SUNTEK CORP
Form S-4/A
February 05, 2002

QuickLinks -- Click here to rapidly navigate through this document

As filed with the Securities and Exchange Commission on February 5, 2002

Registration No. 333-72992

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 5

TO

FORM S-4

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

SUNTRON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**3672**	**86-1038668**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

**2501 West Grandview Road
Phoenix, Arizona 85023
(602) 789-6600**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**JAMES K. BASS
President and Chief Executive Officer
Suntron Corporation
2501 West Grandview Road
Phoenix, Arizona 85023
(602) 789-6600**
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

**BRUCE E. MACDONOUGH, ESQ.
MICHAEL L. KAPLAN, ESQ.**
Greenberg Traurig, LLP
2375 East Camelback Road, Suite 700
Phoenix, Arizona 85016
(602) 445-8000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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 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. / /

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.

EFTC CORPORATION

February 11, 2002

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of EFTC Corporation to be held at The Wyndham Garden Hotel, 2641 W. Union Hills Drive, Phoenix, Arizona 85027 on Thursday, February 28, 2002, at 10:00 a.m., local time.

At the EFTC special meeting, stockholders will be asked to approve and adopt a proposed combination transaction between EFTC and K*TEC Electronics Holding Corporation and a related Amended and Restated Agreement and Plan of Merger dated as of May 3, 2001. Upon completion of the proposed combination:

- EFTC will become a wholly owned subsidiary of a new holding company, Suntron Corporation (formerly known as Suntek Corporation and Express EMS Corporation);

- Each outstanding share of EFTC common stock will be converted into .25 shares of Suntron common stock, resulting in EFTC stockholders receiving approximately 12,295,233 shares, or 45%, of the outstanding Suntron common stock in exchange for their EFTC stock;

- Thayer-BLUM Funding II, L.L.C., the parent of K*TEC, will also become a wholly owned subsidiary of Suntron. K*TEC will become an indirect subsidiary of Suntron; and

- Thayer-BLUM Funding III, L.L.C., the parent of Thayer-BLUM Funding II and an affiliate of EFTC's principal stockholder, will receive approximately 15,127,174 shares, or 55%, of the outstanding Suntron common stock in exchange for the outstanding membership units of Thayer-BLUM Funding II.

- Thayer-BLUM Funding III and its affiliates will own approximately 90% of the Suntron common stock outstanding after the proposed combination.

Suntron has filed an application for its common stock to be quoted on the Nasdaq National Market under the symbol "SNTX."

The board of directors of EFTC has decided that the proposed combination is fair to and in the best interests of the EFTC stockholders and unanimously recommends that you vote "FOR" the proposed combination at the special meeting. Although we face challenges due to overall softness from existing customers, we believe that the combined entity will be able to offer enhanced capabilities to our customers and increased value to our stockholders. For a more complete discussion of EFTC's reasons for the proposed combination, see pages 38 through 39.

We have enclosed our proxy statement relating to the special meeting, which also constitutes a Suntron prospectus covering the Suntron shares offered to you in exchange for your EFTC shares and the Suntron shares to be received by Thayer-BLUM in exchange for K*TEC. The proxy statement/prospectus includes important information regarding the proposed combination. Please read it carefully.

On behalf of the board of EFTC, I thank you for your support and urge you to vote for the approval of the proposed combination.

Sincerely yours,

/s/ James K. Bass

James K. Bass
President and Chief Executive Officer

Consider the risks described on pages 17 through 27 of this document.

Neither the Securities and Exchange Commission nor any state securities regulators has approved or disapproved the stock to be issued under this document or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated February 11, 2002, and is first being mailed to stockholders of EFTC on February 11, 2002.

EFTC CORPORATION

2501 West Grandview Road
Phoenix, Arizona 85023

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD FEBRUARY 28, 2002

TO THE STOCKHOLDERS OF EFTC CORPORATION:

NOTICE IS HEREBY GIVEN that EFTC Corporation will hold a special meeting of stockholders on Thursday, February 28, 2002, at The Wyndham Garden Hotel, 2641 W. Union Hills Drive, Phoenix, Arizona 85027, at 10:00 a.m., local time (including any adjournments, postponements, continuations or reschedulings thereof) for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the Amended and Restated Agreement and Plan of Merger, dated as of May 3, 2001, by and among EFTC, K*TEC Electronics Holding Corporation, Thayer-BLUM Funding II, L.L.C. and Suntron Corporation, and to approve the proposed combination of EFTC and K*TEC contemplated thereby.

2. To transact such other business, related solely to the business combination proposal, that may properly come before the special meeting or any adjournments, postponements, continuations or reschedulings thereof.

Only holders of record of EFTC common stock as of the close of business on January 24, 2002 are entitled to notice of, and to vote at, the special meeting and at any adjournment, postponement, continuation or rescheduling thereof. As of the record date there were 49,180,932 shares of EFTC common stock outstanding.

If you attend the meeting, you may vote your shares in person, which will revoke any previously executed proxy. **The affirmative vote of a majority of all votes entitled to be cast, as opposed to a majority of votes actually cast, is required to approve the merger agreement and the proposed combination. Therefore, failure to return a properly executed proxy card or to vote at the special meeting will generally have the same effect as a vote against the proposed combination.**

By Order of the Board of Directors,

/s/ James K. Bass

James K. Bass
President and Chief Executive Officer

Phoenix, Arizona
February 11, 2002

YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, SIGN AND DATE YOUR PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED POSTAGE-PREPAID ENVELOPE.

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE COMBINATION

Q:

Who are the parties to the business combination?

A:

EFTC Acquisition Corp., a wholly owned subsidiary of Suntron, will merge with and into EFTC (referred to as the EFTC Merger), and cease to exist. EFTC will remain as the surviving corporation after such merger and will be a wholly owned subsidiary of Suntron. After the business combination is completed, EFTC will reincorporate from Colorado to Delaware pursuant to another merger transaction.

