exchange of exchangeable shares. The same restrictions that apply to affiliates of Solectron or C-MAC who receive Solectron common stock or exchangeable shares in the transaction will apply to the shares of Solectron common stock received by affiliates of Solectron or C-MAC on exchange of exchangeable shares.

C-MAC has agreed to use its reasonable best efforts to cause those persons whom C-MAC reasonably believes may be deemed to be affiliates of C-MAC within the meaning of Rule 145 promulgated under the United States Securities Act of 1933 to enter into affiliate agreements with Solectron. Under the terms of the affiliate agreements, Solectron will be entitled to place appropriate legends on the certificates evidencing any Solectron common stock or exchangeable shares to be received by these persons. Additionally, these persons will acknowledge the resale restrictions imposed by Rule 145 under the Securities Act on shares of Solectron common stock and exchangeable shares to be received by them in the transaction and on shares of Solectron common stock to be received upon exchange of exchangeable shares.

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Canada

Solectron and Exchangeco applied on __, 2001 for rulings or orders of certain securities regulatory authorities in Canada to permit the issuance of the exchangeable shares and the Solectron common stock issuable under the arrangement, upon exchange of exchangeable shares and upon exercise of replacement options for C-MAC options. Application has also been made to permit resale of those shares in various jurisdictions without restriction by persons other than a control person, provided that no unusual effort is made to prepare the market for any such resale or to create a demand for the securities which are the subject of any such resale and no extraordinary commission or consideration is paid in respect thereof. The consummation of the transaction is conditional upon receipt of these rulings or orders.

Delisting and Deregistration of C-MAC Common Shares After the Transaction

When the transaction is completed, C-MAC common shares will be delisted from The Toronto Stock Exchange and the New York Stock Exchange and will be deregistered under the United States Securities Exchange Act of 1934.

Ongoing Canadian Reporting Obligations

Upon completion of the arrangement, C-MAC will be an indirect wholly-owned subsidiary of Solectron. Accordingly, after the effective date of the arrangement, C-MAC will apply to the securities regulatory authorities in Canada to cease to be a reporting issuer, so as to no longer be subject to statutory financial and reporting requirements under securities laws in Canada.

Upon completion of the arrangement, Exchangeco will be subject to Canadian statutory financial and reporting requirements. Statutory insiders of Exchangeco will be subject to Canadian insider trading reporting requirements. Application has been made for certain exemptions from the requirements relating to timely disclosure, filing and sending of financial statements, the preparation and sending of management information circulars, the preparation of an annual information form and from the insider trading reporting requirements. The exemptions are expected to be conditional upon Solectron filing with the relevant Canadian securities regulatory authorities copies of all documents required to be filed with the U.S. Securities and Exchange Commission, holders of exchangeable shares receiving all disclosure materials furnished to holders of Solectron common stock under the laws of the United States, including copies of its annual financial statements and all proxy solicitation materials, Solectron complying with the New York Stock Exchange timely disclosure requirements and disseminating relevant press releases in Canada and Exchangeco complying with Canadian timely disclosure requirements in respect of events that would be material to its shareholders but would not be material to holders of Solectron common stock.

If these exemptions are obtained, after the completion of the arrangement:

holders of exchangeable shares will receive annual financial statements of Solectron prepared in accordance with U.S. generally accepted accounting principles and any interim financial statements of Solectron prepared in accordance with U.S. generally accepted accounting principles that are provided to holders of Solectron common stock, in lieu of financial statements of Exchangeco;

Exchangeco will be exempt from certain Canadian disclosure and reporting requirements applicable to a reporting issuer; and

statutory insiders of Exchangeco will be exempt from insider trading reporting requirements with respect to the shares of Exchangeco.

Treatment of Stock Options

On August 7, 2001, there were outstanding options to purchase C-MAC common shares which, when vested, would be exercisable to acquire a total of approximately 3,234,795 C-MAC common shares at prices between Cdn\$2.63 to Cdn.\$109.75 with various expiration dates to 2010.

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At the effective time of the arrangement, each C-MAC option will be exchanged for an option to purchase Solectron common stock. Each replacement option will constitute an option to purchase a number of shares of Solectron common stock equal to the product of the exchange ratio 1.755, and the number of C-MAC common shares subject to that C-MAC option. Each replacement option will provide for an exercise

price per share of Solectron common stock equal to the exercise price per share of the C-MAC option immediately prior to the effective time of the arrangement divided by 1.755. If the foregoing calculation results in a holder's replacement options being exercisable for a number of shares of Solectron common stock that includes a fraction of a share of Solectron common stock, then the total number of shares of Solectron common stock subject to a particular holder's total replacement options shall be rounded down to the next whole number of shares of Solectron common stock and the total exercise price for the replacement options will be reduced by the exercise price of the fractional share of Solectron common stock. Except as noted under "The Transaction - Interests of Certain Persons in the Transaction," the term to expiration, conditions to and manner of exercising and all other terms and conditions of replacement options will otherwise be unchanged from those of the C-MAC options for which they were exchanged. Any document or agreement previously evidencing C-MAC options shall thereafter evidence and be deemed to evidence options to purchase Solectron common stock. As of ___, 2001, options to purchase approximately ___ C-MAC common shares were outstanding.

Solectron will file a registration statement on Form S-8 for the shares of Solectron common stock issuable upon the exercise of C-MAC stock options replaced by options to acquire Solectron common stock within 10 days after the effective time of the arrangement.

C-MAC optionholders who wish to conditionally exercise their C-MAC options, whether or not conditional upon consummation of the arrangement, must complete and deliver the grey letter of transmittal and election form for C-MAC optionholders to C-MAC Industries Inc. c/o General Trust of Canada, 1100 University Street, 9th Floor, Montreal, Québec, Canada H3B 2G7 or 121 King Street West, Suite 600, Toronto, Ontario, Canada M5H 3T9, facsimile numbers (514) 871-7506 or (416) 865-7610 on or before 5 p.m. (Montreal time) on or before the election deadline.

Future Issuances of Shares

Prior to the effective time of the arrangement, the articles of incorporation of Exchangeco will be amended to authorize the issuance of an unlimited number of exchangeable shares. The exchangeable shares may be issued, without approval of holders of exchangeable shares, at such time or times, to such persons and for such consideration as Exchangeco may determine, except as may otherwise be required by applicable laws, regulations or stock exchange requirements, and subject to all dividends on the outstanding exchangeable shares corresponding to dividends declared and paid on the outstanding shares of Solectron common stock having been declared and paid at the relevant times. The Toronto Stock Exchange, on which it is anticipated that the exchangeable shares will trade, currently requires shareholder approval of certain transactions resulting in the issuance of shares, including transactions where the issuance could increase the number of outstanding shares by 25% or more. Exchangeable shares may also be issued under the exchangeable share rights plan to be entered into by Exchangeco.

Expenses

The combined estimated fees, costs and expenses of Solectron and C-MAC in connection with the transaction including, without limitation, financial advisors' fees, filing fees, legal and accounting fees, soliciting fees, dealer fees and printing and mailing costs are anticipated to be approximately \$32 million.

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REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES

The financial information regarding C-MAC, including the C-MAC audited financial statements, the C-MAC unaudited financial statements and the summaries thereof contained in this document are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles, or Canadian GAAP and, except as indicated in note 15 of the C-MAC audited consolidated financial statements attached to this document as Annex K, are in all material respects in accordance with accounting principles generally accepted in the United States.

The C-MAC unaudited pro forma statement of earnings contained in this document are reported in Canadian dollars and have been prepared in accordance with Canadian GAAP.

The DY 4 Systems Inc. audited consolidated financial statements contained in this document are reported in Canadian dollars and have been prepared in accordance with Canadian GAAP.

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The A-Plus Manufacturing Corp. and the Consolidated Kavlico Corporation audited financial statements contained in this document are reported in U.S. dollars and have been prepared in accordance with U.S. GAAP, which, as applied to these companies, does not differ materially from Canadian GAAP.

The financial information regarding Solectron, including the Solectron audited financial statements, the Solectron unaudited financial statements and the summaries thereof contained in this document are reported in U.S. dollars and have been prepared in accordance with U.S. GAAP.

The Solectron unaudited pro forma financial statements contained in this document are reported in U.S. dollars and have been prepared in accordance with U.S. GAAP.

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EXCHANGE RATES

The following table sets forth, for each period indicated, the high and low exchange rates for one Canadian dollar expressed in U.S. dollars, the average of such exchange rates during such period, and the exchange rate at the end of such period, based upon the Bank of Canada Noon Rate and generally reflecting the exchange rates for transactions of U.S.\$1 million or more:

	Six Months Ended					
	June 30, 2001					
	Year Ended December 31,					
	2000	1999	1998	1997	1996	
High	0.6695	0.6973	0.6929	0.7105	0.7489	0.7515
Low	0.6334	0.6413	0.6537	0.6343	0.6948	0.7215
Average	0.6517	0.6733	0.6731	0.6741	0.7223	0.7334
Period End	0.6589	0.6666	0.6929	0.6534	0.6997	0.7301

On August 8, 2001, the last trading day prior to the announcement of the transaction, the exchange rate for one Canadian dollar expressed in U.S. dollars based on the Bank of Canada Noon Rate was \$0.6521. On September 4, 2001, the exchange rate for one Canadian dollar expressed in U.S. dollars based on the Bank of Canada Noon Rate was \$0.6440.

The following table sets forth, for each period indicated, the high and low exchange rates for one U.S. dollar expressed in Canadian dollars, the average of such exchange rates during such period, and the exchange rate at the end of such period, based upon the Bank of Canada Noon Rate and generally reflecting the exchange rates for transactions of Cdn.\$1 million or more:

	Nine Months Ended					
	May 31, 2001					
	Year Ended August 31,					
	2000	1999	1998	1997	1996	
High	1.5789	1.5081	1.5578	1.5765	1.3995	1.3860
Low	1.4735	1.4341	1.4505	1.3714	1.3306	1.3282
Average	1.5275	1.4715	1.5066	1.4388	1.3686	1.3635
Period End						

1.5457 1.4722 1.4958 1.5722 1.3885 1.3684

On August 8, 2001, the last trading day prior to the announcement of the transaction, the exchange rate for one U.S. dollar expressed in Canadian dollars was Cdn.\$1.5334, based on the Bank of Canada Noon Rate. On September 4, 2001, the exchange rate for one U.S. dollar expressed in Canadian dollars based on the Bank of Canada Noon Rate was Cdn.\$1.5528.

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SELECTED CONSOLIDATED FINANCIAL DATA

Solectron Selected Consolidated Financial Data

The following consolidated statement of income data for each of the three fiscal years ended August 31, 2000 and the consolidated balance sheet data as of August 31, 2000 and 1999 set forth below, are derived from Solectron's audited consolidated financial statements. The consolidated statement of income data for each of the two fiscal years ended August 31, 1997 and the consolidated balance sheet data as of August 31, 1998, 1997 and 1996 are derived from Solectron's unaudited selected financial data.

When you read the following summary historical data, it is important that you read it along with the historical consolidated financial statements and related notes attached to this document as Annex J as well as the section of this document entitled "Solectron Management's Discussion and Analysis of Financial Condition and Results of Operations" (in millions, except per-share data).

	Nine Months Ended				Fiscal Year Ended August 31,				
	May 31,				2000	1999	1998	1997	1996
	2001	2000	2000	1999	1998	1997	1996		
Net Sales	\$ 15,097.4	\$ 9,401.3	\$ 14,137.5	\$ 9,669.2	\$ 6,102.2	\$ 4,408.5	\$ 3,231.8		
Operating Income	214.4	461.2	704.2	516.1	368.6	303.2	213.6		
Income before income taxes and cumulative effect of change in accounting principle	182.3	488.0	739.5	514.5	375.5	307.5	213.2		
Net income	126.8	326.2	497.2	350.3	251.3	203.7	139.6		
Basic net income per share(1)	0.20	0.54	0.83	0.65	0.49	0.42	0.31		
Diluted net income per share(1)	0.19	0.52	0.80	0.61	0.47	0.40	0.30		
	As of May 31,		As of August 31,						
	2001	2000	2000	1999	1998	1997	1996		
Working capital	\$ 6,233.6	\$ 5,738.2	\$ 5,411.4	\$ 3,162.7	\$ 1,278.1	\$ 1,137.5	\$ 860.9		
Total assets	13,292.5	9,221.4	10,375.6	5,420.5	2,843.7	2,209.9	1,627.9		
Long-term debt	4,977.2	3,295.8	3,319.5	922.7	386.8	386.2	388.3		
Stockholders' equity	5,410.0	3,584.6	3,802.1	3,166.9	1,475.4	1,150.2	787.8		

(1) All net income per share amounts have been adjusted to reflect stock splits to date

Operating results for the nine-month period ending May 31, 2001 are not necessarily indicative of the results that may be expected for the entire fiscal year ending August 31, 2001.

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Solectron Supplementary Financial Data

Unaudited quarterly financial information for each of the first three fiscal quarters of 2001 and each fiscal quarter during the fiscal years ended August 31, 2000 and 1999 (in millions, except percentages and per share data):

2001	First Quarter	Second Quarter	Third Quarter	
Net sales	\$5,695.5	\$5,418.5	\$3,983.4	
Gross profit				
\$484.7 \$488.2 \$305.7				
Gross margin				
8.5% 9.0% 7.7%				
Operating income				
\$276.4 \$192.5 \$(254.5)				
Operating margin				
4.9% 3.6% (6.4%)				
Net income				
\$190.6 \$121.9 \$(185.7)				
Basic net income per share				
\$0.31 \$0.19 \$(0.28)				
Diluted net income per share				
\$0.29 \$0.18 \$(0.28)				
2000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$2,834.6	\$2,912.7	\$3,645.0	\$4,736.2
Gross profit				
\$277.0 \$279.9 \$305.5 \$412.9				
Gross margin				
9.8% 9.6% 8.4% 8.7%				
Operating income				
\$155.3 \$135.7 \$170.2 \$243.0				
Operating margin				
5.5% 4.6% 4.7% 5.1%				
Income before cumulative effect of change in accounting principle				
\$113.3 \$96.7 \$119.7 \$171.0				
Cumulative effect of change in accounting principle, net of income tax benefit				
\$(3.5) \$ \$ \$				
Net income				
\$109.8 \$96.7 \$119.7 \$171.0				
Basic net income per share:(1)				
Income before cumulative effect of change in accounting principle				
\$0.19 \$0.16 \$0.20 \$0.28				

Cumulative effect of change in accounting principle
 \$(0.01) \$ \$ \$
 Net income
 \$0.18 \$0.16 \$0.20 \$0.28
 Diluted net income per share:(1)

Income before cumulative effect of change in accounting principle
 \$0.18 \$0.16 \$0.19 \$0.27
 Cumulative effect of change in accounting principle
 \$(0.01) \$ \$ \$
 Net income
 \$0.17 \$0.16 \$0.19 \$0.27

1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$2,272.0	\$2,249.3	\$2,440.4	\$2,707.5
Gross profit				
\$211.7 \$216.9 \$240.8 \$266.9				
Gross margin				
9.3% 9.6% 9.9% 9.9%				
Operating income				
\$115.1 \$117.0 \$134.0 \$150.0				
Operating margin				
5.1% 5.2% 5.5% 5.5%				
Net income				
\$77.5 \$78.4 \$90.9 \$103.5				
Basic net income per share(1)				
\$0.15 \$0.15 \$0.16 \$0.18				
Diluted net income per share(1)				
\$0.14 \$0.14 \$0.16 \$0.17				

(1) Adjusted to reflect two-for-one stock splits through March 8, 2000.

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C-MAC Selected Consolidated Financial Data

The following table presents selected historical financial data for the periods indicated in Canadian dollars. The selected financial data as of and for each of the years in the five-year period ended December 31, 2000 are derived from C-MAC's audited consolidated financial statements, and the financial data as of and for each of the twenty-six week periods ended July 1, 2000 and June 30, 2001 are derived from C-MAC's unaudited interim consolidated financial statements, which in the opinion of management include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial information for such periods. Historical results are not necessarily indicative of the results that may be expected for any future period or for a full year. The selected historical financial data should be read in conjunction with C-MAC's consolidated financial statements and the notes thereto attached to this document as Annex K together with C-MAC Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this document.

Twenty-six week
 periods ended
 _____ Years ended December 31,
 June 30/July 1, _____

2001 2000 2000 1999 1998 1997 1996

(unaudited)
 (in thousands of Canadian dollars,
 except earnings per share data)

Consolidated Statement of Earnings Data:

Canadian GAAP:

Revenue
 \$1,491,678 \$993,953 \$2,552,839 \$1,169,097 \$642,983 \$413,055 \$316,219
 Operating expenses:

Cost of goods sold
 1,228,970 831,641 2,115,505 970,701 525,504 334,553 258,666

Selling and administrative
 74,096 46,419 113,969 67,482 44,620 27,820 19,948

Research and development
 36,246 13,420 41,463 17,196 12,852 7,669 4,660

Amortization of capital and other assets
 36,751 17,076 44,070 22,844 11,841 8,671 8,258

Earnings from operations
 115,615 85,397 237,832 90,874 48,166 34,342 24,687

Financial expenses
 6,195 12,094 9,187 13,589 6,099 1,237 683

Income taxes
 37,931 27,020 79,779 27,399 15,307 12,739 9,266

Non-controlling interest
 120 190 386 854

Net earnings before goodwill amortization

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71,369	46,093	148,480	49,032	26,760	20,366	14,738
Goodwill amortization, net of income taxes						
18,841	5,169	15,722	3,860	1,342	114	44

Net earnings						
\$52,528	\$40,924	\$132,758	\$45,172	\$25,418	\$20,252	\$14,694

Earnings before goodwill amortization per share

Basic						
\$0.83	\$0.68	\$1.99	\$0.82	\$0.51	\$0.39	\$0.29
Diluted						
\$0.81	\$0.66	\$1.94	\$0.80	\$0.50	\$0.38	\$0.29
Earnings per share						

Basic						
\$0.61	\$0.60	\$1.78	\$0.76	\$0.49	\$0.39	\$0.29
Diluted						
\$0.60	\$0.58	\$1.73	\$0.74	\$0.47	\$0.38	\$0.28
Weighted average number of outstanding common shares						

Basic						
86,282	68,133	74,558	59,830	52,082	51,594	51,524
Diluted						
87,813	70,238	76,524	61,424	53,519	53,081	51,558
U.S. GAAP						

Net earnings						
\$55,023	\$39,610	\$131,839	\$49,675	\$19,522	\$20,588	\$14,199
Earnings per share						

Basic
 \$0.64 \$0.58 \$1.77 \$0.83 \$0.37 \$0.40 \$0.28
 Diluted
 \$0.63 \$0.56 \$1.72 \$0.81 \$0.36 \$0.39 \$0.28

Consolidated Cash Flow Data:**Canadian GAAP:**

Cash flows from (used in) operating activities
 \$140,715 \$(84,486) \$(184,238) \$13,148 \$37,073 \$30,323 \$24,767
 Cash flows from (used by) financing activities
 16,715 278,084 1,260,803 180,363 196,794 14,993 (21,875)
 Cash flows used by investing activities
 (79,156) (246,436) (1,056,081) (172,550) (138,994) (31,153) (14,097)

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June 30, 2001	December 31,	
	2000	1999
(unaudited)		
(in thousands of Canadian dollars)		

Consolidated Balance Sheet Data:**Canadian GAAP:**

Cash and cash equivalents
 \$271,900 \$203,242 \$160,773
 Working capital
 970,627 941,235 324,907
 Capital assets
 417,601 395,477 188,030
 Total assets
 2,884,179 3,029,968 1,061,503
 Long-term debt, including current portion
 320,631 306,014 213,361
 Shareholders' equity
 2,202,637 2,152,478 527,251

U.S. GAAP:

Cash and cash equivalents
 \$271,900 \$203,242 \$160,773
 Working capital
 970,627 940,831 324,839
 Capital assets
 417,601 395,477 188,030
 Total assets
 2,884,202 3,027,496 1,059,951
 Long-term debt, including current portion
 320,631 306,014 213,361
 Shareholders' equity
 2,202,660 2,150,006 525,699

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**SOLECTRON UNAUDITED PRO FORMA COMBINED
CONDENSED FINANCIAL STATEMENTS**

The following unaudited pro forma combined condensed financial statements are presented for illustrative purposes only and are not necessarily indicative of the combined results of operations for future periods or the results of operations that actually would have been realized had Solectron Corporation (Solectron), C-MAC Industries Inc. (C-MAC), and NatSteel Electronics Ltd. been combined during the periods specified. The unaudited pro forma combined condensed financial statements and the related notes should be read in conjunction with the historical financial statements of Solectron, C-MAC and Natsteel, included in this document in Annexes J and K, and pro forma information for C-MAC and its acquired subsidiaries included in this document in Annex K.