K*TEC Acquisition Corp., also a wholly owned subsidiary of Suntron, will merge with and into Thayer-BLUM Funding II (referred to as the K*TEC Merger), and cease to exist. Thayer-BLUM will remain as the surviving entity after such merger and will be wholly owned by Suntron. Thayer-BLUM currently owns and will continue to own all of the outstanding capital stock of K*TEC.

Q:

What will EFTC stockholders receive?

A:

Holders of EFTC common stock will receive .25 shares of Suntron common stock for each share of EFTC common stock, plus cash instead of any fractional Suntron share.

Q:

How many EFTC shares will be converted into Suntron shares?

A:

The 49,180,932 outstanding shares of EFTC common stock, as of December 12, 2001, will be converted into about 12,295,233 shares of Suntron common stock in the proposed combination, which shares will represent about 45% of the outstanding common stock of Suntron following the proposed combination. Also, a maximum of 5,067,306 additional shares of EFTC common stock could be issued before the proposed combination upon exercise of warrants and employee and director stock options and would if so issued also be converted into shares of Suntron common stock.

Q:

Why is EFTC effecting the combination?

A:

The EFTC board of directors unanimously approved the proposed combination as fair to and in the best interests of EFTC and its stockholders. Our plan is for Suntron to build on EFTC's and K*TEC's core competencies to offer a complete array of electronic manufacturing services. We also believe that Suntron will benefit from the diversified customer and industry base, broader geographic scope, increased purchasing power and other synergies resulting from the proposed combination, as well as several years of separate, but complementary efforts by EFTC and K*TEC to develop technologies, expertise and best practices needed to take advantage of outsourcing trends by original equipment manufacturers. For a full discussion of EFTC's reasons for the proposed combination, see pages 40 through 41.

Q:

What will happen to outstanding EFTC options?

A:

Suntron will assume EFTC's stock option plans and all outstanding options. Each EFTC option will become an option to acquire shares of Suntron common stock. The terms and conditions of the replacement Suntron option will be the same as the pre-existing EFTC option it replaces. The assumed options will be exercisable for .25 shares of Suntron common stock for each EFTC share that was purchasable immediately prior to the closing of the proposed combination. The exercise price per share of each assumed option immediately after the proposed combination will be multiplied by four. Although EFTC's option plan provides that the vesting schedule of options will automatically accelerate upon a change in control, the combination does not constitute a change in control as defined in the option plan and, accordingly, the vesting schedule will not automatically accelerate.

Q:

What do I need to do now?

A:

Just indicate on your proxy card how you want to vote, sign the proxy card and mail it in the enclosed return envelope as soon as possible, so that your shares may be represented at the special meeting of EFTC stockholders. If you sign and send in your proxy card without marking a vote for or against, your proxy will be counted as a vote in favor of the proposed combination. Because approval of the proposed combination requires the affirmative vote of a majority of all votes entitled to be cast, if you do not vote, or you abstain, it will have the effect of a vote against the proposed combination.

The special meeting will take place on February 28, 2002. You may attend the meeting and vote your shares in person, rather than signing and mailing your proxy card. In addition, you may take back your proxy up to and including the day of the special meeting by following the directions on page 31 and either change your vote or attend the meeting and vote in person.

Q:

When do you expect the combination to be completed?

A:

We expect to complete the proposed combination immediately following the EFTC special meeting, subject to satisfaction or waiver of all other conditions to closing.

Q:

What is the required vote to approve the combination?

A:

Approval of the proposed combination requires the affirmative vote of the holders of a majority of the outstanding shares of EFTC common stock. Thayer-BLUM holds approximately 77% of EFTC's outstanding voting stock and has agreed to vote in favor of the proposed combination. Accordingly, stockholder approval of the proposed combination is assured regardless of the vote of any other EFTC stockholder.

Q:

If my broker holds my shares in "street name," will my broker vote my shares for me?

A:

You should instruct your broker to vote your shares according to your directions. Without instructions, your broker will not vote your shares on the combination proposal, which will have the effect of a vote against the proposed combination.

Q:

If I am not going to attend the special meeting, should I return my proxy card instead?

A:

Yes. Please fill out your proxy card and mail it to us in the enclosed return envelope as soon as possible. Returning your proxy card ensures that your shares will be represented at the special meeting.

Q:

What do I do if I want to change my vote?

A:

You should send in a later-dated, signed proxy card to EFTC's corporate secretary before the meeting or you should attend the meeting and vote in person.

Q:

Should I send in my EFTC stock certificates now?

A:

No. After the proposed combination has been completed, EFTC stockholders will receive written instructions for exchanging their EFTC stock certificates for Suntron stock certificates. Please do not send in your stock certificates with your proxy card.

Q:

Will the shares of Suntron common stock issued in the combination be listed for trading?

A:

Yes. The Suntron common stock to be issued in the proposed combination will be approved for quotation on the Nasdaq National Market under the symbol "SNTX" at the time the combination is completed.

Q:

Who can help answer my questions?

A:

If you would like additional copies of this proxy statement/prospectus or if you have questions, you can call Peter W. Harper, EFTC's Chief Financial Officer, at (602) 789-6600.

SUMMARY

This summary, together with the preceding Questions and Answers section, highlights important information contained in this proxy statement/prospectus but may not contain all of the information that may be important to you. We urge you to read carefully this entire proxy statement/prospectus and the other documents to which it refers to understand fully the proposed combination and its consequences to you. See "Where You Can Find More Information" on page 112. Certain items in this summary include a page reference directing you to a more complete description of that item elsewhere in this proxy statement/prospectus.

The Companies

EFTC (page 82)

EFTC Corporation is an electronics manufacturing services company, focusing on high-mix solutions that target the aerospace, industrial controls and instrumentation, medical, semiconductor, networking and telecommunications industries. EFTC's high-mix manufacturing focus involves processing printed circuit board assemblies in small-lots (up to 100 assemblies per production run) in a flexible manufacturing environment. EFTC's services include assembling complex printed circuit boards, cables, electromechanical devices and finished products. Headquartered in Phoenix, Arizona, EFTC employs approximately 1,600 people at seven manufacturing sites nationwide. During the year ended December 31, 2000 and the nine months ended September 30, 2001, EFTC had net sales of approximately $327.4 million and $289.4 million, respectively. EFTC had third quarter 2001 net sales of $84.1 million, an approximately 14% decrease from second quarter 2001 net sales of $97.8 million. In addition, in November 2001 EFTC announced its expectation that net sales for the fourth quarter of 2001 might decline up to 40% sequentially from third quarter 2001 net sales. The principal executive offices of EFTC are located at 2501 West Grandview Road, Phoenix, Arizona 85023, and its telephone number is (602) 789-6600.

K*TEC (page 86)

K*TEC Electronics Holding Corporation is a privately held electronic manufacturing services company that provides vertically integrated electronic manufacturing services and products primarily to original equipment manufacturers in the semiconductor capital equipment and networking segments. K*TEC employs approximately 1,100 people at manufacturing sites located in Fremont, California and Austin and Sugar Land, Texas. K*TEC had pro forma net sales of approximately $421.3 million for the year ended December 31, 2000, and net sales of $200.3 million for the nine months ended September 30, 2001. K*TEC had third quarter 2001 net sales of $50.2 million, an approximately 16% decrease from second quarter 2001 net sales of $59.4 million. In addition, in December 2001 EFTC announced K*TEC's expectation that net sales for the fourth quarter of 2001 might decline up to 45% sequentially from third quarter 2001 net sales. The principal executive offices of K*TEC are located at 1111 Gillingham Lane, Sugar Land, Texas 77478, and its telephone number is (281) 243-5440.

Suntron (page 52)

Suntron Corporation (formerly known as Express EMS Corporation) is a wholly owned subsidiary of EFTC formed solely to effect the proposed combination with K*TEC. Suntron has had no operations to date. Suntron's audited financial statement is included in this proxy statement/prospectus beginning on page F-3. In the combination, each of EFTC and K*TEC will combine all of its business operations with Suntron and become indirect wholly owned subsidiaries of Suntron. The principal executive offices of Suntron are located at 2501 West Grandview Road, Phoenix, Arizona 85023 and its telephone number is (602) 789-6600.

Thayer-BLUM

Thayer-BLUM Funding, L.L.C. is an entity established by affiliates of Thayer Capital Partners and BLUM Capital Partners to acquire a controlling interest in EFTC through a series of transactions in March to August 2000, and is controlled solely by such affiliates. These entities in turn are controlled by Thayer Capital Partners and BLUM Capital Partners.

Thayer-BLUM Funding II, L.L.C. is an entity established by affiliates of Thayer Capital Partners and BLUM Capital Partners to acquire K*TEC in October 2000 and is controlled solely by such affiliates. These entities in turn are controlled by Thayer Capital Partners and BLUM Capital Partners.

Thayer-BLUM Funding III, L.L.C. is an entity established by affiliates of Thayer Capital Partners and BLUM Capital Partners to hold membership interests in Thayer-BLUM Funding II, L.L.C. and is controlled solely by such affiliates. These entities in turn are controlled by Thayer Capital Partners and BLUM Capital Partners.

Thayer Capital Partners is a private equity investment firm based in Washington, DC. Thayer manages two private equity funds with more than $1.2 billion under management. The firm focuses on leveraged buyouts and growth equity investments in the business service and growth manufacturing industries.

BLUM Capital Partners is a San Francisco-based private equity and strategic block investment firm, which manages in excess of $4.0 billion in capital both domestically and internationally. BLUM has invested in a wide variety of businesses and has been successful initiating value-enhancing strategies, including going-private transactions, equity infusions to either restructure a balance sheet or provide growth capital, share repurchases, acquisition programs, and business unit divestitures.

The Special Meeting (page 28)

The EFTC special meeting will be held at The Wyndham Garden Hotel, 2641 W. Union Hills Drive, Phoenix, Arizona, 85027 on Thursday, February 28, 2002 at 10:00 a.m., local time. At the special meeting, you will be asked to approve and adopt the merger agreement and approve the proposed combination.

Recommendation to EFTC Stockholders Concerning the Combination (page 40)

The board of directors of EFTC believes that the proposed combination is fair to you and in your best interests and unanimously recommends that you vote "FOR" the proposal to approve and adopt the merger agreement and approve the combination.

Record Date; Voting Power (page 28)

You are entitled to vote at the meeting if you owned shares of EFTC common stock as of the close of business on January 24, 2002, the record date for the special meeting.

On the record date, there were 49,180,932 shares of EFTC common stock allowed to vote at the special meeting. EFTC stockholders will have one vote for each share of EFTC common stock they owned at the record date.

Votes Required for the Combination (page 28)

Stockholders holding at least a majority of the shares of EFTC common stock outstanding on the record date must vote to approve and adopt the merger agreement and approve the proposed combination. Thayer-BLUM holds approximately 77% of EFTC's outstanding voting stock and has agreed to vote in favor of the proposed combination. Accordingly, stockholder approval of the proposed combination is assured regardless of the vote of any other EFTC stockholder.

Thayer-BLUM's Ownership of EFTC (page 28)

On the record date, Thayer-BLUM Funding, L.L.C. beneficially owned and was allowed to vote 37,851,343 shares of EFTC common stock, constituting approximately 77% of the shares of EFTC common stock outstanding on the record date.

Thayer-BLUM Funding, L.L.C., in its capacity as a stockholder of EFTC, has executed a Stockholder Agreement with EFTC and Suntron in which it has agreed to vote its EFTC common stock "FOR" adoption and approval of the merger agreement and approval of the proposed combination. Please refer to page 67 for more information on the Stockholder Agreement.

The Merger Agreement (page 59)

The merger agreement is summarized on pages 59 through 66 and attached as Appendix A to this proxy statement/prospectus. We encourage you to read the merger agreement. It is the legal document governing the proposed combination.

To effect the proposed combination:

- EFTC Acquisition Corp., a wholly owned subsidiary of Suntron, will merge with and into EFTC, and cease to exist. EFTC will remain as the surviving corporation after such merger and will be a wholly owned subsidiary of Suntron. After the proposed combination is completed, EFTC will reincorporate from Colorado to Delaware through another merger transaction.