On January 5, 2001, Solectron completed its acquisition of NatSteel, by acquiring 99 percent of the issued share capital and the outstanding principal amount of convertible bonds of NatSteel for approximately \$2.3 billion in cash. During February 2001, NatSteel became a wholly owned subsidiary of Solectron when Solectron acquired the remaining shares and principal amount of NatSteel's convertible bonds through compulsory acquisition under Singapore law. For financial reporting purposes, the acquisition of Natsteel was deemed to have occurred on January 1, 2001. The pro forma adjustments that are reflected in the accompanying unaudited pro forma combined condensed income statements for the year ended August 31, 2000 and the nine-month period ended May 31, 2001 are based on the fair value of the tangible and intangible assets acquired by Solectron as well as management's estimates of the useful lives of those acquired assets.

In August 2001, Solectron entered into an agreement to acquire C-MAC in a transaction to be accounted for as a purchase. The final purchase price will be based upon the closing price of Solectron's common stock upon consummation of the transaction. The estimated purchase price, which is subject to adjustment, is approximately \$2.186 billion, consisting of Solectron common stock valued at approximately \$2.113 billion, Solectron stock options valued at approximately \$57 million, and direct acquisition costs estimated at approximately \$16 million.

On March 27, 2000, C-MAC completed its acquisition of A-Plus Manufacturing Corp. (A-Plus); on November 20, 2000, C-MAC completed its acquisition of Kavlico Corporation (Kavlico); and on November 24, 2000, C-MAC completed its acquisition of DY 4 Systems Inc. (DY 4); collectively, (the C-MAC acquisitions). The unaudited pro forma combined condensed financial statements of Solectron include the pro forma impact of the C-MAC acquisitions for the periods specified below.

The unaudited pro forma combined condensed balance sheet gives effect to the C-MAC acquisition as if it had taken place on May 31, 2001, and combines Solectron's unaudited historical consolidated balance sheet as of May 31, 2001 and C-MAC's unaudited consolidated balance sheet as of June 30, 2001. The Solectron acquisition of NatSteel is reflected in Solectron's unaudited historical consolidated balance sheet as of May 31, 2001. The C-MAC acquisitions are reflected in the C-MAC unaudited consolidated balance sheet as of June 30, 2001.

The unaudited pro forma combined condensed income statement for the nine-month period ended May 31, 2001 gives effect to the Solectron acquisition of C-MAC and NatSteel as if they had taken place on September 1, 2000; and to the C-MAC acquisitions of Kavlico and DY 4 as if they had taken place on October 1, 2000. The unaudited pro forma combined condensed income statement for the nine-month period ended May 31, 2001 combines Solectron's unaudited historical consolidated statement of income for the nine-month period ended May 31, 2001; the NatSteel unaudited historical consolidated income and loss account for the four-month period ended December 31, 2000; and the pro forma C-MAC unaudited consolidated statement of earnings for the nine-month period ended June 30, 2001. The pro forma C-MAC unaudited consolidated statement of earnings for the nine-month period ended June 30, 2001 includes the Kavlico unaudited historical consolidated statement of income and retained earnings for the 51 day period ended November 20, 2000 (date of acquisition); and the DY 4 unaudited consolidated statements of earnings for the 55 day period ended November 24, 2000 (date of acquisition). Results of operations for NatSteel are included in the historical results of operations of Solectron from January 1,

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2001 to May 31, 2001. Results of operations of Kavlico and DY 4 are included in the historical results of operations of C-MAC from their dates of acquisition to June 30, 2001.

The unaudited pro forma combined condensed income statement for the year ended August 31, 2000 gives effect to the arrangement and acquisition of NatSteel as if they had taken place on September 1, 1999; and to the C-MAC acquisitions of A-Plus, Kavlico, and DY 4 as if they had taken place on October 1, 1999. The unaudited pro forma combined condensed income statement for the year ended August 31, 2000 combines Solectron's unaudited historical consolidated statement of income for the year ended August 31, 2000; the Natsteel unaudited historical consolidated income and loss account for the year ended June 30, 2000; and the pro forma C-MAC unaudited consolidated statement of earnings for the year ended September 30, 2000. The pro forma C-MAC unaudited consolidated statement of earnings for the year ended September 30, 2000 includes the A-Plus unaudited statement of income for the six-month period ended March 27, 2000; the Kavlico unaudited historical consolidated statement of income and retained earnings for the year ended September 30, 2000; and the DY 4 unaudited consolidated statement of earnings and retained earnings for the year ended September 30, 2000. Results of operations of A-Plus are included in the historical results of operations of C-MAC from its date of acquisition to September 30, 2000.

The unaudited pro forma combined condensed financial statements have been prepared on the basis of assumptions described in the related notes and include assumptions relating to the allocation of consideration paid for the assets and liabilities of C-MAC based on preliminary estimates of their respective fair values. The purchase price reflected in the unaudited pro forma combined condensed financial statements is preliminary and is subject to adjustment as defined in the combination agreement. The final allocation of the consideration paid for C-MAC may differ from that reflected in the unaudited pro forma combined condensed financial statements upon completion of the arrangement when the final purchase price is known and the final valuation and purchase price allocation have been performed. In the opinion of management, all adjustments necessary to present fairly such unaudited pro forma combined condensed financial statements have been made on the proposed terms and structure of the C-MAC acquisition.

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(In millions)

	Solectron Historical		C-MAC	Pro Forma	
	As of	As of	As of	As of	As of
	May	June	June	June	June
	31,	30,	30,	30,	30,
	2001	2001	2001	Adjustments	Combined
ASSETS					
Current assets:					
Cash and cash equivalents and short-term investments	\$2,175.9	\$183.4	\$	\$	\$2,359.3
Accounts receivable, net	2,391.4	352.0	(8.1)	(a)	2,735.3
Inventories	4,201.7	291.3	6.4	(b)	4,499.4
Prepaid expenses and other current assets	312.7	36.5			349.2

Total current assets	9,081.7	863.2	9,943.2
Net property plant and equipment	1,381.1	275.8	1,656.9
Goodwill, net	1,985.2	719.1	745.0 (c) 3,449.3
Other assets	844.5	47.0	891.5

Total assets	\$13,292.5	\$1,905.1	\$15,940.9
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LIABILITIES AND STOCKHOLDERS EQUITY

Current liabilities:

Short-term debt	\$337.6	\$	\$	\$337.6		
Accounts payable and accrued liabilities	2,364.2	193.2	(8.1)(a)	2,573.3	16.0 (c)	8.0 (d)
Other current liabilities	146.3	26.3	172.6			

Total current liabilities	2,848.1	219.5	3,083.5
Long-term debt	4,977.2	208.1	5,185.3
Other long-term liabilities	57.2	22.3	79.5

Total liabilities	7,882.5	449.9	8,348.3
Commitments			

Stockholders equity:

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Cost of Sales

13,818.8 1,307.3 1,006.4 (17.4)(a) 16,115.1

Gross Profit

1,278.6 251.2 36.0 1,565.8

Operating expenses:

Selling, general and administrative

580.8 84.2 94.0 0.7 (f) 0.1 (l) 757.8 (1.6)(i) (0.4)(j)

Research and development

55.8 36.5 0.3 92.6

Goodwill amortization expense

87.8 23.4 11.5 (23.4)(c) 49.8 (h) 149.1

Acquisition costs

29.5 29.5

Restructuring and impairment

310.3 310.3

Operating income (loss)

214.4 107.1 (69.8) 226.5

Equity in income of equity affiliates

(1.0) (1.0)

Interest income

95.9 16.0 1.2 113.1

Interest expense

(128.0) (14.9) (12.3) (11.4)(l) (160.7) 5.9 (j)

Other income

(3.5) (3.5)

Income (loss) before income taxes

182.3 108.2 (85.4) 174.4

Income tax expense

55.5 39.1 1.2 2.8 (g) (13.5)(m) 85.1

Income (loss) before minority interests

126.8 69.1 (86.6) 89.3

Minority interests

Net income (loss)

\$126.8 \$69.1 (86.6) \$89.3

Basic net income per share

\$0.20 \$0.11

Diluted net income per share

\$0.19 \$0.11

Shares used to compute net income per share:

Basic

636.9 151.4 8.9 (k) 797.2

Diluted

653.1 152.7 8.9 (k) 814.7

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SOLECTRON UNAUDITED PRO FORMA COMBINED CONDENSED

**STATEMENTS OF INCOME
(In millions)**

	Solectron Historical Year Ended Aug. 31, 2000	C-MAC Pro Forma Twelve Months Ended September 30, 2000	NEL Twelve Months Ended June 30, 2000	Pro Forma C-Mac N
	\$ 14,137.5	\$ 1,708.0	\$ 2,121.3	\$(7.6)(a)
408.4	1,998.3	(7.6)(a)	16,261.3	
6	123.0	1,697.9		
ences:				
al and administrative				
50.8	622.1	1.0 (f)	0.7 (l)	(4.8)(i)
development				(1.3)(j)
9.8	99.7			
rtization				
(27.1)(c)	199.7 (h)	202.0		
nd restructuring costs				
37.9				
ome				
60.1	736.2			

me of equity affiliates

1.0			
4.0	120.8		
(21.0)	(49.9)	(152.1)	13.1 (j)
(expense)			
0.1			

income taxes

44.2	706.0		
3.5	3.3 (g)	(61.4)(m)	234.8
minority interests and cumulative effect of change in accounting principle			
40.7	471.2		
(1.8)			

before cumulative effect of change in accounting principle

38.9	469.4		
effect of change in accounting principle			
(3.5)			

\$38.9 \$465.9

me per share:

cumulative effect	
\$0.60	
effect	
(0.01)	

\$0.59

Income per share:
Cumulative effect
\$0.58
Effect
(0.01)

\$0.57

compute net income per share:

151.5 35.0 (k) 785.9

152.7 35.0 (k) 811.2

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NOTES TO SOLECTRON UNAUDITED PRO FORMA COMBINED CONDENSED

FINANCIAL STATEMENTS
(in millions)

Note 1 C-MAC Acquisition

The pro forma information related to the proposed C-MAC acquisition has been prepared in accordance with SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*, both which will be effective for Solectron prior to the expected consummation date of this transaction.

The C-MAC acquisition will be accounted for as a purchase. According to the purchase method, the market value of Solectron common stock to be issued, the fair value of Solectron options to be issued and the amount of direct acquisition costs incurred will be recorded as the cost of acquiring C-MAC, or the purchase price. That purchase price will be allocated to individual assets acquired and liabilities assumed based on their respective fair values. The excess of the purchase price over the fair value of the net assets will be allocated to goodwill. In addition and pursuant to SFAS No. 142, goodwill will not be amortized but will be reviewed periodically for impairment.

The following table represents the estimated purchase price and the preliminary purchase price allocation. The final purchase price allocation will depend upon the actual purchase price and final valuation of the assets acquired and the liabilities assumed upon closing of the transaction. Consequently, the actual allocation of the purchase price could differ from that presented below.

**Calculation of
purchase price:**

Value of securities
issued:

Common shares

\$2,113.0

Stock options

56.7

Acquisition costs

16.0

Total purchase price

\$2,185.7

**Allocation of
purchase price:**

Assets:

Carrying value of
C-MAC's historical
assets

\$1,905.0

Inventory fair value
in excess of historical

6.4

Goodwill write-up

745.0

Deferred stock-based
compensation

3.2

Liabilities:

Carrying value of
C-MAC's historical
liabilities

(449.9)
Acquisition costs
(16.0)
Additional employee compensation liability
(8.0)
<hr/>
Total purchase price
<u>\$2,185.7</u>

The calculation of the purchase price assumes that Solectron will issue approximately 151,472,000 shares of its common stock, valued at \$13.95 per share (the average closing market price per share during the five trading days ended August 29, 2001) and that Solectron will issue approximately 5,446,000 options in exchange for all outstanding C-MAC stock options. C-MAC common shares and options outstanding as of June 30, 2001 were used for purposes of the pro forma purchase price calculation.

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**NOTES TO SOLECTRON UNAUDITED PRO FORMA COMBINED CONDENSED
FINANCIAL STATEMENTS (continued)
(in millions)**

The following adjustments have been reflected in the C-MAC column of the Solectron unaudited pro forma combined condensed consolidated balance sheet and income statements:

- (a) Represents the elimination of sales, cost of sales, accounts payable and accounts receivable related to sales between Solectron and C-MAC.
- (b) Represents the fair value of inventory in excess of the historical book value of such inventory.
- (c) Represents the allocation of the excess of total consideration over the net assets acquired to goodwill, the elimination of C-MAC historical amortization recorded, and the accrual of Solectron's direct acquisition costs.
- (d) Represents the increase recorded to employee compensation liabilities for the fair value in excess of the historical book value of such liabilities due to change in control provisions.
- (e) Represents the elimination of C-MAC's historical equity and the issuance of Solectron common stock.
- (f) Represents deferred stock-based compensation related to the intrinsic value attributed to unvested C-MAC stock options exchanged for Solectron options and related amortization.
- (g) Represents the income tax effects of the pro forma adjustments related to the C-MAC acquisition.

Note 2 Natsteel Acquisition

Solectron acquired Natsteel in January 2001 for \$2.3 billion in cash. The purchase price was allocated to the assets acquired and the liabilities assumed based on their relative fair value. The purchase price in excess of the net assets acquired was allocated to goodwill.

The allocation of the purchase price to the net assets acquired is presented below.

Total purchase price
 paid in cash
 \$2,322.4
 Acquisition costs
 9.9

Total purchase price
 \$2,332.3

**Allocation of the
 Purchase Price:**

Assets:

Carrying value of
 NatSteel's historical
 assets
 \$1,317.9
 Inventory write-down
 (2.9)
 Investment in equity
 affiliates write-up
 12.7
 Property and
 equipment
 (47.9)
 Goodwill write-up
 1,831.3
 Other assets write-up
 28.2
 Liabilities and
 Stockholders' Equity:

Carrying value of
 NatSteel's historical
 liabilities
 (807.0)

Total purchase price
 \$2,332.3

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**NOTES TO SOLECTRON UNAUDITED PRO FORMA COMBINED CONDENSED
 FINANCIAL STATEMENTS (continued)
 (in millions)**

The following adjustments have been reflected in the NatSteel column of the Solectron unaudited pro forma combined condensed income statements:

(h)

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Represents an adjustment to remove the amortization of historical goodwill and other intangible assets previously recorded by NatSteel and to record the amortization of goodwill and intangible assets resulting from the allocation of the purchase price. The pro forma adjustments assume goodwill and identifiable intangibles are amortized on a straight-line basis over the following estimated lives:

Goodwill	10.0 years
Intangible assets	3.0 years

- (i) Represents an adjustment to depreciation expense resulting from the step-down in the value of the property and equipment acquired.
- (j) Represents the elimination of NatSteel's interest expense and amortization of capitalized debt issuance costs resulting from the purchase of its convertible bonds by Solectron as a part of the acquisition.
- (k) To reflect the increase in the weighted average shares due to the issuance of additional shares of Solectron's common stock during November 2000 as a result of the acquisition.
- (l) Represents a net increase in interest expense and amortization of capitalized debt issuance costs resulting from the Liquid Yield Option Notes (LYONs) issued by Solectron in November 2000 to fund the acquisition.
- (m) Represents the tax effects of the pro forma adjustments.

The pro forma income statement for the year ended August 31, 2000, includes the Natsteel results of operations for the year ended June 30, 2000. The pro forma income statement for the nine-month period ended May 31, 2001, includes the Natsteel results of operations for the four-month period ended December 31, 2000. The Solectron historical income statement for the nine-month period ended May 31, 2001, includes the Natsteel results of operations for the five-month period ended May 31, 2001. The two-month period ended August 31, 2000, not included above, is summarized as follows:

Sales	\$479.1
Expenses and minority interest	479.0
<hr/>	
Net	\$.1
<hr/>	

Note 3 C-MAC Pro Forma Nine Months Ended June 30, 2001

The following table presents the historical C-MAC unaudited historical consolidated statement of earnings for the nine month period ended June 30, 2001, and its acquired subsidiaries. Pro Forma adjustments include amortization of goodwill of \$2.2 million, its related benefit of \$0.7 million, and the recording of an additional tax provision for Kavlico of \$0.7 million.

	C-MAC Historical Nine Months Ended June 30, 2001	Kavlico 51 days Ended November 20, 2000	DY 4 55 days Ended November 24, 2000	Adjustments	C-MAC Proforma Nine Months Ended June 30, 2001
Net sales	1,532.7	22.6	3.2		1,558.5
Cost of sales	1,286.4 18.4 2.5 1,307.3				

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**NOTES TO SOLECTRON UNAUDITED PRO FORMA COMBINED CONDENSED
FINANCIAL STATEMENTS (continued)**
(in millions)

	C-MAC Historical Nine Months Ended June 30, 2001	Kavlico 51 days Ended November 20, 2000	DY 4 55 days Ended November 24, 2000	Adjustments	C-MAC Proforma Nine Months Ended June 30, 2001
Gross Profit	246.3	4.2	0.7		251.2
Operating expenses:					
Selling, general and administrative	79.2	2.3	2.7		84.2
Research and development	35.5	0.2	0.8		36.5
Goodwill amortization expense	21.2		2.2		23.4
Operating income	110.4	1.7	(2.8)	(2.2)	107.1
Interest income	15.7	0.1	0.2		16.0
Interest expense	(14.7)	(0.1)	(0.1)		(14.9)

Income before income taxes
 111.4 1.7 (2.7) (2.2) 108.2
 Income taxes
 39.1 39.1

Net income
 72.3 1.7 (2.7) (2.2) 69.1

Note 4 C-MAC Pro Forma Twelve Months Ended September 30, 2000

The following table presents the historical C-MAC unaudited historical consolidated statement of earnings for the twelve month period ended September 30, 2000, and its acquired subsidiaries. Pro Forma adjustments include amortization of goodwill of \$18.4 million, its related tax benefit of \$4.9 million, and the recording of an additional tax provision for Kavlico of \$8.6 million.

	C-MAC Historical	Kavlico	DY 4	A-Plus Six Months	C-MAC Proforma
	Twelve Months Ended September 30, 2000	Twelve Months Ended September 30, 2000	Twelve Months Ended September 30, 2000	Twelve Months Ended March 27, 2000	Twelve Months Ended September 30, 2000
Net sales	1,418.5	162.8	58.7	68.0	1,708.0
Cost of sales	1,199.8	124.6	29.8	54.2	1,408.4

Gross Profit

218.7 38.2 28.9 13.8 299.6

Operating expenses:

Selling, general and administrative

70.7 14.6 13.2 4.8 103.3

Research and development

20.4 1.9 6.8 29.1

Goodwill amortization expense

8.7 18.4 27.1

Operating income

118.9 21.7 8.9 9.0 (18.4) 140.1

Interest income

8.6 0.3 1.0 9.9

Interest expense

(21.0) (1.2) (0.1) (0.4) (22.7)

Income before income taxes

106.5 20.8 9.8 8.6 (18.4) 127.3

Income taxes

41.3 2.7 2.9 3.7 50.6

Net income

65.2 20.8 7.1 5.7 (22.1) 76.7

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PRO FORMA CAPITALIZATION OF SOLECTRON

The following table sets forth the capitalization of Solectron as at May 31, 2001 on the basis of the assumptions set forth in the Solectron unaudited pro forma financial statements. This table should be read in conjunction with the Solectron unaudited pro forma financial statements included elsewhere herein.

	Solectron as of May 31, 2001	As Adjusted Solectron as of May 31, 2001(1)
	(in millions)	
Stockholders Equity		
Preferred Stock, \$.001 par value, 1.2 million authorized shares; no shares issued	\$	\$
Common Stock, \$.001 par value, 1,600 million shares authorized; 656.2 million shares issued and outstanding as of May 31, 2001; and 807.7 shares as adjusted as of May 31, 2001	0.7	0.8
Additional Paid-In Capital	3,847.9	6,033.6
Retained Earnings	1,781.9	1,781.9
Accumulated other comprehensive income		

(220.5) (220.5)
 Deferred compensation
 (3.2)

TOTAL STOCKHOLDERS EQUITY
 \$5,410.0 \$7,592.6

TOTAL CAPITALIZATION
 \$5,410.0 \$7,592.6

- (1) Assumes that all exchangeable shares have been exchanged for shares of Solectron common stock and that, accordingly, the special voting share is cancelled. Excludes 45.6 million shares of Solectron common stock issuable upon the exercise of Solectron stock options outstanding at May 31, 2001 and 5.4 million shares of Solectron common stock issuable upon the exercise of replacement options based on the C-MAC options outstanding at August 8, 2001.

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THE COMBINATION AGREEMENT

The following summary of the combination agreement, as amended (referred to in this document as the combination agreement) is qualified by reference to the complete text of the combination agreement. The combination agreement and the amendment are incorporated by reference into this document and attached as Annexes A-1 and A-2 respectively.

Structure of the Arrangement

Under the terms of the combination agreement, C-MAC will enter into a plan of arrangement under the *Canada Business Corporations Act*, as a result of which C-MAC will become an indirect, wholly-owned subsidiary of Solectron (other than exchangeable shares).

Completion and Effectiveness of the Arrangement

Solectron and C-MAC will complete the transaction after all of the conditions to completion of the arrangement contained in the combination agreement have been satisfied or waived. The arrangement will become effective upon the issuance of a certificate of arrangement, issued pursuant to subsection 192(7) of the *Canada Business Corporations Act* after the articles of arrangement have been filed.

Solectron and C-MAC are working toward satisfying the conditions and completing the arrangement as quickly as possible. Solectron and C-MAC currently plan to complete the arrangement by the end of the fourth calendar quarter of 2001. Because the combination is subject to governmental and regulatory approvals and other conditions, some of which are beyond Solectron and C-MAC's control, the exact timing cannot be predicted.

Exchange of Shares on the Arrangement

Under the arrangement, Solectron Global Services Canada Inc. (an indirect wholly owned subsidiary of Solectron, referred to in this document as Exchangeco) will acquire all of the outstanding common shares of C-MAC (other than those of dissenting C-MAC shareholders who ultimately receive from C-MAC the fair value of their C-MAC common shares and those held by Solectron or its affiliates), in exchange for shares of Solectron common stock or, at the option of validly-electing Canadian resident C-MAC shareholders, exchangeable shares and certain ancillary rights or a combination of shares of Solectron common stock and exchangeable shares (and certain ancillary rights). The exchangeable shares will be securities issued by Exchangeco that are exchangeable on a one-for-one basis for shares of Solectron common stock. Holders of the exchangeable shares will be entitled to dividend and other rights that are substantially economically equivalent to those of the holders of Solectron common stock. Through a voting trust arrangement, holders of the exchangeable shares will be entitled to vote at meetings of Solectron stockholders.

Persons owning C-MAC common shares through a holding company at the time of the transaction and meeting certain conditions may participate in the transaction by having Exchangeco acquire all of the shares of their holding company instead of the C-MAC common shares held by such holding company, in exchange for the same consideration otherwise receivable for such C-MAC common shares. This holding company alternative involves a complex series of transactions and is described in greater detail in *Transaction Mechanics Holding Company Alternative*.

The combination agreement also provides that if, in the opinion of counsel to C-MAC, a change in tax law is enacted and becomes effective prior to the effective date of the arrangement pursuant to which beneficial holders of C-MAC common shares who are Canadian residents and who hold their shares as capital property for purposes of the *Income Tax Act* (Canada)(and any applicable Québec provincial legislation) may exchange their C-MAC common shares for shares of Solectron common stock on a tax-deferred basis for purposes of the *Income Tax Act* (Canada)(and any applicable Québec provincial legislation) then, at the option of Solectron, no exchangeable shares will be issued and the plan of arrangement will be amended accordingly.

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Fractional Shares

No certificates representing fractional exchangeable shares or fractional shares of Solectron common stock shall be issued upon the surrender for exchange of certificates representing C-MAC common shares. In lieu of any such fractional securities, each person otherwise entitled to a fractional interest in an exchangeable share or share of Solectron common stock will be entitled to receive a cash payment based on such person's pro rata portion of the net proceeds after expenses received by the depository, General Trust of Canada upon the sale of whole shares representing an accumulation of all fractional interests in exchangeable shares or shares of Solectron common stock, respectively, as the case may be, to which all such persons would otherwise be entitled.

C-MAC's Representations and Warranties

C-MAC made a number of customary representations and warranties to Solectron in the combination agreement regarding aspects of its business, financial condition, structure and other facts pertinent to the combination. These representations and warranties include representations, as of August 8, 2001, as to:

the corporate organization and qualification to do business of C-MAC and its subsidiaries;

the articles of incorporation and bylaws of C-MAC and its subsidiaries;

C-MAC's capitalization;

authorization of the combination agreement by C-MAC;

the absence of conflicts in connection with C-MAC's performance under the combination agreement;

regulatory and third party approvals required by C-MAC to complete the arrangement;

the filing and consent obligations of C-MAC under applicable laws in connection with the arrangement;

compliance with applicable laws and certain contracts by C-MAC and its subsidiaries;

the absence of government investigation or review of C-MAC or its subsidiaries;

C-MAC's filings and reports with Canadian securities regulatory authorities and The Toronto Stock Exchange;

C-MAC's financial statements;

C-MAC's books and records;

C-MAC's liabilities;

changes in C-MAC's business since June 30, 2001 and actions taken by C-MAC since June 30, 2001;

litigation involving C-MAC or its subsidiaries;

C-MAC's and its subsidiaries' employee benefit plans;

C-MAC's and its subsidiaries' labor relations;

the absence of restrictions on the conduct of C-MAC's business;

title to the properties C-MAC and its subsidiaries own and validity of C-MAC's and its subsidiaries' leases;

tax matters pertaining to C-MAC and its subsidiaries;

environmental matters pertaining to C-MAC and its subsidiaries;

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payments required to be made by C-MAC to brokers and agents in connection with the arrangement;

intellectual property matters pertaining to C-MAC and its subsidiaries;

C-MAC's and its subsidiaries' material contracts and commitments;

C-MAC's and its subsidiaries' insurance coverage;

the fairness opinion received by C-MAC from Banc of America Securities;

approvals and recommendations by the C-MAC board of directors in connection with the arrangement; and

the vote of C-MAC securityholders required to adopt and approve the combination agreement and approve the arrangement.

Many of the representations and warranties are qualified by thresholds of materiality or to a level of a material adverse effect, and all such representations and warranties expire upon completion of the arrangement.

The representations and warranties contained in the combination agreement are complicated and not easily summarized. You are urged to carefully read Article III of the combination agreement entitled "Representations and Warranties of Company".

Solectron's Representations and Warranties

Solectron and Exchangeco have made a number of customary representations and warranties to C-MAC in the combination agreement regarding aspects of Solectron's business, financial condition, structure and other facts pertinent to the arrangement. These representations and warranties include representations as to:

the corporate organization and qualification to do business of Solectron and its subsidiaries;

the certificate of incorporation and bylaws of Solectron and its subsidiaries;

Solectron's capitalization;

authorization of the combination agreement by Solectron and Exchangeco;

authorization of the exchangeable share support agreement and the voting and exchange trust agreement by Solectron and Exchangeco;

the absence of conflicts in connection with Solectron's and Exchangeco's obligations under the combination agreement, the exchangeable share support agreement and the voting and exchange trust agreement;

regulatory and third party approvals required by Solectron and Exchangeco to complete the combination;

the filing and consent obligations of Solectron under applicable laws and certain contracts in connection with the combination;

compliance with applicable laws and certain contracts by Solectron and its subsidiaries;

Solectron's filings and reports with the Securities and Exchange Commission;

Solectron's financial statements;

Solectron's liabilities;

changes in Solectron's business since May 31, 2001 and actions taken by Solectron since May 31, 2001;

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litigation involving Solectron and its subsidiaries;

intellectual property matters pertaining to Solectron and its subsidiaries;

tax matters pertaining to Solectron and its subsidiaries;

payments required to be made by Solectron to brokers and agents in connection with the arrangement;

the fairness opinion received by Solectron from Merrill Lynch;

approvals and recommendations by Solectron's board of directors in connection with the arrangement;

the vote of Solectron stockholders required to approve the issuance of Solectron common stock in connection with the arrangement;

Exchangeco's issuance of exchangeable shares;

Solectron's issuance of common stock in connection with the arrangement; and

the status of Exchange.

Many of the representations and warranties are qualified by thresholds of materiality or to a level of a material adverse effect, and all such representations and warranties expire upon completion of the arrangement.

The representations and warranties contained in the combination agreement are complicated and not easily summarized. You are urged to carefully read Article IV of the combination agreement entitled "Representations and Warranties of the Parent Parties."

C-MAC's Conduct of Business Before Completion of the Arrangement

Under the terms of the combination agreement, C-MAC agreed that, until the earlier of the completion of the arrangement or termination of the combination agreement, C-MAC and its subsidiaries, except to the extent Solectron consents in writing, will:

carry on its business in the ordinary course, consistent with past practice and in compliance with applicable laws in all material respects;

pay or perform its material obligations when due; and

use its commercially reasonable efforts consistent with past practices and policies to:

preserve intact its present business organization;

keep available the services of its present officers and employees; and

preserve its relationships with customers, suppliers, distributors, licensors, licensees and others with which it has significant business dealings.

Under the terms of the combination agreement, C-MAC also agreed that, subject to certain exceptions, until the earlier of the completion of the arrangement or termination of the combination agreement, or unless Solectron consents in writing, C-MAC will comply with certain specific restrictions relating to the operation of its business, including restrictions relating to the following:

changes with respect to C-MAC restricted shares and stock options;

granting or amending severance and termination payments;

declaring or paying dividends or other distributions on shares of C-MAC;

purchasing, redeeming or otherwise acquiring shares of C-MAC;

issuing shares of C-MAC or securities convertible into shares of C-MAC;

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modifying the articles of incorporation or bylaws of C-MAC or its subsidiaries;

reorganizing or merging C-MAC or its subsidiaries, other than in connection with the combination agreement;

acquiring other business entities, subject to certain exceptions;

entering into joint ventures, strategic partnerships or alliances, subject to certain exceptions;

selling, leasing, licensing or disposing of material assets other than in the ordinary course of business;

granting loans or purchasing equity interests in other persons other than in the ordinary course of business;

incurring indebtedness other than in the ordinary course of business;

adopting or amending employee benefit plans;

entering into material employment contracts or collective bargaining agreements, paying special bonuses or materially increasing compensation rates;

paying or settling material litigation or liabilities outside the ordinary course of business or;

modifying material contracts or waiving material rights under material contracts other than in the ordinary course of business;

changing accounting policies and procedures; and

making certain tax elections.

The agreements related to the conduct of C-MAC's business in the combination agreement are complicated and not easily summarized. You are urged to carefully read Article V of the combination agreement entitled "Conduct Prior to the Effective Time".

Solectron's Conduct of Business Before Completion of the Arrangement

Under the terms of the combination agreement, Solectron agreed that, until the earlier of the completion of the arrangement or termination of the combination agreement, or unless C-MAC consents in writing, Solectron will comply with certain specific restrictions relating to the operation of its business, including restrictions relating to the following:

declaring or paying extraordinary dividends or other distributions on Solectron capital stock;

purchasing, redeeming or otherwise acquiring Solectron capital stock;

acquiring businesses or assets or disposing of assets that would delay the completion of the combination beyond February 8, 2002;

modifying the certificate of incorporation or bylaws of Solectron; and

changing accounting methods and practices.

The agreements related to the conduct of Solectron's business in the combination agreement are complicated and not easily summarized. You are urged to carefully read Article V of the combination agreement entitled "Conduct Prior to the Effective Time".

Material Covenants

Solicitations by C-MAC; Withdrawal of Recommendation by C-MAC Board of Directors

Under the terms of the combination agreement, C-MAC agreed to cease and terminate, as of the date of the combination agreement, any and all existing discussions with any parties other than Solectron with respect to any *Acquisition Proposal*.

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Under the terms of the combination agreement, an *Acquisition Proposal* is any offer or proposal relating to any transaction or series of related transactions involving any of the following:

any merger, amalgamation, arrangement, reorganization, share exchange, consolidation, recapitalization, liquidation, dissolution or other business combination or similar transaction involving C-MAC or the acquisition or purchase from C-MAC by any person or group of 20% or more of any class of equity securities of C-MAC;

any take-over bid, tender offer or exchange offer, including issuer bids and self-tenders, that if consummated would result in any person or entity beneficially owning 20% or more of any class of any equity securities of C-MAC; or

any sale, lease, license or other disposition of 20% or more of the book or market value of assets, including securities of any C-MAC subsidiaries, of C-MAC and its subsidiaries, taken as a whole.

Until the combination is completed or the combination agreement is terminated, under the terms of the combination agreement C-MAC further agreed that neither it nor any of its subsidiaries will (nor will they authorize or permit any of their respective officers, directors or employees, or any of their investment bankers, attorneys or other advisors or representatives to):

solicit, initiate, encourage or otherwise knowingly facilitate any *Acquisition Proposal* or any inquiries or proposals relating to an *Acquisition Proposal*;

subject to certain limited exceptions applicable upon receipt of a *Superior Proposal*, as described below, participate in any discussions or negotiations regarding, or furnish nonpublic information to any party other than Solectron with respect to, any *Acquisition Proposal*;

subject to certain limited exceptions in the event of a *Superior Proposal*, as discussed below, withhold, withdraw or modify, or publicly propose to do so, in a manner adverse to Solectron, or fail to make its recommendation to vote in favor of the arrangement or approve, endorse or recommend any *Acquisition Proposal*; or

subject to certain limited exceptions in the event of a *Superior Proposal*, as discussed below, accept or enter into, or publicly propose to accept or enter into, any letter of intent or similar document or any contract, agreement or commitment contemplating or otherwise relating to any *Acquisition Proposal*.

C-MAC also agreed that it will be responsible for any breach of these provisions by C-MAC and its subsidiaries and any of their respective officers, directors or employees, or any investment banker, attorney or other advisor or representative retained by any of them.

Under the terms of the combination agreement, C-MAC has agreed that after receipt of any *Acquisition Proposal*, it will promptly provide Solectron with a copy of any written *Acquisition Proposal* and the identity of the person making such *Acquisition Proposal*, and a written statement with respect to any non-written *Acquisition Proposal* received, which would include the identity of the person or entity making such *Acquisition Proposal* and a detailed description of the material terms. C-MAC further agreed to use reasonable efforts to keep Solectron informed of material modifications or proposed modifications of any *Acquisition Proposal*.

C-MAC is expressly permitted, however, in response to a *Superior Proposal* submitted by a person, and not withdrawn, to furnish nonpublic information regarding C-MAC and its subsidiaries, participate in negotiations regarding the *Acquisition Proposal*, enter into discussions or negotiations with such person or group, withhold, withdraw, modify or change in a manner adverse to Solectron, or fail to make its recommendation to vote in favor of the arrangement, or approve, endorse or recommend the *Acquisition*

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Proposal, or concurrently with the payment of the termination fee by C-MAC to Solectron, enter into a definitive agreement with respect to such *Acquisition Proposal* if all of the following conditions are met:

after August 8, 2001 and prior to the date of any securityholder approval of the C-MAC arrangement resolution, an unsolicited, bona fide written *Acquisition Proposal* is made to C-MAC and not withdrawn;

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the board of directors of C-MAC reasonably believes in good faith, after consultation with its financial advisor, that the *Acquisition Proposal*, if consummated as proposed, constitutes a *Superior Proposal*;

the board of directors of C-MAC reasonably believes in good faith, after consultation with its outside legal counsel, that not taking such action would be inconsistent with C-MAC's board of directors' fiduciary duties;

prior to furnishing any nonpublic information to, or entering into discussions or negotiations with, the person, C-MAC receives from such person an executed confidentiality agreement no less favorable to C-MAC than the confidentiality agreement it entered into with Solectron on June 19, 2001, as amended; and

contemporaneously with or prior to furnishing any nonpublic information to the person, C-MAC furnishes the same nonpublic information to Solectron, to the extent such nonpublic information has not been previously furnished by C-MAC to Solectron.

Under the terms of the combination agreement, a *Superior Proposal* is an offer or proposal to consummate any of the following transactions on terms that the board of directors of C-MAC reasonably believes in good faith, after consultation with C-MAC's financial advisor, to be superior to the C-MAC shareholders from a financial point of view than the terms of the arrangement and reasonably capable of being consummated:

a merger, amalgamation, arrangement, reorganization, share exchange, consolidation, recapitalization, liquidation, dissolution or other business combination involving C-MAC or the acquisition or purchase of 50% or more of any class of equity securities of C-MAC;

any take-over bid or tender offer, including issuer bids and self-tenders, or exchange offer that if consummated would result in any person or group beneficially owning 50% or more of any class of equity securities of C-MAC; or

a sale, lease, license or other disposition by C-MAC of 50% or more of the book or market value of assets, including securities of any C-MAC subsidiaries, of C-MAC and its subsidiaries, taken as a whole.

Employee Matters

Under the terms of the combination agreement, Solectron agreed that for a period of one year from the completion of the arrangement it will, in its sole discretion:

maintain C-MAC's employment, severance or similar contracts or arrangements or any plans, policies, funds, programs or contracts as specified in the combination agreement to provide C-MAC employees who remain after the completion of the arrangement with substantially the same types and levels of benefits they received prior to the closing of the arrangement;

arrange for C-MAC employees who remain after the completion of the arrangement to participate in any similar plans of Solectron on terms no less favorable than those offered to similarly situated Solectron employees; or

a combination of the above.

Solectron further agreed that each C-MAC employee who remains after the completion of the arrangement, to the extent permitted by law and applicable tax qualification requirements, and subject to

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any generally applicable break in service or similar rule, will receive full credit for purposes of eligibility to participate in, vesting, severance and vacation under Solectron's benefit plans for years of service with C-MAC or its subsidiaries prior to the completion of the arrangement.

Other Covenants

Under the terms of the combination agreement, each of Solectron and C-MAC have agreed to use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective in the most expeditious manner practicable the arrangement and transactions contemplated by the combination agreement and to assist and cooperate with each other in doing such things.

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C-MAC has agreed that it and its subsidiaries will perform all obligations under the combination agreement, cooperate with Solectron and do all things necessary or desirable to consummate and make effective the arrangement and the transactions contemplated in the combination agreement, as soon as reasonably practicable, and will:

use its reasonable best efforts to obtain the requisite approvals of C-MAC shareholders and holders of C-MAC options with respect to the C-MAC arrangement resolution, unless C-MAC's board of directors has properly withdrawn, modified or qualified its recommendation to securityholders;

advise Solectron, upon reasonable request, of the aggregate tally of the proxies and votes and matters to be considered at the C-MAC special meeting at which the C-MAC arrangement resolution will be considered;

use its reasonable efforts to obtain any regulatory approvals relating to C-MAC or its subsidiaries and keep Solectron informed of the status of proceedings;

use its reasonable best efforts to effect all necessary registrations, filings and submissions of information required by governmental entities relating to the arrangement;

use its reasonable best efforts to obtain all necessary waivers, consents and approvals required in connection with the arrangement from other parties to any material loan agreements, leases or other material contracts;

carry out the terms of the interim order and the final order and use reasonable best efforts to comply with all requirements of applicable laws imposed on C-MAC or its subsidiaries relating to the arrangement;

provide Solectron with a copy of any purported exercise of dissent rights and written communications regarding the same, and not settle or compromise any claim of present, former or purported holders of C-MAC securities in connection with the arrangement; and

promptly notify Solectron orally and, if requested, in writing, of:

any event occurring that would render any representation or warranty of C-MAC contained in the combination agreement if made on or as of the date of such event or the closing of the arrangement, untrue or inaccurate in any material respect;

any material adverse effect on C-MAC; and

any material breach of any covenant or agreement by C-MAC contained in the combination agreement.