- K*TEC Acquisition Corp., also a wholly owned subsidiary of Suntron, will merge with and into Thayer-BLUM Funding II, and cease to exist. Thayer-BLUM will remain as the surviving entity after such merger and will be wholly owned by Suntron. Thayer-BLUM currently owns and will continue to own all of the outstanding capital stock of K*TEC.

The diagram below illustrates the relationship of the parties before and after the combination.

What EFTC Stockholders Will Receive (page 59)

You will receive .25 shares of Suntron common stock for each share of common stock of EFTC. You should not send in your stock certificates until instructed to do so after the proposed combination is completed.

As more fully described in "The Combination Negotiations," beginning on page 35, there was a $20 million distribution from K*TEC to Thayer-BLUM that resulted in an adjustment to the number of Suntron shares to be issued in exchange for membership interests in Thayer-BLUM Funding II.

Ownership of Suntron Following the Combination (page 46)

In the proposed combination, and by reason of its ownership of approximately 77% of EFTC and 100% of K*TEC, Thayer-BLUM will receive and own approximately 90% of the Suntron common stock outstanding after the proposed combination. Other EFTC stockholders will receive and own approximately 10% of the Suntron common stock outstanding after the proposed combination. Because the exact number of shares to be issued depends on the number of EFTC shares and EFTC options and warrants outstanding at closing, we will not be able to provide exact share amounts until then. However, based on the number of EFTC shares of common stock and EFTC options and warrants outstanding as of October 11, 2001, as well as the number of outstanding K*TEC options, we anticipate that Suntron will have approximately 27,422,407 shares of common stock outstanding, and options and warrants outstanding to purchase 1,906,769 shares of common stock immediately after the proposed combination.

Federal Income Tax Consequences (page 47)

The exchange of shares by you is intended to be tax-free to you for federal income tax purposes. To review the tax consequences to you in greater detail, see pages 47 through 50.

Tax matters are very complicated, and the tax consequences of the proposed combination to you will depend in part on the facts of your own situation. You should consult your tax advisors for a full understanding of the tax consequences of the proposed combination to you.

Opinion of EFTC's Financial Advisor (page 40)

JPMorgan H&Q, a division of Chase Securities, Inc., has delivered to the special committee of the board of directors of EFTC its written opinion stating that, as of the date of the opinion and based upon and limited by matters stated in the opinion, the exchange ratio reflected in the merger agreement was fair, from a financial point of view, to the holders of EFTC common stock other than Thayer-BLUM and its affiliates. The written opinion was delivered to the special committee on May 4, 2001 and speaks only as of that date. As of that date, the trading price of EFTC common stock was $3.15, and as of February , the most practicable date prior to the mailing of this proxy statement/prospectus, the trading price of EFTC common stock closed at $. The full text of the written opinion of JPMorgan H&Q, which states the assumptions made, matters considered and limits on the review undertaken, is attached as Appendix C to this proxy statement/prospectus. We urge EFTC's stockholders to read the opinion carefully.

Projections of K*TEC's and EFTC's Management

As more fully described in "Risk Factors Risks Relating to the Combination The assumptions underlying the fairness opinion obtained by the Special Committee may no longer be valid," the actual financial performance of K*TEC and EFTC has fallen significantly short of the forecasted performance furnished to JPMorgan H&Q in connection with the fairness opinion. Events occurring after the date of JPMorgan H&Q's opinion could materially affect the assumptions used in preparing the opinion, and JPMorgan H&Q undertakes no duty or obligation and has no duty or obligation to update or amend its opinion to the special committee or otherwise advise the special committee, or any other party or person of the occurrence of any such events.

Accounting Treatment (page 50)

As a transaction involving entities under the common control of Thayer-BLUM, the proposed combination will be accounted for in a manner similar to the pooling-of-interests method of accounting. See "Pro Forma Combined Financial Statements" beginning on page F-67 for additional information related to the combination.

Listing of Suntron Stock (page 62)

The Suntron common stock to be issued in connection with the proposed combination will be approved for quotation on the Nasdaq National Market under the trading symbol "SNTX" at the time the combination is completed.

Comparison of Stockholders' Rights (page 68)

The rights of EFTC stockholders currently are governed by Colorado law and EFTC's articles of incorporation and bylaws. EFTC stockholders will receive Suntron common stock in the proposed combination, and their rights as Suntron stockholders will be governed by Delaware law and Suntron's certificate of incorporation and bylaws, which differ in material respects from Colorado law and EFTC's articles of incorporation and bylaws.

Resales of Suntron Common Stock (page 51)

The shares of Suntron common stock to be issued in the proposed combination have been registered under the Securities Act of 1933 and therefore may be resold without restriction by all former stockholders of EFTC who are not deemed to be "affiliates" of either EFTC or K*TEC. An affiliate who receives shares of Suntron common stock in the combination would be unable to resell an unlimited number of shares in the absence of registration of such resales under the Securities Act or the availability of an exemption from such registration.

Agreement Not to Solicit Other Acquisition Proposals (page 61)

Each of EFTC and K*TEC has agreed that it will not solicit, initiate or encourage any inquiries or proposals that constitute, or could reasonably be expected to lead to, a merger, consolidation, business combination, sale of substantial assets, sale of capital stock or similar transaction.

Fees and Expenses (page 65)

In general, whether or not the proposed combination is completed, EFTC and K*TEC will each pay its own fees and expenses.

Conditions to the Closing of the Combination (page 64)

EFTC and K*TEC will complete the proposed combination only if they satisfy or (in some cases) waive several conditions, including the following:

- the holders of at least a majority of the outstanding EFTC common stock approve the merger agreement and the proposed combination;
- any governmental or regulatory requirements necessary to consummate the proposed combination are fulfilled;
- review, if any, of this proxy statement/prospectus is completed by the SEC and the registration statement, of which this proxy statement/prospectus is a part, is effective under the Securities Act of 1933 and Suntron has received all required state securities laws authorizations;
- the shares of Suntron common stock to be issued in the proposed combination are approved for quotation on the Nasdaq National Market;
- the representations and warranties of each party contained in the merger agreement continue to be true and correct in all material respects, and each party has performed in all material respects all of its obligations under the merger agreement; and
- each party has received an opinion of counsel to the effect that the proposed combination will be treated as a tax-free transaction.