Solectron has agreed to perform all obligations under the combination agreement, cooperate with C-MAC and do all things necessary or desirable to consummate and make effective the arrangement and the transactions contemplated in the combination agreement, as soon as reasonably practicable, and to:

use its reasonable best efforts to obtain the requisite approvals of Solectron stockholders in favor of the issuance of shares of Solectron common stock pursuant to the arrangement;

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use its reasonable efforts to obtain any regulatory approvals relating to Solectron and to keep C-MAC informed of the status of proceedings;

use its reasonable best efforts to effect all necessary registrations, filings and submissions of information required by governmental entities from Solectron relating to the arrangement;

in contemplation, and prior to the completion, of the arrangement, cause Exchangeco to purchase at least Cdn.\$1 million, but not more than Cdn.\$3 million, of C-MAC common shares on the open market;

carry out the terms of the interim order and the final order and use reasonable best efforts to comply with all requirements of applicable laws imposed on Solectron or its subsidiaries relating to the arrangement; and

promptly notify C-MAC orally and, if requested, in writing, of:

any event occurring that would render any representation or warranty of Solectron contained in the combination agreement if made on or as of the date of such event or the closing of the arrangement, untrue or inaccurate in any material respect;

any material adverse effect on Solectron; and

any material breach of any covenant or agreement by Solectron contained in the combination agreement.

Solectron has also agreed to use its reasonable best efforts to:

cause the exchangeable shares to be listed on The Toronto Stock Exchange prior to or at the closing of the arrangement, and to maintain such listing of the exchangeable shares if permitted under the rules of The Toronto Stock Exchange as long as exchangeable shares are outstanding, other than exchangeable shares held by Solectron or its affiliates;

ensure that Exchangeco remains a public corporation and cause Exchangeco to maintain a substantial presence in Canada, in each case for purposes of the *Income Tax Act* (Canada) as long as there are exchangeable shares outstanding, other than exchangeable shares held by Solectron or its affiliates; and

cause the listing on the New York Stock Exchange of the Solectron common stock to be issued upon the closing of the arrangement, upon exchange of the exchangeable shares and upon exercise of the replacement options.

The agreements related to the conduct of C-MAC and Solectron prior to the completion of the arrangement are complicated and not easily summarized. You are urged to carefully read Article VI of the combination agreement entitled *Additional Agreements*.

Termination of C-MAC 401(k) Plans

Upon Solectron's written notice, no later than 10 business days prior to completion of the arrangement, C-MAC's board of directors will take action to terminate all 401(k) plans of C-MAC and its subsidiaries if in Solectron's reasonable judgment it deems it to be necessary and appropriate. Upon termination by the board of directors, account balances in such plans will vest and C-MAC or its subsidiaries will allocate matching contributions to participant accounts. Solectron has agreed to make reasonable efforts to cause one or more Solectron 401(k) plans to accept rollover contributions by participants. Participants will be given full service credit for all service with C-MAC or its subsidiaries.

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Conditions to Completion of the Arrangement

The obligations of Solectron and C-MAC to complete the arrangement and the other transactions contemplated by the combination agreement are subject to the satisfaction of each of the following conditions:

the issuance of Solectron common stock pursuant to the arrangement and the combination agreement must have been approved by the requisite vote of stockholders of Solectron;

the arrangement must have been approved by the requisite vote of shareholders of C-MAC common shares and the holders of options to purchase C-MAC common shares;

the interim order and the final order shall each have been obtained in form and on terms satisfactory to C-MAC and Solectron;

the requisite orders of the Canadian securities regulatory authorities shall have been obtained;

Solectron's registration statement on Form S-4 of which this document forms a part shall have been declared effective, and no stop order suspending its effectiveness shall have been issued by the United States Securities and Exchange Commission and the registration statement shall remain in effect;

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no judgment, order, decree, statute, law, ordinance, rule or regulation of any court or other governmental entity may have been entered, enacted, promulgated, enforced or issued which has the effect of preventing the consummation of the arrangement or making the arrangement illegal;

Solectron and C-MAC and their respective subsidiaries shall have obtained requisite approvals under the *Competition Act* (Canada) and the *Investment Canada Act*;

Solectron and C-MAC and their respective subsidiaries shall have obtained all approvals, waivers and consents from each governmental entity, the failure of which would cause consummation of the arrangement to be prohibited;

all applicable waiting periods under the Hart Scott Rodino Act and any other applicable foreign merger laws shall have expired or been terminated; and

the exchangeable shares issuable pursuant to the arrangement shall have been conditionally approved for listing on The Toronto Stock Exchange and the shares of Solectron common stock to be issued on the arrangement shall have been authorized for listing on the New York Stock Exchange, subject to notice of issuance.

C-MAC's obligations to complete the arrangement and the other transactions contemplated by the combination agreement are subject to the satisfaction or waiver, in writing, of each of the following additional conditions:

each of Solectron's and Exchangeco's representations and warranties shall have been true and correct as of August 8, 2001, and shall continue to be true and correct on and as of the date the arrangement is to be completed as if made on such date, in which case they must be true and correct only as of that date, other than any inaccuracies of such representations and breaches of such warranties which would not, in the aggregate, be reasonably expected to have a material adverse effect on Solectron;

Solectron and Exchangeco shall have performed or complied in all material respects with all of their agreements and covenants required by the combination agreement to be performed or complied with by Solectron and Exchangeco; and

the boards of directors of Solectron and Exchangeco shall have taken all necessary corporate action to permit the consummation of the arrangement and the issuance of the exchangeable shares and the Solectron common stock pursuant to the arrangement.

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Solectron's obligations to complete the arrangement and the other transactions contemplated by the combination agreement are subject to the satisfaction or waiver, in writing, of each of the following additional conditions:

each of C-MAC's representations and warranties shall have been true and correct as of August 8, 2001, and shall continue to be true and correct on and as of the date the arrangement is to be completed as if made on such date (except to the extent made only as of a particular date, in which case they must be true and correct only as of that date), other than any inaccuracies of such representations and breaches of such warranties which would not, in the aggregate, be reasonably expected to have a material adverse effect on C-MAC;

C-MAC shall have performed or complied in all material respects with all of its agreements and covenants required by the combination agreement to be performed or complied with by C-MAC;

the board of directors of C-MAC shall have taken all necessary corporate action to permit the consummation of the arrangement and shall have made and not modified or amended in any material respect, prior to the special meeting of C-MAC securityholders, an affirmative recommendation that the holders of C-MAC common shares and options approve the C-MAC arrangement resolution; and

the holders of no more than 10% of the issued and outstanding C-MAC common shares shall have exercised and not withdrawn their dissent rights with respect to the arrangement.

Termination of the Combination Agreement

The combination agreement may be terminated at any time prior to completion of the arrangement, whether before or after the requisite approval of the securityholders of C-MAC or stockholders of Solectron:

by mutual written consent duly authorized by the boards of directors of Solectron and C-MAC;

by either Solectron or C-MAC, if the arrangement is not completed before February 8, 2002, except that:

if the arrangement is not completed before February 8, 2002 due to the failure to obtain any approval, waiver or consent from a governmental entity necessary for consummation of the arrangement, then such date shall be extended to April 8, 2002; and

either party's right to terminate the combination agreement under this provision will not be available to any party whose action or failure to act has been a principal cause of or resulted in the failure of the arrangement to occur on or before such date, and such action or failure to act constitutes a breach of the combination agreement;

by either Solectron or C-MAC, if any law has been passed or if a governmental authority has issued an order, decree or ruling or taken any other action, which permanently restrains, enjoins or otherwise prohibits the arrangement and which is final and nonappealable;

by either Solectron or C-MAC, if C-MAC's shareholders and optionholders fail to approve the C-MAC arrangement resolution at the C-MAC special meeting or at any adjournment or postponement of that meeting, except that such right to terminate the combination agreement shall not be available to C-MAC where the failure to obtain securityholder approval was caused by C-MAC's action or failure to act which constitutes a breach by C-MAC of the combination agreement;

by either Solectron or C-MAC, if Solectron's stockholders fail to approve the Solectron share issuance at the Solectron special meeting or at any adjournment or postponement of that meeting, except that such right to terminate the combination agreement shall not be available to Solectron where the failure to obtain stockholder approval was caused by Solectron's action or failure to act which constitutes a breach by Solectron of the combination agreement;

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by C-MAC, upon a breach of any representation, warranty, covenant or agreement on the part of Solectron in the combination agreement, or if any of Solectron's representations or warranties become untrue such that the condition to C-MAC's obligation to complete the arrangement relating to the continued accuracy of Solectron's representations and warranties would not be satisfied. However, if the breach or inaccuracy is curable by Solectron through the exercise of its commercially reasonable efforts, and Solectron continues to exercise such commercially reasonable efforts to cure the breach, C-MAC may not terminate the combination agreement for 30 days after delivery of written notice to Solectron of the breach. If the breach or inaccuracy is cured during those 30 days, C-MAC may not terminate the combination agreement under this provision;

by Solectron, upon a breach of any representation, warranty, covenant or agreement on the part of C-MAC set forth in the combination agreement, or if any of C-MAC's representations or warranties become untrue such that the condition to Solectron's obligation to complete the arrangement relating to the continued accuracy of C-MAC's representations and warranties would not be satisfied. However, if the breach or inaccuracy is curable by C-MAC through the exercise of its commercially reasonable efforts, and C-MAC continues to exercise such commercially reasonable efforts to cure the breach, Solectron may not terminate the combination agreement for 30 days after delivery of written notice to C-MAC of the breach. If the breach or inaccuracy is cured during those 30 days, Solectron may not terminate the combination agreement under this provision;

by C-MAC, prior to or concurrently with C-MAC's execution of a definitive agreement with respect to a *Superior Proposal*, provided that:

C-MAC has not breached the provisions of the combination agreement that prohibit the solicitation of, and restrict (subject to certain exceptions) discussions and negotiations with respect to, *Acquisition Proposals*;

the C-MAC board of directors has properly authorized C-MAC to enter into such definitive agreement for a transaction that constitutes a *Superior Proposal*;

C-MAC gives five business days written notice of its intention to terminate the agreement in order to enter into a definitive agreement with respect to a *Superior Proposal*, including the most current version of such definitive agreement and the identity of the person making such *Superior Proposal*; and

C-MAC pays a termination fee of \$75,000,000 to Solectron upon termination of the combination agreement; or

by Solectron, if a *Triggering Event* shall have occurred.

Under the terms of the combination agreement, a *Triggering Event* is deemed to have occurred if:

C-MAC's board of directors withdraws, amends or modifies in a manner adverse to Solectron, its recommendation to securityholders in favor of the adoption and approval of the combination agreement or the approval of the C-MAC arrangement resolution;

C-MAC's board of directors approves or recommends any *Acquisition Proposal*;

C-MAC enters into any letter of intent or similar agreement, contract or commitment accepting any *Acquisition Proposal*;

C-MAC intentionally breaches the non-solicitation provisions of the combination agreement; or

a tender or exchange offer relating to the securities of C-MAC is commenced by a person unaffiliated with Solectron, and C-MAC does not send to its securityholders within ten business days after such tender or exchange offer is first published, sent or given, a statement disclosing that C-MAC recommends rejection of such tender or exchange offer.

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Payment of Termination Fee

Under the terms of the combination agreement, C-MAC must pay Solectron a termination fee of \$75,000,000 within one business day after demand by Solectron, if the combination agreement is terminated by Solectron upon the occurrence of a *Triggering Event*. C-MAC must also pay Solectron the termination fee of \$75,000,000 upon termination of the combination agreement by C-MAC if it executes a definitive agreement with respect to a *Superior Proposal*.

Further, under the terms of the combination agreement, C-MAC must pay to Solectron a termination fee of \$75,000,000 within one business day after demand by Solectron if the combination agreement is terminated by Solectron or C-MAC because C-MAC's securityholders do not approve the arrangement resolution at the C-MAC special meeting, and:

after August 8, 2001 and prior to the termination of the combination agreement, an *Acquisition Proposal* shall have been publicly announced or generally disclosed by C-MAC or the relevant third party and within nine months following the termination of the combination agreement, a *Company Acquisition* is consummated or C-MAC enters into an agreement or letter of intent with any party providing for a *Company Acquisition*; or

after August 8, 2001 and prior to the termination of the combination agreement, an *Acquisition Proposal* shall have been publicly announced or generally disclosed by C-MAC or the relevant third party and within twelve months following the termination of the combination agreement a *Company Acquisition* is consummated or C-MAC enters into an agreement or letter of intent providing for a *Company Acquisition* with such third party.

Under the terms of the combination agreement, a *Company Acquisition* consists of any of the following, other than transactions contemplated by the combination agreement:

a merger, amalgamation, arrangement, reorganization, share exchange, consolidation, recapitalization, liquidation, dissolution or other business combination involving C-MAC pursuant to which the shareholders of C-MAC immediately preceding such transaction hold less than 50% of the aggregate equity interests in the surviving or resulting entity of the transaction;

the acquisition or purchase by any person or group, including by way of a tender offer or an exchange offer or issuance by C-MAC of 50% or more of the equity securities of C-MAC, or the right to acquire such securities; or

the sale, lease, license or other disposition, by sale, merger or otherwise by C-MAC of assets representing 50% or more of the book or market value of the assets, including the assets of C-MAC's subsidiaries, of C-MAC and its subsidiaries, taken as a whole.

Extension, Waiver and Amendment of the Combination Agreement

Solectron and C-MAC may amend the combination agreement before completion of the arrangement by mutual written consent. C-MAC agreed to amend the combination agreement and the plan of arrangement to ensure that the effect of such agreements is maintained following

any assignment of rights, interests and obligations of Exchangeco to a permitted Solectron subsidiary.

Prior to the completion of the arrangement, either Solectron or C-MAC may extend the other party's time for the performance of any of the obligations or other acts under the combination agreement, waive any inaccuracies in the other's representations and warranties and waive compliance by the other party with any of the agreements or conditions contained in the combination agreement. Such extensions and waivers must be set forth in a written instrument signed by the party granting such extension or waiver.

Definition of Material Adverse Effect

Under the terms of the combination agreement, a Material Adverse Effect with respect to either Solectron or C-MAC means, with respect to any party, any change, event, circumstance or effect that is or

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would reasonably be expected to be materially adverse to the business, assets (including intangible assets), financial condition, or results of operations of such party taken as a whole with its subsidiaries, other than any such change, event, circumstance or effect resulting from:

the announcement of the execution of the combination agreement or the consummation of the transactions contemplated by the combination agreement;

changes, circumstances or conditions generally affecting the industry in which such party operates and not having a disproportionate effect on such party;

changes in general economic conditions in the United States or Canada, not having a disproportionate effect on such party; or

changes in the trading price for such party's capital stock.

Expenses

Except with respect to the termination fee described above, all fees and expenses incurred in connection with the combination agreement and the transactions contemplated thereby will be paid by the party incurring such expenses whether or not the arrangement is consummated. However, Solectron and C-MAC will share equally all out-of-pocket expenses, other than the fees and expenses of attorneys, accountants, investment bankers and other advisors, incurred in the printing and filing of the C-MAC Management Information Circular and Solectron Proxy Statement/ Prospectus and the filing or registration with any governmental entity of any documents in connection with the arrangement or related transactions and any amendments or supplements, including registration and filing fees.

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TRANSACTION MECHANICS

The following is a summary of the plan of arrangement. C-MAC securityholders and Solectron stockholders are urged to read the plan of arrangement in its entirety. The plan of arrangement is attached hereto as Annex C.

The Arrangement

Pursuant to the terms of the plan of arrangement and the voting and exchange trust agreement, commencing at the effective time of the arrangement, the following events will occur:

1. Each outstanding C-MAC common share held by a C-MAC shareholder other than:

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C-MAC common shares in respect of which the holder has exercised dissent rights and is ultimately entitled to be paid the fair value;

C-MAC common shares held by Solectron or an affiliate, and

C-MAC common shares held by holding companies to which the holding company alternative (described below) applies:

shall be transferred to Exchangeco in exchange for:

1.755 shares of Solectron common stock; or

1.755 exchangeable shares (and certain ancillary rights); or

a combination thereof.

2. All outstanding shares of a holding company to which the holding company alternative (described below) applies held by the shareholder(s) of such a holding company shall be transferred to Exchangeco in exchange for a number of shares of Solectron common stock, exchangeable shares (and certain ancillary rights) or a combination thereof, at the election of such shareholder(s), equal in the aggregate to the number of C-MAC common shares held by such holding company multiplied by 1.755.

3. Coincident with the share exchange set out in items 1 and 2 above, Solectron, Nova Scotia Company, Callco and Exchangeco shall execute the exchangeable share support agreement and Solectron and Exchangeco and the trustee under the voting and exchange trust agreement shall execute the voting and exchange trust agreement and Solectron shall issue to and deposit with the trustee the special voting share and all rights of holders of exchangeable shares under the voting and exchange trust agreement shall be received by them as part of the property receivable by them under items 1 and 2 above in exchange for their C-MAC common shares exchanged for exchangeable shares.

4. Each C-MAC option will be exchanged for an option to purchase a number of shares of Solectron common stock equal to the product of 1.755 multiplied by the number of C-MAC common shares subject to such C-MAC option. The replacement option will provide for an exercise price per share of Solectron common stock equal to the exercise price per share of such C-MAC option immediately prior to the effective time of the arrangement divided by 1.755. Except for the accelerated vesting of options granted to certain officers of C-MAC in the event of termination of their employment following the completion of the transaction, all other terms of each C-MAC option will remain unchanged by the arrangement.

The right to elect to receive exchangeable shares will be available only to registered holders of C-MAC common shares that are Canadian residents for purposes of the *Income Tax Act* (Canada) who hold C-MAC common shares on their own behalf or persons who hold C-MAC common shares on behalf of one or more Canadian residents for purposes of the *Income Tax Act* (Canada). To exercise this right, such holder must submit the appropriate letter of transmittal and election form, properly completed and duly executed, and all other required documents, to the depositary at the appropriate

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address listed in the letter of transmittal and election form before 5:00 p.m., Montreal time, on __, 2001, the date that is two business days before the date of the C-MAC meeting. Such a holder may exercise this right with respect to all or any portion of the holder's C-MAC common shares.

Any Canadian resident C-MAC shareholder whose shares are registered in the name of a broker, investment dealer, bank, trust company or other intermediary and that wishes to receive exchangeable shares, should contact that intermediary for instruction and assistance in making an election and in delivering share certificates representing those C-MAC common shares.

Immediately following the effective time of the arrangement, C-MAC's outstanding capital will consist of approximately ___ common shares all of which will be held directly or indirectly by Exchangeco. Based on the 1.755 exchange ratio and the number of C-MAC common shares outstanding on __, 2001, the former holders of C-MAC common shares will hold an aggregate of approximately ___ million exchangeable shares and shares of Solectron common stock. Assuming all C-MAC common shares are exchanged for Solectron common stock and that none of the C-MAC options are exercised prior to the completion of the transaction and based upon the number of C-MAC common shares and shares of

Solectron common stock outstanding as of __, 2001, immediately following completion of the transaction, existing C-MAC shareholders would hold approximately __% of the outstanding shares of Solectron common stock.