Circumstances Where the Parties Can Terminate the Merger Agreement (page 65)

EFTC and Thayer-BLUM Funding II can jointly agree to terminate the merger agreement at any time without completing the proposed combination. In addition, either company can terminate the merger agreement under various circumstances, including if:

- the proposed combination has not been completed by March 31, 2002 (and a breach by the company wanting to terminate is not the cause of the failure to close);
- a court or governmental agency has taken a final action that prevents the proposed combination from occurring;

- the other party fails to perform any material covenant or agreement or there shall have been one or more breaches of the other party's representations and warranties in the merger agreement that together cause a material adverse effect and the breaches have not been cured after notice; or

- EFTC has failed to receive the necessary approval of EFTC stockholders.

No Appraisal Rights for EFTC Stockholders (page 51

EFTC is incorporated under Colorado law. Pursuant to Colorado law, holders of EFTC common stock do not have rights to an appraisal of the value of their shares of EFTC common stock in connection with the proposed combination.

Board of Directors and Management of Suntron Following the Combination (page 52)

Upon consummation of the proposed combination, the board of directors of Suntron will consist of nine members, all of whom currently serve on the board of EFTC. The Chairman of the Board of Suntron will be Jeffrey W. Goettman, currently Chairman of each of the EFTC board and K*TEC board.

James K. Bass, currently President and Chief Executive Officer of EFTC, will become President and Chief Executive Officer of Suntron. The other officers of Suntron will consist of current officers of EFTC and K*TEC. Peter W. Harper, currently the Chief Financial Officer of EFTC, will become Chief Financial Officer of Suntron; Michael Eblin, currently the Senior Vice President of Operations of EFTC, will become a Vice President of Suntron and President of EFTC; and R. Michael Gibbons, currently the President and Chief Executive Officer of K*TEC, will become a Vice President of Suntron and remain as the President of K*TEC.

All officers of Suntron will hold office at the pleasure of the board of directors and until their successors have been duly elected and qualified, unless sooner removed. Any officer may be removed at any time by the board, subject to any severance rights contained in their employment agreements.

Interests of Certain Persons in the Combination and Possible Conflicts of Interest (page 46)

In considering the recommendation of EFTC board of directors that the merger agreement be adopted, EFTC stockholders should be aware that a number of EFTC affiliates have interests in the proposed combination that are, or may be, different from the interests of other EFTC stockholders. They include the following:

- Both EFTC and K*TEC are controlled by affiliates of Thayer-BLUM, and such affiliates will beneficially own approximately 90% of the outstanding shares of Suntron common stock following the proposed combination. In addition, affiliates of Thayer-BLUM are parties to management and consulting agreements with EFTC and K*TEC. Upon consummation of the proposed combination, such existing arrangements will terminate, Suntron will enter into a new

management and consulting agreement with Thayer-BLUM that provides for the payment of $0.75 million in annual fees to Thayer-BLUM. In addition, K*TEC will pay affiliates of Thayer-BLUM a one-time fee of approximately $0.75 million for providing a variety of services and administrative support to K*TEC in connection with the proposed combination.

- Upon completion of the proposed combination, Suntron will assume EFTC's obligations under EFTC's employee and director stock option plans, so that the outstanding EFTC options will become options to purchase Suntron shares in a number and at an exercise price adjusted to reflect the exchange ratio for the proposed combination.

Market Price Information

EFTC common stock is traded on the Nasdaq National Market under the symbol "EFTC." On May 2, 2001, the last trading day before the parties publicly announced the execution of the merger agreement, the last reported sale price of EFTC common stock was $3.35.

On February , 2002, the last trading day before the date of this proxy statement/prospectus, the last reported sale price of EFTC common stock was $.

EFTC Summary Selected Financial Data
(in thousands, except per share data)

We are providing the following information concerning EFTC to aid you in your analysis of the financial aspects of the proposed combination. EFTC derived this information from its audited consolidated financial statements for the fiscal years ended December 31, 1996 through December 31, 2000 and its unaudited consolidated financial statements for the nine months ended September 30, 2000 and 2001. This information is only a summary and should be read in conjunction with EFTC's consolidated financial statements and accompanying notes beginning on Page F-7 and EFTC Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 91. Results of operations for the nine months ended September 30, 2001 are not indicative of the results for the full year. See "Risk Factors EFTC and K*TEC have each experienced declining net sales, and we expect fourth quarter net sales to decline."

	Year Ended December 31,					Nine Months Ended September 30,	
	1996	**1997**	**1998**	**1999**	**2000**	**2000**	**2001**
Statement of Operations Data:							
Net sales	$ 60,910	$ 122,079	$ 226,780	$ 221,864	$ 327,444	$ 225,751	$ 289,409
Gross profit (loss)	4,633	19,913	26,199	(8,028)	15,959	6,801	30,245
Operating income (loss)	(2,009)	6,655	(2,793)	(44,072)	(19,811)	(22,329)	15,191
Net income (loss)	(1,618)	3,421	(4,178)	(73,703)	(25,013)	(25,257)	12,234
Net income (loss) per share applicable to common stockholders diluted	(.28)	.38	(.31)	(4.74)	(1.72)	(1.75)	.30
Other Financial Data:							
EBITDA(a)(c)	(657)	10,580	3,747	(57,765)	(7,042)	(11,664)	20,674
Adjusted EBITDA(b)(c)	634	9,424	7,937	(27,363)	166	(4,699)	21,827
Cash provided (used) by:							
Operating activities	(508)	(29,414)	(18,181)	(9,873)	(67,526)	(67,235)	41,428
Investing activities	(1,837)	(42,074)	(21,924)	17,752	7,682	7,271	(4,799)
Financing activities	2,049	72,958	38,851	(7,786)	59,171	59,304	(36,602)

	December 31, 1996	**December 31, 1997**	**December 31, 1998**	**December 31, 1999**	**December 31, 2000**	**September 30, 2001**
Balance Sheet Data:						
Working capital	$ 9,284	$ 43,634	$ 59,037	$ 26,232	$ 72,037	$ 55,156
Total assets	24,037	148,825	190,666	131,129	159,572	122,965
Total debt	5,917	44,959	54,983	42,994	90,652	
Total stockholders' equity	13,850	75,221	94,979	21,278	14,205	86,388

(a) EBITDA represents net income (loss) before interest expense, income taxes, depreciation and amortization. EBITDA is presented because we believe it is an indicator of our ability to incur and service debt and to fund capital expenditures. It is also used by our lenders in determining compliance with certain financial covenants.