The Holding Company Alternative

The plan of arrangement provides that C-MAC shareholders who hold C-MAC common shares indirectly through a holding company and who meet the conditions described below have the option of having Exchangeco acquire the shares of such holding company instead of the C-MAC common shares owned by such holding company. Under this holding company alternative and pursuant to the terms of the plan of arrangement, all the shares of the holding company held by the C-MAC shareholder will be transferred to Exchangeco in exchange for a number of exchangeable shares and certain ancillary rights and/ or shares of Solectron common stock, at the election of the C-MAC shareholder, equal in the aggregate to the number of C-MAC common shares held by the holding company multiplied by the exchange ratio (subject to adjustment for fractional shares). The shareholder(s) of the holding company will receive the identical consideration that would have been received by the holding company on the arrangement.

The holding company alternative may require a C-MAC shareholder to implement a complex corporate structure through which to hold C-MAC common shares. The holding company alternative will have income tax consequences to a particular C-MAC shareholder which are not described herein. C-MAC shareholders wishing to avail themselves of the holding company alternative should consult their own tax and legal advisors.

The procedures for exchange of share certificates by C-MAC shareholders, described above, by means of a letter of transmittal and election form may not be used by C-MAC shareholders who hold C-MAC common shares indirectly through a holding company and who choose to participate in the arrangement through the holding company alternative.

A C-MAC shareholder will be permitted to avail itself of the holding company alternative provided that all of the following terms and conditions are satisfied:

- (i) the C-MAC shareholder advises C-MAC in writing c/o General Trust of Canada, at or prior to 5:00 p.m. (Montreal time) not later than __, 2001, that it wishes to avail itself of the holding company alternative;
- (ii) each shareholder of the holding company is a corporation that is a Canadian resident for purposes of the *Income Tax Act* (Canada) which holds its C-MAC common shares indirectly through a holding company that was incorporated under the *Canada Business Corporations Act* after August 8, 2001;

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- (iii) the C-MAC shareholder and its holding company enter into a holding company participation agreement (described below) with, among others, Exchangeco, in a form required by Solectron;
- (iv) the C-MAC shareholder properly completes and duly executes a holding company letter of transmittal and election form (in a form to be provided by Solectron) in respect of the holding company shares and the C-MAC common shares held by the holding company, together with the certificate(s) representing the holding company shares and the C-MAC common shares held by the holding company;
- (v) the C-MAC shareholder provides C-MAC, Solectron, Exchangeco and others with an indemnity and security satisfactory to Solectron in respect of the C-MAC shareholder's indemnification obligations under the holding company participation agreement;
- (vi) the C-MAC shareholder and its holding company agree that the rights and obligations of Exchangeco under the holding company participation agreement will terminate if the transaction is not completed in accordance with the combination agreement and the plan of arrangement; and
- (vii) the holding company does not declare or pay any dividends (other than stock dividends) or effect other redemptions or distributions, except that in the event that the holding company receives any dividend from C-MAC, the holding company will declare and pay a dividend and/or redeem shares in the same amount and form immediately following the receipt of the dividend by the holding company and prior to the effective date.

provided that the holding company participation agreement (referred to in (iii) above) and the holding company letter of transmittal and election form (referred to in (iv) above) together with any accompanying required documentation must be returned to General Trust of Canada at or prior

to 5:00 p.m. (Montreal time) on __, 2001.

The C-MAC shareholder shall prepare and file, at its own cost and expense, all tax returns of the holding company in respect of all periods ending on or prior to the effective date, subject to Exchangeco's right to approve all such returns as to form and substance.

A holding company may have one or two shareholders. Where a holding company has two shareholders, the shareholders will jointly and severally make the representations and warranties, and provide the covenants and indemnities, as set out in the holding company participation agreement.

The form of holding company participation agreement referred to in paragraph (iii) above contains, in addition to the usual and customary representations and warranties, certain representations and warranties that a C-MAC shareholder (or both shareholders of a holding company, if it has two shareholders) must make in respect of its holding company, to the effect that the holding company (i) is a taxable Canadian corporation for all purposes of the *Income Tax Act* (Canada), (ii) is incorporated after August 8, 2001 and validly existing in good standing under the *Canada Business Corporations Act*, (iii) has one or two shareholders (provided that two or more shareholders holding shares of such holding company jointly shall be considered to be one shareholder for this purpose), (iv) has no assets other than C-MAC common shares and no liabilities of any kind (contingent or otherwise) and (v) is not a party to nor bound by any agreement, commitment or undertaking of any nature whatsoever other than as specifically provided.

The form of holding company participation agreement will also provide for:

the payment by the C-MAC shareholder of all costs and expenses incurred in connection with any transaction relating to the holding company alternative by C-MAC, Solectron, Nova Scotia Company, Callco, Exchangeco or any holding company;

an indemnity in favour of C-MAC, Solectron, Nova Scotia Company, Callco, Exchangeco, and any holding company from all claims, demands, proceedings, losses, damages, liabilities, deficiencies, taxes, costs and expenses suffered or incurred by C-MAC, Solectron, Nova Scotia Company,

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Callco, Exchangeco, or any holding company (and their directors, officers, employees and agents), in connection with the holding company alternative as a result of:

any breach by the C-MAC shareholder or vendor of holding company shares of any representation, warranty, obligation or covenant of the C-MAC shareholder or vendor of holding company shares;

any liability sustained, incurred, assumed or acquired by the holding company on or before the completion of the holding company alternative; and

any liability that would not have been sustained, suffered or incurred by C-MAC, Solectron, Nova Scotia Company, Callco or Exchangeco but for the completion of the holding company alternative;

a release of C-MAC, Solectron, Nova Scotia Company, Callco and Exchangeco (and their respective directors, officers, employees and agents and their advisors) from all liabilities suffered or incurred as a result of certain information provided by any of them to the C-MAC shareholder in connection with the holding company alternative;

such other terms and conditions as Solectron may reasonably require.

C-MAC shareholders who wish to avail themselves of the holding company alternative may obtain copies of the holding company participation agreement and the holding company letter of transmittal and election form from General Trust of Canada at ____ upon request.

Share Certificates

At or promptly after the effective time of the arrangement, Exchangeco shall deposit with the depository, for the benefit of C-MAC shareholders who will receive Solectron common stock in connection with the arrangement, certificates representing the Solectron common stock issued pursuant to the plan of arrangement in exchange for the C-MAC common shares or holding company shares, if any, of such

C-MAC shareholders. Upon surrender to the depositary of a certificate which, immediately prior to the effective time of the arrangement, represented one or more C-MAC common shares or holding company shares that were exchanged for Solectron common stock under the arrangement, together with other required documents, a C-MAC shareholder will be entitled to receive a certificate representing that number of shares of Solectron common stock which such C-MAC shareholder has the right to receive.

At or promptly after the effective time of the arrangement, Exchangeco shall deposit with the depositary, for the benefit of C-MAC shareholders who will receive exchangeable shares in connection with the arrangement, certificates representing the exchangeable shares issued pursuant to the plan of arrangement in exchange for the C-MAC common shares or holding company shares, if any, of such C-MAC shareholders. Upon surrender to the depositary of a certificate which, immediately prior to the effective time of the arrangement, represented one or more C-MAC common shares or holding company shares that were exchanged for exchangeable shares under the arrangement, together with other required documents, a C-MAC shareholder will be entitled to receive a certificate representing that number of exchangeable shares which such C-MAC shareholder has the right to receive.

C-MAC shareholders are advised to review carefully the information under the heading Procedures for Exchange of Share Certificates by Shareholders in the enclosed supplement to this document for a more detailed description of the procedures to be followed by C-MAC shareholders in order to obtain certificates representing the exchangeable shares or the shares of Solectron common stock issuable in the arrangement.

C-MAC shareholders whose C-MAC common shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee should contact that nominee for instructions and assistance in delivering those C-MAC common shares.

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Fractional Shares

No fractional exchangeable shares or fractional shares of Solectron common stock will be delivered pursuant to the arrangement. In lieu of any such fractional securities:

each C-MAC shareholder otherwise entitled to a fractional interest in an exchangeable share will receive a cash payment equal to such C-MAC shareholder's *pro rata* portion of the net proceeds after expenses received by the depositary upon the sale of whole shares representing an accumulation of all fractional interests in exchangeable shares to which all such C-MAC shareholders would otherwise be entitled. The depositary will sell such exchangeable shares by private sale (including by way of sale through the facilities of The Toronto Stock Exchange) as soon as reasonably practicable following the effective date of the arrangement. The aggregate net proceeds after expenses of such sale will be distributed by the depositary, *pro rata* in relation to the respective fractions, among the C-MAC shareholders otherwise entitled to receive fractional interests in exchangeable shares; and

each C-MAC shareholder otherwise entitled to a fractional interest in a share of Solectron common stock will receive a cash payment equal to such C-MAC shareholder's *pro rata* portion of the net proceeds after expenses received by the depositary upon the sale of whole shares representing an accumulation of all fractional interests in Solectron common stock to which all such C-MAC shareholders would otherwise be entitled. The depositary will sell such shares of Solectron common stock on the New York Stock Exchange as soon as reasonably practicable following the effective date of the arrangement. The aggregate net proceeds after expenses of such sale will be distributed by the depositary, *pro rata* in relation to the respective fractions, among the C-MAC shareholders otherwise entitled to receive fractional interests in shares of Solectron common stock.

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DESCRIPTION OF EXCHANGEABLE SHARES

The following is a summary of the exchangeable share provisions and certain provisions of the voting and exchange trust agreement and the exchangeable share support agreement, all of which C-MAC securityholders and Solectron stockholders are urged to read in their entirety. The exchangeable share provisions are attached to this document as Appendix 1 to the Plan of Arrangement, which is found at Annex C of this

document. The voting and exchange trust agreement and the exchangeable share support agreement are attached to this document as Annexes E, and D, respectively.

General

The exchangeable shares will be issued by Exchangeco. The exchangeable shares (together with certain ancillary rights) are substantially economically equivalent to the shares of Solectron common stock. The exchangeable shares will be exchangeable at any time at the option of the holder on a one-for-one basis for shares of Solectron common stock. On the effective date of the arrangement, Solectron, Exchangeco and a trustee will enter into the voting and exchange trust agreement. By furnishing instructions to the trustee under the voting and exchange trust agreement, holders of the exchangeable shares will be able to exercise essentially the same voting rights with respect to Solectron as they would have if they had exchanged their exchangeable shares for shares of Solectron common stock. Holders of exchangeable shares will also be entitled to receive from Exchangeco dividends payable in U.S. dollars or Canadian dollars that are economically equivalent to any cash dividends paid on Solectron common stock. The exchangeable shares are subject to adjustment or modification in the event of a stock split or other change to the capital structure of Solectron so as to maintain the initial one-to-one relationship between the exchangeable shares and the Solectron common stock.

Voting, Dividend and Liquidation Rights

Voting Rights with Respect to Exchangeco

Except as required by law or under the exchangeable share support agreement, the terms of the exchangeable share provisions with respect to the amendment thereof or the voting and exchange trust agreement, the holders of exchangeable shares are not entitled as such to receive notice of or to attend any meeting of shareholders of Exchangeco or to vote at any such meeting.

Voting Rights with Respect to Solectron

Pursuant to the voting and exchange trust agreement, Solectron will issue the special voting share to a trustee for the benefit of the holders (other than Solectron and its subsidiaries and any entities directly or indirectly controlled by or under common control with Solectron) of the exchangeable shares. The special voting share will have a number of votes, which may be cast at any meeting at which Solectron stockholders are entitled to vote, equal to the number of votes that the holders of exchangeable shares outstanding from time to time (other than exchangeable shares held by Solectron, its subsidiaries and any entities directly or indirectly controlled by or under common control with Solectron) would be entitled to if all such exchangeable shares were exchanged by the holders thereof for Solectron common stock pursuant to the terms of the exchangeable shares.

Each holder of an exchangeable share (other than Solectron and its affiliates) on the record date for any meeting at which Solectron stockholders are entitled to vote will be entitled to instruct the trustee to exercise that number of the votes attached to the special voting share represented by the exchangeable shares held by such holder. The trustee will exercise each vote attached to the special voting share only as directed by the relevant holder and, in the absence of instructions from a holder as to voting, will not exercise such votes. A holder may, upon instructing the trustee, obtain a proxy from the trustee entitling the holder to vote directly at the relevant meeting the votes attached to the special voting share to which the holder is entitled. In connection with each meeting, to the extent that the trustee has not, upon such instructions, signed and delivered to holders proxies as aforesaid, the trustee shall exercise its voting rights as holder of the special voting share either by proxy or in person.

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The trustee will send to the holders of the exchangeable shares the notice of each meeting at which the Solectron stockholders are entitled to vote, together with the related meeting materials and a statement as to the manner in which the holder may instruct the trustee to exercise his or her portion of the votes attaching to the special voting share. Such mailing by the trustee shall commence on the same day as Solectron sends such notice and materials to the Solectron stockholders. The trustee will also send to the holders of exchangeable shares copies of all information statements, interim and annual financial statements, reports and other materials sent by Solectron to the Solectron stockholders at the same time as such materials are sent to the Solectron stockholders. To the extent such materials are provided to the trustee by Solectron, the trustee will also send to the holders all materials sent by third parties to Solectron stockholders, including dissident proxy circulars and take-over bid and exchange offer circulars, as soon as reasonably practicable after such materials are delivered to the trustee.

All rights of a holder of exchangeable shares to instruct the trustee to exercise votes attached to the special voting share will cease upon the exchange (whether by redemption, retraction or liquidation, or through the exercise of the call rights) of all of such holder's exchangeable shares for Solectron common stock.

In accordance with the terms of the exchangeable share support agreement, Solectron and its affiliates will not exercise any voting rights with respect to any exchangeable shares held by it or its affiliates, although it will appoint proxyholders with respect to such exchangeable shares for the sole purpose of attending meetings of the holders of exchangeable shares in order to be counted as part of the quorum for such meetings.

Dividend Rights

Holders of exchangeable shares will be entitled to receive, subject to applicable law, dividends:

in the case of a cash dividend declared on the Solectron common stock, in an amount in cash for each exchangeable share corresponding to the cash dividend declared on each share of Solectron common stock;

in the case of a stock dividend declared on the Solectron common stock to be paid in Solectron common stock, in such number of exchangeable shares for each exchangeable share as is equal to the number of shares of Solectron common stock to be paid on each share of Solectron common stock unless in lieu of such stock dividend Exchangeco elects to effect a corresponding and contemporaneous and economically equivalent subdivision of the exchangeable shares; or

in the case of a dividend declared on the Solectron common stock in property other than cash or Solectron common stock, in such type and amount of property as is the same as, or economically equivalent to, the type and amount of property declared as a dividend on each share of Solectron common stock.

These dividends are the only dividends to which holders of exchangeable shares will be entitled. The declaration date, record date and payment date for dividends on the exchangeable shares will be the same as the relevant date for the corresponding dividends on the Solectron common stock. Cash dividends on the exchangeable shares are payable in U.S. dollars or the Canadian dollar equivalent thereof, as determined in accordance with the exchangeable share provisions at the option of Exchangeco. See *The Companies after the Transaction* Dividend Policy .

Liquidation Rights With Respect to Exchangeco

In the event of the liquidation, dissolution or winding-up of Exchangeco or any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding-up its affairs, holders of the exchangeable shares will have, subject to applicable law, preferential rights to receive from Exchangeco for each exchangeable share held one share of Solectron common stock and an amount in cash equal to the declared and unpaid dividends on one exchangeable share. Upon the occurrence of such liquidation, dissolution, winding-up of Exchangeco or other distribution of the assets of Exchangeco, Callco will have

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an overriding liquidation call right to purchase all of the outstanding exchangeable shares (other than exchangeable shares held by Solectron and its affiliates) from the holders thereof for consideration per exchangeable share consisting of one share of Solectron common stock and an amount in cash equal to the declared and unpaid dividends on one exchangeable share.

In the event Exchangeco institutes, consents to or fails to contest in good faith within 30 days any bankruptcy, insolvency or winding-up proceedings, admits in writing its inability to pay its debts generally as they become due, takes certain other actions indicating insolvency or fails for solvency reasons to redeem exchangeable shares upon being required to redeem such shares by the holder, then each holder of exchangeable shares (other than Solectron and its affiliates) will be entitled to instruct the trustee under the voting and exchange trust agreement to require Solectron to purchase from the holder any or all of the exchangeable shares held by such holder for consideration per exchangeable share consisting of one share of Solectron common stock and (to the extent not paid by Exchangeco on the designated payment date) an amount in cash equal to the declared and unpaid dividends on one exchangeable share. As soon as practicable following the occurrence of one of the insolvency events described in the preceding sentence, or any event which may, with the passage of time and/or the giving of notice, become such an insolvency event, Exchangeco or Solectron will give written notice thereof to the trustee. As soon as practicable thereafter, the trustee will then notify each holder of exchangeable shares of such event or potential event and will advise the holder of its rights described in this paragraph.

Liquidation Rights With Respect to Solectron

In order for the holders of the exchangeable shares to participate on a *pro rata* basis with the holders of Solectron common stock, on the fifth business day prior to the effective date of certain specified events relating to the voluntary or involuntary liquidation, dissolution, winding-up or other distribution of the assets of Solectron among its stockholders for the purpose of winding-up its affairs, each exchangeable share (other than those held by Solectron and its affiliates) will automatically be exchanged for consideration per exchangeable share consisting of one share of Solectron common stock and (to the extent not paid by Exchangeco on the designated payment date) an amount in cash equal to the declared and unpaid dividends on one exchangeable share pursuant to the voting and exchange trust agreement. Upon a holder's request and surrender of exchangeable share certificates, duly endorsed in blank and accompanied by such instruments of transfer as Solectron may reasonably require, Solectron will deliver to such holder certificates representing an equivalent number of shares of Solectron common stock. For a description of certain Solectron obligations with respect to the dividend and liquidation rights of the holders of exchangeable shares, see Description of Exchangeable Shares Solectron Support Obligation below.

Optional Redemption by Holders

Holders of the exchangeable shares will be entitled at any time following the effective time of the arrangement to retract (i.e., require Exchangeco to redeem), subject to the exercise by Callco of its retraction call right, any or all of the exchangeable shares held by such holder for consideration per exchangeable share equal to one share of Solectron common stock and an amount in cash equal to the declared and unpaid dividends on one exchangeable share. Holders of the exchangeable shares may effect such retraction by presenting:

a certificate or certificates to Exchangeco or the transfer agent for the exchangeable shares representing the number of exchangeable shares the holder desires to retract;

a duly executed retraction request indicating the number of exchangeable shares the holder desires to retract and the retraction date, and acknowledging the retraction call right; and

such other documents as may be required to effect the retraction of the retracted shares.

In the event that a holder of exchangeable shares exercises the right to require Exchangeco to redeem any of its exchangeable shares, Callco will have an overriding retraction call right to purchase all but not

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less than all of those exchangeable shares, for consideration per exchangeable share consisting of one share of Solectron common stock and (to the extent not paid by Exchangeco on the designated payment date) an amount in cash equal to the declared and unpaid dividends on one exchangeable share. Upon receipt of a retraction request, Exchangeco will immediately notify Callco of the retraction request. Callco must then advise Exchangeco within five business days as to whether the retraction call right will be exercised. If Callco does not so advise Exchangeco, Exchangeco will notify the holder as soon as possible thereafter that Callco will not exercise its overriding retraction call right. If Callco advises Exchangeco that Callco will exercise the retraction call right within such five business day period, then provided the retraction request is not revoked by the holder as described below, the retraction request shall be considered only to be an offer by the holder to sell the exchangeable shares it requested to have redeemed to Callco in accordance with its overriding retraction call right.

A holder may revoke its retraction request, in writing, at any time prior to the close of business on the business day preceding the retraction date, in which case the relevant exchangeable shares will neither be purchased by Callco nor redeemed by Exchangeco. If a holder does not revoke its retraction request, on the contemplated date of retraction, the relevant exchangeable shares will be purchased by Callco or redeemed by Exchangeco, as the case may be, in each case as set out above.