(b) Adjusted EBITDA represents EBITDA excluding recapitalization and merger transaction costs, severance, retention, closure and relocation costs, impairment of long-lived assets, litigation settlement and gain (loss) on sale of assets. Adjusted EBITDA is presented because it excludes charges and gains that we believe are not indicative of the core operating performance of the Company. We primarily use this data in conjunction with other industry and market indicators when we evaluate the Company's future prospects for purposes of setting performance goals.

(c) The primary measure of operating performance is net income (loss). EBITDA and Adjusted EBITDA should not be construed as alternatives to net income (loss), determined in accordance with generally accepted accounting principles, or GAAP, as an indicator of operating performance, as a measure of liquidity or as an alternative to cash flows from operating activities determined in accordance with GAAP. We believe the presentation of these additional financial performance indicators is beneficial to investors since they provide an additional perspective from which to evaluate the Company. In addition, the measure of EBITDA and adjusted EBITDA presented herein by EFTC may not be comparable to other similarly titled measures of other companies.

Quarterly Data:

The following table sets forth unaudited quarterly operating data for each of the seven quarters ended September 30, 2001. In the opinion of EFTC's management, these data have been prepared substantially on the same basis as the audited EFTC financial statements appearing elsewhere in this proxy statement/prospectus, and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the data. However, EFTC's operating results have fluctuated significantly in the past and EFTC expects that they will continue to fluctuate in the future. Future fluctuations may be a result of a variety of factors, including the timing and amount of orders EFTC receives from its customers. See "Risk Factors Our results of operations will be affected by a variety of factors, which could cause our results of operations to fail to meet expectations and our stock price to decline," and " EFTC and K*TEC have each experienced declining net sales, and we expect fourth quarter net sales to decline."

	Quarter Ended						
	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000	April 1, 2001	July 1, 2001	September 30, 2001
Net sales	$ 63,526	$ 75,944	$ 86,281	$ 101,693	$ 107,486	$ 97,839	$ 84,084
Gross profit (loss)	1,329	(276)	5,767	9,139	9,910	11,173	9,162
Gross profit margin	2.1%	(0.4)%	6.7%	9.0%	9.2%	11.4%	10.9%

K*TEC Summary Selected Financial Data
(in thousands)

We are providing the following information concerning K*TEC to aid you in your analysis of the financial aspects of the proposed combination. Prior to its October 10, 2000 acquisition by Thayer-BLUM, K*TEC was a division of Kent Electronics Corporation. The following information has been derived from (1) K*TEC's unaudited financial statements as of and for the fiscal years ended March 29, 1997 and March 28, 1998, (2) K*TEC's audited financial statements as of and for the fiscal years ended April 3, 1999 and April 1, 2000, and the period April 2, 2000 through October 9, 2000, (3) Thayer-BLUM Funding II's audited consolidated financial statements as of and for the period ended December 31, 2000, (4) K*TEC's unaudited financial statements for the nine months ended September 30, 2000, and (5) Thayer-BLUM Funding II's unaudited consolidated financial statements as of and for the nine months ended September 30, 2001. This information is only a summary and you should read it in conjunction with K*TEC's and Thayer-BLUM Funding II's financial statements and accompanying notes beginning on page F-35 and K*TEC Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 104. Results of operations for the nine months ended September 30, 2001 are not indicative of the results for the full year. See "Risk Factors EFTC and K*TEC have each experienced declining net sales, and we expect fourth quarter net sales to decline." The financial statements of K*TEC prior to its October 10, 2000 acquisition by Thayer-BLUM Funding II are presented on a different basis of accounting than the subsequent consolidated financial statements of Thayer-BLUM Funding II, and, therefore, are not comparable in all respects. The financial statements of Thayer-BLUM Funding II reflect the impact of purchase accounting adjustments to reflect the acquisition of K*TEC.

Predecessor Company						Successor Company	
Fiscal Year Ended:							
March 29, 1997	March 28, 1998	April 3, 1999	April 1, 2000	Period from April 2, 2000 to October 9, 2000	Nine Months Ended September 30, 2000	Period from September 14, 2000 to December 31, 2000(a)	Nine Months Ended September 30, 2001

	Predecessor Company							
Statement of Operations Data:								
Net sales	$ 177,704	$ 241,099	$ 174,255	$ 249,402	$ 215,163	$ 276,605	$ 135,686	$ 200,327
Gross profit (loss)	40,397	46,529	(520)	12,885	16,614	21,804	8,694	(20,097)
Operating income (loss)	29,492	32,784	(12,132)	168	4,657	7,075	1,514	(36,715)
Net income (loss)	18,377	20,078	(8,581)	(93)	2,880	4,181	466	(40,509)
Other Financial Data:								
EBITDA(b)(d)	34,492	39,353	(1,912)	11,639	10,922	16,393	6,302	(21,730)
Adjusted EBITDA(c)(d)	34,492	39,353	(2,021)	11,658	10,922	16,412	8,602	(19,450)
Cash provided (used) by:								
Operating activities	N/A	3,903	12,877	(7,041)	(34,742)	(33,684)	(16,536)	5,610
Investing activities	N/A	(27,752)	(12,343)	(4,238)	(3,315)	(4,593)	(179,110)	(9,092)
Financing activities	N/A	23,849	(534)	11,279	38,057	38,277	229,766	(30,274)

	March 29, 1997	March 28, 1998	April 3, 1999	April 1, 2000	December 31, 2000	September 30, 2001
Balance Sheet Data:						
Working capital	$ 41,788	$ 68,315	$ 59,017	$ 78,195	$ 144,379	$ 75,974
Total assets	115,203	158,074	155,553	178,659	375,873	241,935
Total debt					62,202(e)	52,230(f)
Owner's equity	93,845	137,772	128,657	139,843	230,466	169,957

(a) Thayer-BLUM Funding II was organized on September 14, 2000, but conducted no operations until its acquisition of K*TEC on October 10, 2000.

(b) EBITDA represents net income (loss) before interest expense, income taxes, depreciation and amortization. EBITDA is presented because we believe it is an indicator of our ability to incur and service debt and to fund capital expenditures. It is also used by our lenders in determining compliance with certain financial covenants.

(c) Adjusted EBITDA means EBITDA excluding acquisition expenses, merger costs and gain (loss) on sale of equipment. Adjusted EBITDA is presented because it excludes charges and gains that we believe are not indicative of the core operating performance of the Company. We primarily use this data in conjunction with other industry and market indicators when we evaluate the Company's future prospects for purposes of setting performance goals.

(d) The primary measure of operating performance is net income (loss). EBITDA and adjusted EBITDA should not be construed as alternatives to net income (loss), determined in accordance with GAAP, as an indicator of operating performance, as a measure of liquidity, or as an alternative to cash flows from operating activities determined in accordance with GAAP. We believe the presentation of these additional financial performance indicators is beneficial to investors since they provide an additional perspective from which to evaluate the Company. In addition, the measure of EBITDA and adjusted EBITDA presented herein by K*TEC may not be comparable to other similarly titled measures of other companies.

(e) Includes notes payable of $50.0 million and $12.2 million issued in connection with Thayer-BLUM Funding II's October 10, 2000 acquisition of K*TEC. See Note 2 of Thayer-BLUM Funding II's consolidated financial statements included elsewhere in this proxy statement/prospectus.

(f) Includes a note payable of $12.2 million issued in connection with Thayer-BLUM Funding II's October 10, 2000 acquisition of K*TEC. As more fully described in Note 2 of Thayer-BLUM Funding II's consolidated financial statements included elsewhere in this proxy statement/prospectus, $18.6 million of the purchase price is subject to a dispute, which is expected to be settled through arbitration proceedings.

Quarterly Data:

The following table sets forth unaudited operating data for the period from January 2, 2000 through September 30, 2001. In the opinion of K*TEC's management, these data have been prepared substantially on the same basis as the audited K*TEC and Thayer-BLUM Funding II consolidated financial statements appearing elsewhere in this proxy statement/prospectus, and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the data. However, K*TEC's operating results have fluctuated significantly in the past and K*TEC expects that they will continue to fluctuate in the future. Future fluctuations may be a result of a variety of factors, including the timing and amount of orders K*TEC receives from its customers. See "Risk Factors Our results of operations will be affected by a variety of factors, which could cause our results of operations to fail to meet expectations and our stock price to decline," and " EFTC and K*TEC have each experienced declining net sales, and we expect fourth quarter net sales to decline."

	Predecessor Company				Successor Company			
	Quarter Ended			Period from October 1, 2000 to October 9, 2000	Period from September 14, 2000 to December 31, 2000(a)	Quarter Ended		
	April 1, 2000	July 1, 2000	September 30, 2000			April 1, 2001	July 1, 2001	September 30, 2001
Net sales	$ 70,401	$ 91,814	$ 114,390	$ 8,959	$ 135,686	$ 90,657	$ 59,437	$ 50,233
Gross profit (loss)	5,141	9,115	7,548	(49)	8,694	(1,666)	(10,080)	(8,351)
Gross profit margin	7.3%	9.9%	6.6%	(0.5)%	6.4%	(1.8)%	(17.0)%	(16.6)%

(a) Thayer-BLUM Funding II was organized on September 14, 2000, but conducted no operations until its acquisition of K*TEC on October 10, 2000.

Summary Pro Forma Financial Data
(in thousands, except per share data)

The following unaudited summary pro forma combined financial data have been prepared to give effect to the proposed combination accounted for in a manner similar to the pooling-of-interests method of accounting. The pro forma combined statement of operations also gives effect to the acquisition of K*TEC by Thayer-BLUM Funding II as if it had occurred on January 1, 2000.

The unaudited summary pro forma combined statement of operations data give effect to the proposed combination as if it had occurred on January 1, 2000. For purposes of the unaudited summary pro forma combined statements of operations for the year ended December 31, 2000, EFTC's consolidated statements of operations for the year ended December 31, 2000 have been combined with K*TEC's consolidated statements of operations for the quarter ended April 1, 2000 and the period from April 2, 2000 through October 9, 2000, and Thayer-BLUM Funding II's consolidated statements of operations for the period from September 14, 2000 through December 31, 2000. The unaudited summary pro forma combined balance sheet data gives effect to the proposed combination as if it had occurred on September 30, 2001.

The information set forth below is only a summary and should be read together with the Suntron unaudited pro forma combined financial statements and accompanying notes contained elsewhere in this proxy statement/prospectus beginning on page F-67. The following table should also be read in conjunction with the historical consolidated financial statements of Suntron, EFTC, K*TEC and Thayer-BLUM Funding II included elsewhere in this proxy statement/prospectus beginning on page F-3.

These pro forma amounts are not necessarily indicative of the results of operations of the combined company that would have actually occurred had we completed the combination on January 1, 2000 or of the financial condition of the combined company had we completed the combination on September 30, 2001 or of the future results of operations or financial condition of the combined company. See "Risk Factors EFTC and K*TEC have each experienced declining net sales, and we expect fourth quarter net sales to decline."