If, as a result of solvency requirements or applicable law, Exchangeco is not permitted to redeem all of the exchangeable shares that the holder requires to be redeemed, Exchangeco will redeem only those exchangeable shares of the holder (rounded down to a whole number of shares) as would not be contrary to such provisions of applicable law. The trustee, on behalf of the holder of any exchangeable share not so redeemed by Exchangeco, will require Solectron to purchase such exchangeable shares not redeemed for the same consideration per exchangeable share as described above under Liquidation Rights with Respect to Exchangeco .

Mandatory Redemption by Exchangeco and Solectron Call Right

The redemption date is the date established by the board of directors of Exchangeco for the redemption by Exchangeco of all of the outstanding exchangeable shares, which will not be earlier than the seventh anniversary of the effective date of the arrangement unless:

at any time after the fifth anniversary of the effective date of the arrangement, there are then outstanding exchangeable shares constituting fewer than 30% of the actual number of the exchangeable shares issuable as determined at the election deadline in respect of the arrangement outstanding (other than exchangeable shares held by Solectron and its affiliates), provided that such number may be adjusted by the board of directors of Exchangeco in certain circumstances described in the exchangeable share provisions in which case the board of directors of Exchangeco may accelerate the redemption date to an earlier date upon at least 60 days prior notice to the holders of the exchangeable shares and the trustee under the voting and exchange trust agreement;

at any time, there are then outstanding exchangeable shares constituting fewer than 10% of the actual number of exchangeable shares issuable as determined at the election deadline in respect of the arrangement outstanding (other than exchangeable shares held by Solectron and its affiliates), provided that such number may be adjusted by the board of directors of Exchangeco in certain circumstances described in the exchangeable share provisions, in which case the board of directors of Exchangeco may accelerate the redemption date to an earlier date upon at least 60 days prior notice to the holders of the exchangeable shares and the trustee under the voting and exchange trust agreement;

upon the occurrence of any merger, amalgamation, arrangement, tender offer, material sale of shares or rights or interests therein or thereto or similar transactions involving Solectron, or any proposal to do so, provided that the board of directors of Exchangeco determines (A) that it is not reasonably practicable to substantially replicate the terms and conditions of the exchangeable shares in connection with the transaction described in this bullet point and (B) such transaction involves a *bona fide* third party, is not for the primary purpose of causing a redemption date, and that the

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redemption of the exchangeable shares is necessary to enable the completion of the transaction described in this bullet point, then the redemption date will be such date as determined by the board of directors of Exchangeco;

each of the following occurs: (1) a matter arises on which the holders of exchangeable shares are entitled to vote as shareholders of Exchangeco (other than a matter described in the next bullet point); (2) the board of directors of Exchangeco has determined, in good faith and in its sole discretion, that it is not reasonably practicable to accomplish the business purpose intended by the matter (which business purpose must be *bona fide* and not for the primary purpose of causing the occurrence of the redemption date) in any other commercially reasonable manner that does not result in the holders of exchangeable shares being entitled to vote as shareholders of Exchangeco and (3) the holders of exchangeable shares fail to take the necessary action at a meeting or other vote of the holders of exchangeable shares to approve or disapprove, as applicable, the matter, in which case the redemption date will be the business day following the date on which the holders of exchangeable shares failed to take the necessary action; or

each of the following occurs: (1) a matter arises on which the holders of exchangeable shares are entitled to vote as shareholders of Exchangeco in order to approve any change to or in the rights of the holders of the exchangeable shares; (2) the change is necessary to maintain the economic equivalence of the exchangeable shares and the Solectron common stock; and (3) the holders of exchangeable shares fail to take the necessary action at a meeting or other vote of the holders of exchangeable shares to approve or disapprove, as applicable, the change, in which case the redemption date will be the business day following the date on which the holders of exchangeable shares failed to take the necessary action.

On the redemption date, and subject to applicable law and the overriding redemption call right, as discussed below, Exchangeco will redeem all but not less than all of the then outstanding exchangeable shares (other than those held by Solectron or its affiliates) for consideration per exchangeable share consisting of one share of Solectron common stock and an amount in cash equal to the declared and unpaid dividends on one exchangeable share. Exchangeco will, at least 60 days prior to the redemption date, or such number of days as the board of directors of Exchangeco may determine to be reasonably practicable under the circumstances in respect of a redemption date arising in connection with, among other events, the events described in the third, fourth and fifth bullet points above, provide the registered holders of the exchangeable shares with written notice of the proposed redemption of the exchangeable shares by Exchangeco or the purchase of the exchangeable shares by Callco pursuant to the redemption call right described below.

Callco will have an overriding redemption call right to purchase on the redemption date all but not less than all of the exchangeable shares then outstanding (other than exchangeable shares held by Solectron and its affiliates) for consideration per exchangeable share consisting of one share of Solectron common stock and an amount in cash to the declared and unpaid dividends on one exchangeable share. Upon the exercise of such overriding redemption call right, holders will be obligated to sell their exchangeable shares to Callco. If Callco exercises the redemption call right, Exchangeco's right and obligation to redeem the exchangeable shares on such redemption date will terminate.

In the event of certain changes in Canadian federal and Québec tax law, Solectron will have the right to purchase or cause Callco to purchase all of the exchangeable shares then outstanding (other than exchangeable shares held by Solectron and its affiliates) prior to the seventh anniversary of the effective date. Solectron may exercise this call right if it delivers to the trustee an opinion of counsel stating that there has been a change to the *Income Tax Act* (Canada) and applicable Québec provincial income tax legislation to the effect that a sale by beneficial owners of exchangeable shares (other than Solectron and its affiliates) who are Canadian residents and hold their exchangeable shares as capital property of exchangeable shares to Solectron or Callco, as the case may be, pursuant to Solectron's call right, will qualify as a tax-deferred transaction for purposes of the *Income Tax Act* (Canada) and applicable Québec provincial income tax legislation.

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Ranking

The exchangeable shares will be entitled to a preference over the common shares of Exchangeco, the class A non-voting common shares and any other shares ranking junior to the exchangeable shares with respect to the payment of dividends and the distribution of assets in the event of a liquidation, dissolution or winding-up of Exchangeco, whether voluntary or involuntary, or any other distribution of the assets of Exchangeco, among its shareholders for the purpose of winding-up its affairs.

Certain Restrictions

Without the approval of the holders of the exchangeable shares as set forth below under Description of Exchangeable Shares Amendment and Approval, Exchangeco will not:

pay any dividends on the common shares of Exchangeco, or any other shares ranking junior to the exchangeable shares, other than stock dividends payable in common shares of Exchangeco, or any such other shares ranking junior to the exchangeable shares, as the case may be;

redeem, purchase or make any capital distribution in respect of common shares of Exchangeco, or any other shares ranking junior to the exchangeable shares;

redeem or purchase any other shares of Exchangeco ranking equally with the exchangeable shares with respect to the payment of dividends or on any liquidation distribution; or

issue any exchangeable shares, or any shares of Exchangeco ranking equally with, or superior to, the exchangeable shares, other than (i) pursuant to any shareholder rights plan adopted by Exchangeco, or (ii) by way of stock dividend to the holders of exchangeable shares.

These restrictions will not apply at any time when all dividends on the outstanding exchangeable shares corresponding to dividends declared and paid on the Solectron common stock have been declared and paid in full.

Amendment and Approval

The rights, privileges, restrictions and conditions attaching to the exchangeable shares may be added to, changed or removed only with the approval of the holders thereof. Any such approval or any other approval or consent to be given by the holders of the exchangeable shares will be deemed to have been sufficiently given if given in accordance with applicable law subject to a minimum requirement that such approval or consent be evidenced by a resolution passed by not less than two-thirds of the votes cast on such resolution at a meeting of the holders of exchangeable shares duly called and held at which holders of at least 20% of the then outstanding exchangeable shares are present or represented by proxy. In the event that no such quorum is present at such meeting within one-half hour after the time appointed therefor, then the meeting will be adjourned to such place and time (not less than five days later) as may be designated by the Chairman of such meeting. At such adjourned meeting, the holders of exchangeable shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by the affirmative vote of not less than two-thirds of the votes cast on such resolution will constitute the approval or consent of the holders of the exchangeable shares.

Exchangeable Share Rights

Prior to the effective time of the arrangement, Exchangeco will adopt an exchangeable share rights plan substantially equivalent to the Solectron rights agreement. Pursuant thereto, each exchangeable share issued in the arrangement will have an associated exchangeable share

right entitling the holder of such exchangeable share right to acquire additional exchangeable shares on terms and conditions substantially the same as the terms and conditions upon which a holder of the Solectron common stock is entitled to acquire Solectron Series A preferred stock under the Solectron rights agreement (with the definitions of

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beneficial ownership, the calculation of percentage ownership and the number of shares outstanding and related provisions applying, as appropriate, to Solectron common stock and exchangeable shares as though they were the same security). The exchangeable share rights are intended to have characteristics essentially equivalent in economic effect to the Solectron rights. See Solectron Capital Stock Series A Participating Preferred Stock and Rights Agreement .

Solectron Support Obligation

Pursuant to the exchangeable share support agreement, Solectron will make the following covenants for so long as any exchangeable shares (other than exchangeable shares owned by Solectron or its affiliates) remain outstanding:

Solectron will not declare or pay dividends on the Solectron common stock unless Exchangeco is able to declare and pay and simultaneously declares or pays, as the case may be, an equivalent dividend on the exchangeable shares (or if the dividend is a stock dividend, in lieu thereof Exchangeco effects an economically equivalent subdivision of the outstanding exchangeable stock);

Solectron will advise Exchangeco in advance of the declaration of any dividend on the Solectron common stock and ensure that the declaration date, record date and payment date for dividends on the exchangeable shares are the same as those for the corresponding dividend on the Solectron common stock;

Solectron will ensure that the record date for any dividend declared on the Solectron common stock is not less than ten business days after the declaration date of such dividend;

Solectron will take all actions and do all things reasonably necessary or desirable to enable and permit Exchangeco, in accordance with applicable law, to perform its obligations arising upon the liquidation, dissolution or winding-up or any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding-up its affairs, in the event of a retraction demand by a holder of exchangeable shares or a redemption of exchangeable shares on the redemption date, as the case may be, including all actions and things as are reasonably necessary or desirable to enable and permit Exchangeco to deliver Solectron common stock to the holders of exchangeable shares and cash in respect of declared and unpaid dividends;

Solectron will take all actions and do all things reasonably necessary or desirable to perform its obligations upon exercise of the right of Solectron to purchase the exchangeable shares, and enable and permit Callco, in accordance with applicable law, to perform its obligations arising upon the exercise by it of its overriding call rights or the exercise by Solectron of the Solectron call right, including all such actions and things as are reasonably necessary or desirable to enable and permit Callco to deliver Solectron common stock to the holders of exchangeable shares and cash in respect of declared and unpaid dividends where obligated to do so; and

Solectron will ensure that Callco does not exercise its vote as a shareholder to initiate the voluntary liquidation, dissolution or winding-up of Exchangeco nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding-up of Exchangeco.

The exchangeable share support agreement and the exchangeable share provisions provide that, without the prior approval of Exchangeco and the holders of the exchangeable shares given in the manner set forth above under Description of Exchangeable Shares Amendment and Approval , Solectron will not issue or distribute additional Solectron common stock, securities exchangeable for or convertible into or carrying rights to acquire Solectron common stock, rights, options or warrants to subscribe therefor, evidences of indebtedness or other assets, to all or substantially all holders of Solectron common stock, nor shall Solectron change the Solectron common stock, unless the same or an economically equivalent distribution on or change to the exchangeable shares (or in the rights of the holders thereof) is made simultaneously. The Exchangeco board of directors will determine in good faith and in its sole discretion

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whether any corresponding distribution on or change to the exchangeable shares is the same as or economically equivalent to any proposed distribution on or change to the Solectron common stock and its determination is conclusive and binding. In the event of any proposed tender offer, share exchange offer, issuer bid, take-over bid or similar transaction with respect to the Solectron common stock which is recommended by the Solectron board of directors and in connection with which the exchangeable shares are not redeemed by Exchangeco or purchased by Callco pursuant to its overriding redemption call right, Solectron will use reasonable efforts to take all actions necessary or desirable to enable holders of exchangeable shares to participate in such transaction to the same extent and on an economically equivalent basis as the holders of Solectron common stock.

In order to assist Solectron to comply with its obligations under the exchangeable share support agreement and to permit Callco to exercise its overriding call rights, Exchangeco is required to notify Solectron and Callco of the occurrence of certain events, such as the liquidation, dissolution or winding-up of Exchangeco, and Exchangeco's receipt of a retraction request from a holder of exchangeable shares.

Under the exchangeable share support agreement, Solectron has agreed not to exercise any voting rights attached to the exchangeable shares owned by it or any of its affiliates on any matter considered at meetings of holders of exchangeable shares. Solectron has also agreed to use its reasonable best efforts to maintain a listing for the exchangeable shares on a Canadian stock exchange which is a prescribed stock exchange within the meaning of the *Income Tax Act* (Canada) and to ensure that Exchangeco remains a public corporation within the meaning of the *Income Tax Act* (Canada).

With the exception of administrative changes for the purpose of adding covenants of any or all parties, making certain necessary amendments or curing ambiguities or clerical errors (in each case provided that the board of directors of each of Solectron, Exchangeco, Nova Scotia Company and Callco are of the opinion that such amendments are not prejudicial to the interests of the holders of the exchangeable shares), the exchangeable share support agreement may not be amended without the approval of the holders of the exchangeable shares given in the manner set forth above under Description of Exchangeable Shares Amendment and Approval .

Withholding

Solectron, Exchangeco, Callco, the transfer agent for the exchangeable shares and the trustee under the voting and exchange trust agreement will be entitled to deduct and withhold from any dividend or consideration otherwise payable to any holder of exchangeable shares (including upon an exchange or transfer of exchangeable shares for Solectron common stock) or shares of Solectron common stock, any amount it is required (or entitled under section 116 of the *Income Tax Act* (Canada) or the corresponding provisions of any applicable provincial law) to withhold pursuant to applicable tax laws. To the extent amounts are so withheld, such withheld amounts are treated as having been paid to the holder in respect of which the amounts were withheld, provided the withheld amounts are remitted to the appropriate tax authority. If the amount of any consideration deducted or withheld exceeds the cash portion of the consideration that is otherwise payable to the holder of exchangeable shares or shares of Solectron common stock, Solectron, Exchangeco, Callco, the transfer agent for the exchangeable shares or the trustee under the voting and exchange trust agreement, whichever the case may be, are authorized to sell such portion of the consideration as is necessary to provide the cash to comply with any remittance obligations of Solectron, Exchangeco, Callco, the transfer agent for the exchangeable shares or the trustee, whichever the case may be, with respect to any amounts deducted or withheld hereunder.

Disclosure of Interest in Exchangeable Shares

Exchangeco and the trustee under the voting and exchange trust agreement will be entitled to require any holder of exchangeable shares or any person whom Exchangeco or the trustee knows or has reasonable cause to believe holds any interest in an exchangeable share to confirm that fact or to give such details as to whom has an interest in the exchangeable shares as would be required if the exchangeable shares were

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a class of equity shares of Exchangeco under section 101 of the *Securities Act* (Ontario) or under section 147.11 of the *Securities Act* (Québec) or as would be required under the articles of Solectron or any laws or regulations, or pursuant to the rules or regulations of any regulatory authority of the United States, if the exchangeable shares were shares of Solectron common stock.

Transfer Agent

The transfer agent and registrar for the exchangeable shares will be General Trust of Canada at its offices located in Montreal, Québec and Toronto, Ontario.

Listing

Exchangeco intends to apply to The Toronto Stock Exchange to list the exchangeable shares, such listing to be effective prior to the effective date of the arrangement.

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SOLECTRON CAPITAL STOCK

As of the date of this document, Solectron's authorized capital stock consists of 1,601,200,000 shares. Those shares consist of 1,600,000,000 shares designated as common stock, \$0.001 par value, and 1,200,000 shares designated as preferred stock, \$0.001 par value. The only equity securities currently outstanding are shares of common stock. As of September 4, 2001, there were approximately 658,306,082 shares of Solectron common stock issued and outstanding.

Preferred Stock

As of September 4, 2001, there were no shares of preferred stock outstanding. The Solectron board of directors has the authority, without further action by the stockholders, to issue up to 1,200,000 shares of Solectron preferred stock in one or more series and to fix the following terms of the preferred stock:

designations, powers, preferences, privileges;

relative participating, optional or special rights; and

the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences.

Any or all of these rights may be greater than the rights of the common stock.

The Solectron board of directors, without stockholder approval, can issue preferred stock with voting, conversion or other rights that could negatively affect the voting power and other rights of the holders of common stock. Preferred stock could thus be issued quickly with terms calculated to delay or prevent a change in control of Solectron or make it more difficult to remove Solectron's management. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of the common stock.

The rights, preferences, privileges and restrictions of the preferred stock of each series will be fixed by the certificate of designation relating to that series. The certificate of designation will specify:

the designation of the shares;

the annual dividend rate, if any, whether the dividend rate is fixed or variable, the date dividends will accrue, the dividend payment dates, and whether dividends will be cumulative;

the price and the terms and conditions for redemption, if any, including redemption at Solectron's option or at the option of the holders, including the time period for redemption, and any accumulated dividends or premiums;

the liquidation preference, if any, and any accumulated dividends upon the liquidation, dissolution or winding-up of Solectron's affairs;

any sinking fund or similar provision, and, if so, the terms and provisions relating to the purpose and operation of the fund;

the terms and conditions, if any, for conversion or exchange of shares of any other class or classes of Solectron's capital stock or any series of any other class or classes, or of any other series of the same class, or any other securities or assets, including the price or the rate of conversion or exchange and the method, if any, of adjustment;

the voting rights; and

any or all other preferences and relative, participating, optional or other special rights, privileges or qualifications, limitations or restrictions.

Preferred stock will be fully paid and nonassessable upon issuance.

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Series A Participating Preferred Stock and Rights Agreement

On June 29, 2001, pursuant to a preferred stock rights agreement between Solectron and Fleet National Bank, as rights agent, the Solectron board of directors declared a dividend of one right to purchase one ten-thousandth share of Solectron's Series A participating preferred stock for each outstanding share of Solectron common stock. The dividend was paid on July 30, 2001, to stockholders of record as of the close of business on that date. Each right entitles the registered holder to purchase from Solectron one ten-thousandth of a share of the Series A preferred stock of Solectron at an exercise price of \$150, subject to adjustment.

The following is a summary and general description of the principal terms of the Solectron rights agreement.

Rights Evidenced by Common Stock Certificates

The rights will not be exercisable until the distribution date. Certificates for the rights will not be sent to Solectron stockholders and the rights will attach to and trade only together with the Solectron common stock. Accordingly, Solectron common stock certificates outstanding on July 30, 2001 will evidence the rights related thereto, and Solectron common stock certificates issued after July 30, 2001 will contain a notation incorporating the rights agreement by reference. Until the distribution date (or earlier redemption or expiration of the rights), the surrender or transfer of any certificates for Solectron common stock, outstanding as of the record date, even without notation or a copy of the summary of rights being attached thereto, also will constitute the transfer of the rights associated with the Solectron common stock represented by such certificate.

Distribution Date

The rights will be separate from the Solectron common stock. Rights certificates will be issued and the rights will become exercisable upon the earlier of the tenth day (or such later date as may be determined by the Solectron board of directors) after a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the then-outstanding Solectron common stock, or the tenth business day (or such later date as may be determined by the Solectron board of directors) after a person or group announces a tender or exchange offer, the consummation of which would result in ownership by a person or group of 15% or more of the then-outstanding Solectron common stock. The earlier of such dates is referred to as the distribution date.

Issuance of Rights Certificates; Expiration of Rights

As soon as practicable following the distribution date, a rights certificate will be mailed to holders of record of Solectron common stock as of the close of business on the distribution date, and such separate rights certificate alone will evidence the rights from and after the distribution date. The rights will expire on the earliest of July 30, 2011, or redemption or exchange of the rights as described below.

Initial Exercise of the Rights

Following the distribution date, and until one of the further events described below, holders of the rights will be entitled to receive, upon exercise and the payment of the purchase price, one ten-thousandth share of the Series A preferred stock. In the event that Solectron does not have sufficient Series A preferred stock available for all rights to be exercised, or the Solectron board of directors decides that such action is necessary and not contrary to the interests of rights holders, Solectron may instead substitute cash, assets or other securities for the Series A preferred stock for which the rights would have been exercisable under this provision or as described below.

Table of Contents*Right to Buy Solectron Common Stock*

Unless the rights are earlier redeemed, in the event that an acquiring person obtains 15% or more of the then-outstanding Solectron common stock, then each holder of a right which has not theretofore been exercised (other than rights beneficially owned by the acquiring person, which will thereafter be void) will thereafter have the right to receive, upon exercise, Solectron common stock having a value equal to two times the purchase price. Rights are not exercisable following the occurrence of an event as described above until such time as the rights are no longer redeemable by Solectron as set forth below.

Right to Buy Acquiring Company Common Stock

Similarly, unless the rights are earlier redeemed, in the event that, after an acquiring person obtains 15% or more of the then-outstanding Solectron common stock, Solectron is acquired in a merger or other business combination transaction, or 50% or more of Solectron's consolidated assets or earning power are sold (other than in transactions in the ordinary course of business), proper provision must be made so that each holder of a right which has not yet been exercised (other than rights beneficially owned by the acquiring person, which will thereafter be void) will thereafter have the right to receive, upon exercise, shares of common stock of the acquiring company having a value equal to two times the purchase price.

Exchange Provision

At any time after an acquiring person obtains 15% or more of the then outstanding Solectron common stock and prior to the acquisition by such acquiring person of 50% or more of the outstanding Solectron common stock, the Solectron board of directors may exchange the rights (other than rights owned by the acquiring person), in whole or in part, at an exchange ratio of one share of Solectron common stock per right.

Redemption

At any time on or prior to the close of business on the earlier of the fifth day following the attainment of 15% or more of the then-outstanding Solectron common stock by an acquiring person (or such later date as may be determined by action of Solectron's board of directors and publicly announced by Solectron), or July 30, 2011, Solectron may redeem the rights in whole, but not in part, at a price of \$0.001 per right.

Adjustments to Prevent Dilution

The purchase price payable, the number of rights, and the number of shares of Solectron Series A preferred stock or Solectron common stock or other securities or property issuable upon exercise of the rights are subject to adjustment from time to time in connection with the dilutive issuances by Solectron as set forth in the rights agreement. With certain exceptions, no adjustment in the purchase price will be required until cumulative adjustments require an adjustment of at least 1% in such purchase price.

Cash Paid Instead of Issuing Fractional Shares

No fractional shares of Solectron common stock will be issued upon exercise of a right and, in lieu thereof, an adjustment in cash will be made based on the market price of the Solectron common stock on the last trading date prior to the date of exercise.

No Stockholders' Rights Prior to Exercise

Until a right is exercised, the holder thereof, as such, will have no rights as a stockholder of Solectron (other than any rights resulting from such holder's ownership of Solectron common stock), including, without limitation, the right to vote or to receive dividends.

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Amendment of Rights Agreement

The terms of the rights and the rights agreement may be amended in any respect without the consent of the rights holders on or prior to the distribution date. After the distribution date, the terms of the rights and the rights agreement may be amended without the consent of the rights holders in order to cure any ambiguities or to make changes which do not adversely affect the interests of rights holders, other than the acquiring person.

Rights and Preferences of the Solectron Series A Preferred Stock

Each one ten-thousandth of a share of Solectron Series A preferred stock has rights and preferences substantially equivalent to those of one share of Solectron common stock.

No Voting Rights

Rights will not have any voting rights.

Certain Anti-Takeover Effects

The rights are designed to protect and maximize the value of the outstanding equity interests in Solectron in the event of an unsolicited attempt by an acquiror to take over Solectron in a manner or on terms not approved by the Solectron board of directors. Takeover attempts frequently include coercive tactics to deprive the Solectron's board of directors and its stockholders of any real opportunity to determine the destiny of Solectron. The rights were declared by the Solectron board of directors in order to deter such tactics, including a gradual accumulation of shares in the open market of a 15% or greater position to be followed by a merger or a partial or two-tier tender offer that does not treat all stockholders equally. These tactics unfairly pressure stockholders, squeeze them out of their investment without giving them any real choice and deprive them of the full value of their shares.

Subject to the restrictions described above, the rights may be redeemed by Solectron at \$0.001 per right at any time prior to the distribution date. Accordingly, the rights should not interfere with any merger or business combination approved by the Solectron board of directors.

However, the rights may have the effect of rendering more difficult or discouraging an acquisition of Solectron deemed undesirable by the Solectron board of directors. The rights may cause substantial dilution to a person or group that attempts to acquire Solectron on terms or in a manner not approved by Solectron's board of directors, except pursuant to an offer conditioned upon the negation, purchase or redemption of the rights.

The rights agreement and the rights will not be affected by the transaction with C-MAC.

Solectron Series B Preferred Stock Special Voting Share

The special voting share of Series B preferred stock of Solectron will be authorized for issuance pursuant to the combination agreement and, pursuant to the arrangement, the special voting share will be issued to the trustee appointed under the voting and exchange trust agreement. The special voting share will be a Series B preferred share of Solectron and will have a par value of \$0.001 per share. Except as otherwise required by law or the Solectron certificate of incorporation, the special voting share will be entitled to a number of votes equal to the number of outstanding exchangeable shares of Exchangeco from time to time not owned by Solectron, any of its subsidiaries, or entities directly or indirectly controlled by or under common control with Solectron, which votes may be exercised for the election of directors and on all other matters submitted to a vote of Solectron stockholders. The holders of Solectron common stock and the holder of the special voting share will vote together as a single class on all matters, except to the extent voting as a separate class is required by applicable law or the Solectron certificate of incorporation. The holder of the special voting share will not be entitled to receive dividends from Solectron and, in the event of any liquidation, dissolution or winding-up of Solectron, will receive an amount equal to the par value thereof. At such time as there are no exchangeable shares outstanding not owned by Solectron, any

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of its subsidiaries, or entities directly or indirectly controlled by or under common control with Solectron, and there are no shares of stock, debt, options or other agreements of Exchangeco that could give rise to the issuance of any exchangeable shares to any person (other than Solectron, any of its subsidiaries, or entities directly or indirectly controlled by or under common control with Solectron), the special voting share will be cancelled. See Description of Exchangeable Shares Voting, Dividend and Liquidation Rights .

Solectron Common Stock

Holders of Solectron common stock are entitled to receive dividends declared by the Solectron board of directors, out of funds legally available for the payment of dividends, subject to the rights of holders of preferred stock. Currently, Solectron is not paying dividends. Each holder of Solectron common stock is entitled to one vote per share. Upon any liquidation, dissolution or winding-up of Solectron's business, the holders of Solectron common stock are entitled to share equally in all assets available for distribution after payment of all liabilities and provision for liquidation preference of shares of preferred stock then outstanding. The holders of Solectron common stock have no preemptive rights and no rights to convert their Solectron common stock into any other securities. There are also no redemption or sinking fund provisions applicable to the Solectron common stock.

All outstanding shares of Solectron common stock are fully paid and non-assessable.

The shares of Solectron common stock are listed on the New York Stock Exchange under the symbol SLR . The transfer agent and registrar for the Solectron common stock is EquiServe Trust Company, N.A.

Delaware General Corporation Law Section 203

Solectron is a Delaware corporation subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination transaction with an interested stockholder for a period of three years after the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner, as described below.

The Section 203 restrictions do not apply if:

the business combination or transaction is approved by Solectron's board of directors before the date the interested stockholder obtained such status;

upon consummation of the transaction which resulted in the stockholder obtaining such status, the stockholder owned at least 85% of the shares of stock entitled to vote generally in the election of directors (the voting stock) that are outstanding at the time the transaction commenced. The 85% calculation does not include those shares:

owned by directors who are also officers of the target corporation; or

held by employee stock plans which do not permit employees to decide confidentially whether to accept a tender or exchange offer; or

on or after the date the interested stockholder obtained such status, the business combination is approved by Solectron's board of directors and at a stockholder meeting by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an interested stockholder is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation's voting stock. Section 203 may prohibit or delay mergers or other takeover or change in control attempts with respect to Solectron. As a result, Section 203 may discourage attempts to acquire Solectron even though such transaction may offer the stockholders of Solectron the opportunity to sell their stock at a price above the prevailing market price.

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EXCHANGEKO SHARE CAPITAL

The following summary of certain provisions of Exchangeco's share capital describes all material provisions of Exchangeco's share capital, but does not purport to be complete and is subject to, and qualified in its entirety by, Exchangeco's articles and bylaws and by the provisions of applicable law.

Common Shares

The holders of common shares of Exchangeco are entitled to receive notice of and to attend all meetings of the shareholders and are entitled to one vote for each share held of record on all matters submitted to a vote of holders of common shares of Exchangeco. Subject to the prior rights of the holders of any shares ranking senior to the common shares of Exchangeco with respect to priority in the payment of dividends, the holders of common shares of Exchangeco are entitled to receive such dividends as may be declared by the board of directors of Exchangeco out of funds legally available therefor. Holders of common shares of Exchangeco are entitled upon any liquidation, dissolution or winding-up of Exchangeco, subject to the prior rights of the holders of the exchangeable shares or any other shares ranking senior to the common shares, to receive the remaining property and assets of Exchangeco.

All of the common shares of Exchangeco will be held indirectly by Solectron through Nova Scotia Company and Callco. See "The Companies after the Transaction" Callco.

Exchangeable Shares

See "Description of Exchangeable Shares" for a summary of certain provisions of the exchangeable shares and see the exchangeable share provisions attached as Appendix 1 to the plan of arrangement, which is attached to this document as Annex C.

Class A Non-Voting Common Shares

The Exchangeco class A non-voting common shares will be identical to the Exchangeco common shares with the exception that the Class A non-voting common shares will possess no voting rights. The holders of Class A non-voting common shares of Exchangeco will not be entitled to receive notice of or attend meetings of the shareholders except as provided by applicable law. Subject to the prior rights of the holders of any shares ranking senior to the Class A non-voting common shares of Exchangeco with respect to priority in the payment of dividends, the holders of Class A non-voting common shares of Exchangeco will be entitled to receive such dividends as may be declared by the board of directors of Exchangeco out of funds legally available therefor. Holders of class A non-voting shares of Exchangeco will be entitled upon any liquidation, dissolution or winding-up of Exchangeco, subject to the prior rights of the holders of the exchangeable shares or any other shares ranking senior to the common shares, to receive the remaining property and assets of Exchangeco. Class A non-voting shares will rank equally with the common shares with respect to payment of dividends and rights upon liquidation, dissolution or winding-up of Exchangeco.

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C-MAC SHARE CAPITAL

C-MAC's authorized capital is comprised of an unlimited number of common shares without par value, an unlimited number of class A preferred shares without par value, an unlimited number of class B preferred shares without par value, and an unlimited number of class C preferred shares without par value, issuable in series.

As of September 4, 2001, 86,317,076 C-MAC common shares were issued and outstanding. No class A preferred shares, class B preferred shares or class C preferred shares are currently issued and outstanding.

The following description is only a summary and is qualified by reference to the complete text set forth in C-MAC's articles of incorporation.

Class A Preferred Shares

With the exception of any matters with respect to which they are entitled to vote as a class by law, holders of class A preferred shares are not entitled to receive any notice of meetings of C-MAC's shareholders nor to attend or vote thereat. Holders of C-MAC class A preferred shares are not entitled to receive any dividends. C-MAC class A preferred shares are redeemable at C-MAC's option for a price equal to the consideration, or to the fair market value of the consideration, C-MAC received at the time of their issuance. In the event of liquidation, dissolution or other distribution of the assets of C-MAC, holders of class A preferred shares are entitled to receive, equally with holders of class B preferred shares, an amount equal to the redemption price.

Class B Preferred Shares

With the exception of any matters with respect to which they are entitled to vote as a class by law, holders of C-MAC class B preferred shares are not entitled to receive any notice of meetings of C-MAC shareholders nor to attend or vote thereat. Holders of C-MAC class B preferred shares are entitled to receive, if and when declared by C-MAC's board of directors, a non-cumulative dividend of 12% *per annum*. C-MAC class B preferred shares are redeemable at C-MAC's option for a price equal to the consideration, or to the fair market value of the consideration, C-MAC received at the time of their issuance. In the event of liquidation, dissolution or other distribution of C-MAC's assets, holders of class B preferred shares are entitled to receive, *pari passu* with holders of class A preferred shares, an amount equal to the redemption price.

Class C Preferred Shares

The C-MAC class C preferred shares are issuable from time to time in one or more series. Subject to C-MAC's articles of incorporation, C-MAC's board of directors may, prior to issue, determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series as well as the number of shares of each series. C-MAC class C preferred shares rank prior to the C-MAC common shares but are subordinated to C-MAC class B preferred shares with respect to payment of dividends and subordinated to both C-MAC class A preferred shares and C-MAC class B preferred shares with respect to return of capital in the event of liquidation, dissolution or other distribution of C-MAC's assets. With the exception of any matters with respect to which they are entitled to vote as a class by law, holders of C-MAC class C preferred shares are not entitled to vote at any C-MAC shareholders' meetings.

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Common Shares

Each C-MAC common share entitles the holder thereof to one vote at, receive notice of and attend meetings of C-MAC's shareholders, with the exception of meetings where only the holders of another class or series of shares are entitled to vote. Subject to the prior rights of the holders of preferred shares, holders of C-MAC common shares are entitled to receive any dividends declared on such shares by C-MAC's board of directors and to participate in the distribution of C-MAC's residual assets in the event of liquidation, dissolution or other distribution of C-MAC's assets.

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THE COMPANIES AFTER THE TRANSACTION

General

Following completion of the arrangement, Solectron will continue to be a corporation governed by the Delaware General Corporation Law and will continue to have its registered office at 777 Gibraltar Drive, Milpitas, California, U.S.A., 95035 (Tel. No. (408) 957-8500). After the consummation of the arrangement, Solectron will indirectly own all of the securities of C-MAC and will continue to be a corporation governed by the *Canada Business Corporations Act*. The registered office of C-MAC will be located at 1010 Sherbrooke Street West, Suite 1610, Montreal, Québec, H3A 2R7. The registered office of Exchangeco will be located at _____.

Exchangeco

Exchangeco is a wholly-owned indirect subsidiary of Solectron. Exchangeco was amalgamated under the laws of New Brunswick effective December 25, 1999 and it is intended that Exchangeco will be continued under the *Canada Business Corporations Act* prior to the effective date of the arrangement. After the transaction is completed, Exchangeco will continue to be an indirect wholly-owned subsidiary of Solectron. The authorized capital of Exchangeco will consist of an unlimited number of common shares, exchangeable shares and Class A non-voting preference shares.

Nova Scotia Company

Nova Scotia Company is a direct wholly-owned subsidiary of Solectron. Nova Scotia Company is an unlimited liability company incorporated under the laws of Nova Scotia on September 6, 2001 for the sole purpose of participating in the transaction.

Callco

Callco is an indirect wholly-owned subsidiary of Solectron. Callco is a corporation incorporated under the *Canada Business Corporations Act* on September 6, 2001, for the sole purpose of participating in the transaction. Callco will hold the call rights related to the exchangeable shares (other than Solectron's call right with respect to the exchangeable shares). See *The Transaction* .

Plans and Proposals

Solectron and C-MAC believe that the transaction will enable the combined companies to create a diversified designer and manufacturer of integrated electronic manufacturing solutions that can benefit from complementary high-end technology capabilities, selected vertical integration and improved access to growth opportunities. See *The Transaction* *Joint Reasons for the Transaction* .

Solectron and C-MAC intend to preserve their respective existing businesses and strategic focus, operating through Solectron, in material business segments in which Solectron and C-MAC currently operate. Solectron expects to maintain a significant presence in both Milpitas, California and Montreal, Québec. Solectron does not anticipate reductions in the workforces of the two companies directly as a result of the transaction.

Solectron and C-MAC expect that soon after the acquisition is completed plans will be put into effect that employ the *Selective Vertical Integration* (SVI) strategy. With SVI the combined company will better be able to offer global end-to-end solutions to OEM's. This should provide a key differentiator as the OEM selects potential EMS Partners.

Upon the close of the transaction Solectron intends to explore opportunities for entry into the automotive sector using C-MAC's existing component capability, established relationships, and reputation.

Solectron's strength in supply chain management will be optimized to achieve cost savings across combined company product and service offerings.

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Solectron gains another building block for high-end systems by obtaining the capability of manufacturing backplanes. Solectron also gains ability in the production of optical networking components.

Integration efforts will focus on revenue and profitability enhancement through these additional capabilities and from capturing cost savings inherent in combining public companies. Also, shared service opportunities will be investigated and implemented. Site value proposition evaluation will be undertaken to optimize the cost structure.

Directors and Officers

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The combination agreement provides that Solectron shall cause two individuals, mutually agreed upon by Solectron and C-MAC, to be elected to Solectron's board of directors and cause such individuals to be nominated for election to Solectron's board of directors at its next annual meeting of stockholders. The directors elected to Solectron's board of directors will be Dennis Wood, currently Chairman, President and Chief Executive Officer of C-MAC, and C. Wesley M. Scott, currently a director of C-MAC. Following the consummation of the transaction, Solectron's board of directors will consist of eleven members. At each Solectron annual meeting of stockholders, directors are elected for a one-year term.

The following table sets forth certain information with respect to the proposed executive officers and directors of Solectron immediately following the consummation of the arrangement and their beneficial share ownership and percentage of shares beneficially owned of Solectron on a pro forma basis:

Name	Amount Owned(1)	Approximate Percentage Owned(18)
Dennis Wood	15,066,239(2)	1.86%
Ajay B. Shah		
8,082,477(3) 1.00%		
Lin Chien		
2,695,174 *		
Dr. Koichi Nishimura		
1,336,551(4) *		
Dr. Winston H. Chen		
1,264,268(5) *		
Susan S. Wang		
1,054,089(6) *		
Charles A. Dickinson		
369,856(7) *		
Dr. Saeed Zohouri		
214,652(8) *		
Dr. Paul R. Low		
210,268(9) *		
Daniel Perez		
145,026(10) *		
Dr. Kenneth E. Haughton		
131,268(11) *		
Richard A. D. Amore		
114,268(12) *		
Kevin R. Burns		
102,575(13) *		
Heinz Fridrich		
80,268(14) *		
David Kynaston		
70,147(15) *		
Osamu Yamada		
48,268(16) *		
William A. Hasler		
42,268(17) *		
C. Wesley M. Scott		
1,755 *		
Kiran Patel		
0 *		
All directors and executive officers as a group (19 persons)		
31,029,417 3.82%		

* Less than one percent (1%).

(1) Beneficial ownership is determined in accordance with the rules of the United States Securities and Exchange Commission and generally includes voting or investment power with respect to the securities. In computing the number of shares beneficially owned by a person and

the percentage ownership of that person, shares of Solectron common stock subject to options held by that person that will be exercisable within 60 days of July 31, 2001, are deemed outstanding. Such shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

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- (2) Based on the number of C-MAC shares held by Mr. Wood as of July 31, 2001. Includes 844,200 shares of C-MAC issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (3) Includes 5,250 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (4) Includes 960,013 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (5) Includes 114,268 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (6) Includes 478,550 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (7) Includes 66,268 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (8) Includes 214,652 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (9) Includes 114,268 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (10) Includes 142,349 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (11) Includes 114,268 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (12) Includes 114,268 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (13) Includes 96,817 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (14) Includes 76,268 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (15) Includes 70,147 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (16) Includes 47,268 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (17) Includes 30,268 shares issuable upon the exercise of stock options that are exercisable within 60 days of July 31, 2001.
- (18) Based on the projected number of shares of Solectron common stock that would be outstanding after taking into account the approximate number of shares to be issued pursuant to the C-MAC transaction. Includes shares of Solectron common stock outstanding as of July 31, 2001 and shares of Solectron common stock to be issued based on the number of C-MAC common shares outstanding as of August 8, 2001.

Mr. Dennis Wood is a co-founder of C-MAC. It is intended that Mr. Wood will become a director of Solectron on or about the effective time of the arrangement. Mr. Wood has been a director of C-MAC since 1985 and has been Chairman of the Board of Directors and President since 1987 and Chief Executive Officer since 1992. Prior to joining C-MAC, Mr. Wood managed numerous businesses, including Berkeley Wallcoverings Inc. Mr. Wood is a director of General Trust of Canada, Maax Inc., Groupe Bocenor, Inc., Investissements Novacap Inc., Blue Mountain Wallcoverings Inc. and Export Development Corporation.

Mr. Ajay B. Shah has served as President and Chief Executive Officer of Solectron Technology Solutions since 1999. Prior to Solectron, Mr. Shah served as the President and Chief Executive Officer at SMART Modular Technologies, Inc. since 1988. Mr. Shah co-founded SMART Modular Technologies,

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Inc. Prior to launching SMART, Mr. Shah held strategic marketing management and product line management positions at Samsung Semiconductor, Inc., and at Advanced Micro Devices.

Mr. Lin Chien has served as Solectron's Senior Vice President and President of Solectron Asia since September 1, 2001. Prior to Solectron, Mr. Chien served as Chief Executive Officer of NatSteel Electronics Ltd (NEL) since 1993. Prior to NEL, Mr. Chien held a variety of operational, engineering and management positions with General Instruments of Taiwan, General Electric and SCI Systems.

Dr. Koichi Nishimura has served as Chairman of the Board since 1996, Chief Executive Officer since 1992 and President since 1990. He was Co-Chief Executive Officer from 1991 to 1992 and Chief Operating Officer from 1988 to 1991. He was elected a director of the Board of Directors of Solectron in 1991. From 1964 to 1988, Dr. Nishimura was with International Business Machines Corporation in various technology and management positions. Dr. Nishimura serves as a director on the boards of Merix Corporation, the Center for Quality Management and the Santa Fe Institute. He also serves on the advisory board of Santa Clara University's Leavey School of Business and the board of the Silicon Valley Manufacturing Group. Dr. Nishimura serves as a member of the Board of Directors in the capacity of Vice President for the Foundation for the Malcolm Baldrige National Quality Award, Inc.

Dr. Winston H. Chen is a founder of Solectron and has served as a director of Solectron since 1978, Chairman of the Board of Directors from 1990 to March 1994, President from 1979 to 1990, Chief Executive Officer from 1984 to 1991, and as Co-Chief Executive Officer from 1991 to 1992. Dr. Chen is currently Chairman of Paramitas Foundation, a position he has held since 1990. From 1970 to 1978, Dr. Chen served as Process Technology and Development Manager of IBM. He also serves as a director of Intel Corporation.

Ms. Susan S. Wang has served as Senior Vice President of Business Development since September 1, 2001 and as Secretary since 1992. Ms. Wang served as Senior Vice President and Chief Financial Officer of Solectron from 1990 through August 31, 2001. She was Vice President, Finance and Chief Financial Officer of Solectron from 1986 to 1990 and Director of Finance of Solectron from 1984 to 1986. Prior to joining Solectron, Ms. Wang held various accounting and finance positions with Xerox Corporation. Ms. Wang also held accounting and auditing positions with Westvaco Corp. and Price Waterhouse & Co. She is a Certified Public Accountant.

Mr. Charles A. Dickinson has served as a director of Solectron since 1984, and served as Chairman of the Board of Directors from 1986 to 1990 and from 1994 to September 1996. He served as an independent management consultant to Solectron from 1991 to 1993. He served as President, Solectron Europe, from 1993 to February 1996. From 1986 to 1990, Mr. Dickinson was Chairman of the Board of Directors, President and Chief Executive Officer of Vermont Micro Systems, Inc. He also serves as a director of Aavid Thermal Technologies, Inc., LeCroy Corporation and two privately-held corporations.

Dr. Saeed Zohouri has served as Senior Vice President and Chief Operating Officer of Solectron since June 1999. He was Chief Technology Officer from 1994 to May 1999; President of Solectron California Corporation from March 1996 to August 1998; and President, Solectron North America since August 1998. Dr. Zohouri joined Solectron in 1980 and held various management positions including Director of Technology. His prior experience includes teaching chemistry at a major international university.

Dr. Paul R. Low has served as a director of Solectron 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 IBM Corporate Vice President; President of General Products Division; and General Manager, Technology Products business line, also serving on IBM's corporate management board. He also serves as a director of Applied Materials, Inc., Veeco Instruments, Inc., NCD and Xion.

Mr. Daniel Perez has served as Senior Vice President of Worldwide Account Management and Marketing since 1999. Mr. Perez was Corporate Vice President and Chief Administrative Officer from

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1996 to 1999. Mr. Perez joined Solectron in 1991 as Director of Materials, and was soon named Vice President of Materials for Solectron's California facility. He became the General Manager of Solectron's Fremont, California, printed circuit board assembly operation in 1995 and assumed his current role in 1996. Prior to joining Solectron, Mr. Perez spent 14 years with IBM Corporation in various management positions in corporate administration, manufacturing, materials planning, and acquisition and control. Most recently, he was Senior Manager for Supply and Demand at IBM's disk storage business. Mr. Perez also serves as a director of the Tech Museum of Innovation, the California State Center for Quality Education and Development, the Mexican Heritage Corporation, the Center for Training and Careers in San Jose, California, and El Teatro Campesino.

Dr. Kenneth E. Haughton has served as a director of Solectron since 1985. Since 1991, Dr. Haughton has been an independent consultant. From 1990 to 1991, he was Vice President of Engineering at Da Vinci Graphics. From 1989 to 1990, Dr. Haughton was an independent consultant, and from 1982 to 1989, he served as Dean of Engineering at Santa Clara University. He also serves as a director of Seagate Technology.

Mr. Richard A. D. Amore has served as a director of Solectron since 1985. Mr. D. Amore has been a general partner of North Bridge Venture Partners since 1994. He also serves as a director of Centra Software, Inc., Silverstream Software, Inc., SmarterKids.com, Inc. and Veeco Instruments, Inc.

Mr. Kevin R. Burns was recently appointed to Senior Vice President and Chief Materials Officer. He joined Solectron in 1998 as Corporate Vice President of Global Materials Services. Prior to joining Solectron, Mr. Burns worked for Westinghouse Electric Corporation, where he was the Vice President and General Manager of operations for the Power Generation division. In a prior role at Westinghouse, Mr. Burns was President of Westinghouse Security Systems. Prior to Westinghouse, he was with McKinsey & Company Inc. and General Electric Corporation.

Mr. Heinz Fridrich has served as a director of Solectron since April 1996. He has been a member of the faculty of the University of Florida since 1993. From 1950 to 1993, Mr. Fridrich held a number of manufacturing and operations management positions in Europe and the United States with IBM. He also serves as a director of CH Energy Group, Inc. and Veeco Instruments, Inc.

Mr. David Kynaston has served as Corporate Vice President and President of Solectron Europe since he joined Solectron in 1996. Mr. Kynaston worked for Philips Electronics for the previous 15 years in various capacities, including Managing Director of Philips Mullard Ltd. subsidiary, Managing Director of the Business Communications Systems Division and most recently, Managing Director of the Private Mobile Radio Division. Prior to joining Philips Electronics, Mr. Kynaston held senior technical management positions at EMI Medical Ltd. and Cambridge Scientific Instruments Ltd.

Mr. Osamu Yamada has served as a director of Solectron since 1994. Mr. Yamada has been an independent international business consultant since November 1996. From October 1991 to November 1996, Mr. Yamada served as an advisor to The Mitsubishi Bank, Limited and the Bank of Tokyo/ Mitsubishi. From 1990 to 1991, he was Chairman and Chief Executive Officer of BankCal Tri-State Corporation, a wholly owned subsidiary of The Mitsubishi Bank, Limited. From 1987 to 1990, he was Senior Managing Director of The Mitsubishi Bank, Limited, and in an overlapping period from 1985 to 1990, he was also Chairman, President and Chief Executive Officer of Bank of California. Prior to 1985, he held a number of key management positions with The Mitsubishi Bank, Limited organization. Mr. Yamada currently serves on a number of boards of major universities and cultural centers.

Mr. William A. Hasler has served as a director of Solectron since May 1998. Mr. Hasler is currently co-chief executive officer of Apton Corporation, an international biotechnology firm. Prior to joining Apton, he was Dean and Department Chair of the Haas School of Business at the University of California, Berkeley. He currently serves as a director of The Schwab Funds, Walker Interactive Systems, Inc., TCSI Corporation, Tenera, Inc. and DiTech Corporation. In addition, Mr. Hasler is a member of the Compensation Committee of TCSI Corporation, Tenera, Inc. and DiTech Corporation.

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Mr. C. Wesley M. Scott was appointed a director of C-MAC in May 2001. It is intended that Mr. Scott will become a director of Solectron on or about the effective time of the arrangement. Mr. Scott, a corporate director, was until March 2001, 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

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Executive Vice President (Corporate) and, since April 1997, also Chief Financial Officer of Nortel Networks.

Mr. Kiran Patel has served as Senior Vice President and Chief Financial Officer since September 1, 2001. Prior to joining Solectron, from November 2000 to May 2001, Mr. Patel served as Chief Financial Officer of iMotors, Inc., a privately held online seller of pre-owned automobiles. Prior to iMotors, Mr. Patel spent over 27 years with Cummins, Inc., a worldwide designer and manufacturer of diesel and natural gas engines, engine components and subsystems, in a variety of management roles, including Executive Vice President and Chief Financial Officer from 1996 through 2000.

Dividend Policy

It is anticipated that Solectron will not pay dividends on its outstanding shares in the foreseeable future. Decisions to pay future dividends will be made by the board of directors of Solectron and will depend on Solectron's future earnings, results of operations, capital requirements and other relevant factors.

Independent Auditors

KPMG LLP, the current auditors of Solectron, will be the independent auditors of Solectron and its subsidiaries, including Exchangeco.

Transfer Agent and Registrar

The transfer agent and registrar for the Solectron common stock in the United States is and after the completion of the arrangement will be EquiServe Trust Company, N.A. Following the completion of the arrangement, the transfer agent and registrar for the exchangeable shares of Exchangeco in Canada will be General Trust of Canada.

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BUSINESS OF SOLECTRON

Overview

Solectron provides electronics manufacturing services to original equipment manufacturers (OEMs) who design and sell networking equipment, mobile and land based telecommunications equipment, computing equipment, including workstations, notebooks, desktops and peripherals, and other electronic equipment. These OEMs include Cisco Systems, Inc. (Cisco), Compaq Computer Corporation (Compaq), Ericsson Telecom AB (Ericsson), Hewlett-Packard Company (HP), International Business Machines Corporation (IBM), Nortel Networks Limited (Nortel) and Apple Computer Inc. (Apple). These companies contract with Solectron to build their products for them or to obtain other related services from Solectron.

Solectron furnishes integrated supply-chain solutions that span the entire product life-cycle from technology solutions, to manufacturing and operations, to global services. Solectron's range of services includes:

Advanced building block design solutions;

Product design and manufacturing;

New product introduction management;

Materials purchasing and management;

Prototyping;

Printed circuit board assembly (the process of placing components on an electrical printed circuit board that controls the processing functions of a personal computer or other electronic equipment);

System assembly (for example, building complete systems such as mobile telephones and testing them to ensure functionality);

Distribution;

Product repair; and

Warranty services.

Providing these services to Solectron's customers allows them to remain competitive by focusing on their core competencies of sales, marketing, and research and development. Solectron has manufacturing facilities in the Americas, Europe and Asia/ Pacific. This geographic presence gives Solectron's customers access to manufacturing services in the locations close to their expanding markets for faster product delivery.

Solectron was originally incorporated in California in August 1977. In February 1997, Solectron was reincorporated in Delaware. Solectron's principal executive offices are located at 777 Gibraltar Drive, Milpitas, California 95035. Solectron's telephone number is (408) 957-8500 and Internet address is www.soletron.com.

The information contained within this overview of Solectron's business is qualified in its entirety by, and is subject to, Solectron's historical consolidated financial statements and notes thereto attached to this document as Annex J and the information in the sections of this document entitled "Solectron Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Consolidated Financial Data - Solectron Selected Consolidated Financial Data". For financial information about industry segments see note 5 of the Solectron Condensed Consolidated Financial Statements in Annex J.

Industry Overview

Solectron is well recognized for its printed circuit board (PCB) assembly business. Solectron continues to lead in this industry and has grown into a global supply-chain facilitator, expanding its

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capabilities across the entire product cycle to include: product design, pre-production planning, new product introduction (NPI) management, manufacturing, distribution, and end-of-life product service and support. Solectron is benefiting from increased worldwide market acceptance of, and reliance upon, the use of outsourcing manufacturing services by many electronics OEMs. Solectron expects the trend toward outsourcing manufacturing to continue for many reasons including the following:

Faster Time to Market: Due to intense competitive pressures in the electronics industry, OEMs are facing increasingly shorter product life-cycles and therefore have a growing need to reduce the time required to bring a product to market. OEMs can reduce the time to market by using Solectron's manufacturing expertise and infrastructure. OEMs can further reduce the time to market by partnering with Solectron at the stages of product design and product improvement to expedite the transition into large volume production in its manufacturing centers.

Reduce Investment: As electronic products have become more technologically advanced and are shipped in greater unit volumes, the necessary investment required for internal product design, manufacturing, and end-of-line support services by OEMs has increased significantly for working capital, capital equipment, labor, systems and infrastructure. Solectron, a global supply-chain facilitator, enables OEMs to gain access to its worldwide advanced technology facilities including NPI centers, manufacturing and depot repair facilities. As a result, OEMs can substantially reduce their overall resource requirements.

Focus Resources: The electronics industry is experiencing greater levels of competition and more rapid technological change. Many OEMs increasingly are seeking to focus their resources on activities and technologies that add the greatest value. By offering comprehensive electronics assembly and related manufacturing services, Solectron allows OEMs to focus on their own core competencies such as next-generation product development, sales and marketing.

Access to Leading Manufacturing Technology: Electronic products and electronics manufacturing technology have become increasingly sophisticated and complex, making it difficult for OEMs to maintain the necessary technological expertise to manufacture products internally. OEMs are motivated to work with Solectron to gain access to its expertise in interconnect, test and process technologies.

Improved Inventory Management and Purchasing Power: Electronics industry OEMs are faced with increasing difficulties in planning, procuring and managing their inventories efficiently due to frequent design changes, short product life-cycles, large investments in electronic components, component price fluctuations and the need to achieve economies of scale in materials procurement. OEMs can reduce production costs by using Solectron's volume procurement capabilities. In addition, Solectron's expertise in inventory management can provide better control over inventory levels and increase the OEMs' return on assets.

Access to Worldwide Manufacturing Capabilities: OEMs are increasing their international activities in an effort to lower costs and access foreign markets. With its worldwide capabilities, Solectron offers OEMs a variety of manufacturing location options to better address their objectives, including cost containment, compliance with local content regulations, and the elimination of expensive freight costs, tariffs and time-consuming customs clearances.

Strategy

Solectron's goal is to offer its customers significant competitive advantages of electronics outsourcing, such as access to design and product improvement, advanced manufacturing technologies, reduced overall cost, faster product time-to-market, effective asset utilization, and refined end-of-life product support services. To achieve this goal, Solectron emphasizes the following key elements:

Quality: Solectron believes product quality is a critical success factor in the electronics manufacturing market. Solectron strives to continuously improve its processes and have adopted a number of quality

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improvement and measurement techniques to monitor its performance. Solectron has received numerous superior service and quality awards, including:

Malcolm Baldrige National Quality Award in 1991 and again in 1997;

Named one of the World's Best Performers on the Information Technology 100 Listing by Business Week June 2001;

Ranked No. 2 in Semiconductors and Other Electronic Components on the Fortune 500 by Fortune April 2001;

3Com Supplies Appreciation Award;

Cisco Supplier of the year - Subcontractor/ Distributor Award;

Sun Microsystems Fiscal Year 2000 Supplier Performance Award in Recognition of Improving and Maintaining Overall Scorecard;

Hewlett-Packard Outstanding Supplier;

AFC Appreciation Award for the Highest Standard of Customer Service and Product Quality;

Agilent - In recognition of outstanding support through dedication to teamwork and quality service to E-Module Transfer Project;

Intermec Key Supplier Award;

NDS Supplier Partners Award;

Qualcomm Key Suppliers Award; and

Other numerous awards from its customers.

All of Solectron's manufacturing facilities are certified under ISO-9000 standards, which are international quality standards for design, manufacturing and distribution management systems.

Partnerships: An important element of Solectron's strategy is to establish partnerships with major and emerging OEM leaders in diverse segments across the electronics industry. Solectron's customer base consists of leaders in industry segments such as networking, telecommunications, workstations, personal computers, computer peripherals, instrumentation, semiconductor equipment and avionics. Due to the costs inherent in supporting customer relationships, Solectron focuses its efforts on customers with high potential for long-term business partnerships. Solectron's goal is to deliver a total product life cycle solution to its customers. Solectron offers OEMs NPI management, which includes design and layout, concurrent engineering, test development and prototype engineering. Solectron continues the cycle to provide solutions in manufacturing and distribution, including just-in-time delivery on low- to medium-volume turn-key, price-sensitive and high-volume production, and projects that require more value-added services. Additionally, Solectron serves OEMs that need end-of-life services such as product repair and warranty services.

Turn-key Capabilities: Another element of Solectron's strategy is to provide a complete range of manufacturing management and value-added services, including materials management, board design, concurrent engineering, assembly of complex printed circuit boards and other electronic assemblies, test engineering, software manufacturing, accessory packaging and post-manufacturing services. Solectron believes that, as manufacturing technologies become more complex and as product life-cycles shorten, OEMs will increasingly contract for manufacturing on a turn-key basis as they seek to reduce their products' time-to-market, capital asset and inventory costs. A substantial portion of Solectron's revenue is from its turn-key business. Solectron believes that its ability to manage and support large turn-key projects is a critical success factor. In addition, Solectron believes that, due to the difficulty and long lead-time required to change manufacturers, turn-key projects generally increase an OEM's dependence, resulting in greater stability of its customer base and in closer working relationships. Solectron also has been successful in establishing sole-source positions for certain products with many of its customers.

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Advanced Manufacturing Process Technology: Solectron intends to continue to offer its customers the most advanced manufacturing process technologies, including surface mount technology (SMT) and ball-grid array (BGA) assembly as well as testing and emerging interconnect technologies. Solectron has developed substantial SMT expertise including advanced, vision-based component placement equipment. Solectron believes that the cost of SMT assembly facilities and the required technical capability to operate a high-yield SMT operation are significant competitive factors in the market for electronic assembly. Solectron also has the capability to manufacture using tape-automated-bonding, chip-on-substrate and other more advanced manufacturing processes.

Diverse Geographic Operations: An additional element of Solectron's strategy is to establish production facilities in areas of high customer density or where manufacturing efficiencies can be achieved. Solectron currently has operations throughout the Americas, Europe and Asia/Pacific. Solectron believes that its facilities in these diverse geographic locations enable it to better address its customers' requirements, such as cost containment, compliance with local content regulations, and the elimination of expensive freight costs, tariffs and time-consuming customs clearances. Solectron intends to expand its operations continually as necessary to serve its existing customers and to develop new business.

International Manufacturing Capability

To achieve excellence in manufacturing, Solectron combines advanced manufacturing technology, such as computer-aided manufacturing and testing, with manufacturing techniques including just-in-time manufacturing, total quality management, statistical process control and continuous flow manufacturing. Just-in-time manufacturing is a production technique to minimize work-in-process inventory and manufacturing cycle time while enabling Solectron to deliver products to customers in the quantities and time frame required. Total quality management is a management philosophy that seeks to impart high levels of quality in every operation of Solectron and is accomplished by setting quality objectives for every operation, tracking performance against those objectives, identifying work flow and policy change