	Year Ended December 31, 2000	Nine Months Ended September 30, 2001
Pro Forma Combined Statement of Operations Data:		
Net sales	$ 748,694	$ 489,736
Operating loss	(17,389)	(21,524)
Net loss	(28,266)	(28,275)
Loss applicable to common stockholders	(30,738)	(28,825)
Diluted loss per share applicable to common stockholders	(1.61)	(1.25)
Number of shares used for computation	19,122,000	22,981,000

		September 30, 2001
Pro Forma Combined Balance Sheet Data:		
Working capital	$	130,130
Total assets		363,796
Total debt		52,265
Stockholders' equity		254,843

COMPARATIVE PER SHARE INFORMATION

The following table sets forth the historical net income (loss) and book value per share of EFTC in comparison with our unaudited pro forma combined net loss and book value per share after giving effect to the proposed combination of EFTC and K*TEC, assuming that .25 shares of Suntron are issued in exchange for one share of EFTC common stock and 15,127,174 shares of Suntron are issued in exchange for all outstanding membership interests in Thayer-BLUM Funding II. You should read this information in conjunction with the historical audited and unaudited financial statements of Suntron, EFTC, K*TEC and Thayer-BLUM Funding II included elsewhere in this proxy statement/prospectus beginning on page F-3. The pro forma combined per share information is also derived from, and should also be read in conjunction with, the unaudited pro forma combined financial information beginning on page F-67. The unaudited pro forma combined information does not purport to represent what the actual results of operations of the combined company would have been had the proposed combination been completed on January 1, 2000 or of the financial condition of the combined company had we completed the proposed combination on September 30, 2001. Comparative per share data and pro forma statement of operations information are not presented for periods prior to 2000 because common control of EFTC and K*TEC did not exist before October 10, 2000.

		As of and for the Year Ended December 31, 2000		As of and for the Nine Months Ended September 30, 2001
Suntron Pro Forma Combined				
Diluted loss per share applicable to common stockholders	$	(1.61)	$	(1.25)
Dividends per common share(1)				
Book value per common share at September 30, 2001				9.37
EFTC equivalent diluted loss per share applicable to common stockholders(2)		(0.40)		(0.31)
EFTC equivalent book value per common share at September 30, 2001(2)				2.34
EFTC Historical				
Diluted net income (loss) per share applicable to common stockholders	$	(1.72)	$	0.30
Dividends per common share(1)				
Book value per common share	$	(0.03)(3)		1.79

(1) EFTC has never declared or paid cash dividends on its common stock. Suntron's dividend policy will be set by its board of directors, but we do not anticipate that Suntron will pay any cash dividends on its common stock for the foreseeable future.

(2) The EFTC equivalent per share information is calculated by adjusting the Suntron pro forma per share information for the exchange ratio of .25.

(3)

At December 31, 2000, EFTC's historical book value per common share was a negative $0.03 per share. Giving retroactive effect to the May 31, 2001 issuance of 8,157,000 shares of common stock in exchange for convertible preferred stock and 22,904,000 shares of common stock in exchange for senior subordinated convertible notes outstanding at December 31, 2000, EFTC's pro forma book value per common share would have been $1.56. Because of the significance of the May 31, 2001 conversion of debt and preferred stock to EFTC's capitalization, we believe the pro forma book value per share provides a more meaningful comparison. See Note 12 of EFTC's consolidated financial statements included elsewhere in this proxy statement/prospectus. Following is the

calculation of the historical and pro forma book value per common share (in thousands, except book value per share):

	Common Shares Outstanding	Shareholders' Equity	Book Value Per Share
Balances, December 31, 2000	15,933	$ 14,205	
Less liquidation preference of convertible preferred stock		14,683	
Book value per common share	15,933	(478)	$ (.03)
Give effect to May 31, 2001 issuances:			
Convertible preferred stock	8,157	14,683	
Convertible notes	22,904	59,093	
Pro forma book value per share	46,994	$ 73,298	$ 1.56

RISK FACTORS

You should carefully consider the risk factors described below together with all of the other information included in this proxy statement/prospectus. If any of these risks actually occur, our business, financial condition and results of operations would likely suffer and the trading price of our common stock could fall. In addition, the following factors could cause our actual results to differ materially from those projected in our forward-looking statements, whether made in this proxy statement/prospectus, annual or quarterly reports to stockholders, future press releases, SEC filings or orally, whether in presentations, responses to questions or otherwise.

Risks Relating to the Combination

Our inability to successfully integrate our operations may adversely affect our ability to realize the anticipated benefits of the proposed combination.

The success of the proposed combination will depend on our ability to unite EFTC's business strategies and technologies with those of K*TEC. The difficulties of combining EFTC's operations with those of K*TEC include the necessity of coordinating geographically separated organizations and integrating personnel with diverse business backgrounds. Combining management from EFTC and K*TEC will result in changes affecting all employees and operations. Differences in management approach and corporate culture may strain employee relations. The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of the combined businesses and the loss of key personnel. We may encounter difficulties in the process of integrating the businesses of EFTC and K*TEC, which could adversely affect our ability to realize the anticipated benefits of the proposed combination, including expected synergies from cost-cutting initiatives and cross-selling of products and services across customers and geographic regions. The diversion of management's attention and any delays or difficulties encountered in connection with the proposed combination and the integration of the two operations could have an adverse effect on our business, financial condition, results of operations or prospects after the proposed combination.

The business combination may result in a loss of customers and employees, which could harm our results of operations.

The announcement and completion of the proposed combination could cause certain of EFTC's or K*TEC's customers to either seek alternative sources of product supply or service, or delay or change orders for products due to uncertainty over the integration of the two companies or the strategic position of the combined company. As a result, we may experience some customer attrition following the proposed combination. Any customer attrition could harm our results of operations. Difficulties in integrating the operations of EFTC and K*TEC, including the uncertainty related to organizational changes, could also negatively affect employee morale and result in the loss of key employees. We may not be able to retain EFTC's and K*TEC's key management, sales, marketing and technical personnel. Any steps taken by us to address customer and employee attrition may not be effective, and this attrition could negatively affect our results of operations.

Executive officers and directors who are asking you to approve the proposed combination have potential conflicts of interest because they will receive additional benefits in the combination.

Stockholders should be aware of potential conflicts of interest and the benefits available to executive officers and directors when considering the decision of the EFTC board of directors to approve the proposed combination. As discussed under "The Business Combination Interests of Certain Persons in the Combination and Potential Conflicts of Interest," beginning on page 46, executive officers and directors of EFTC will be executive officers and directors of Suntron following the proposed combination and will derive economic benefits that are different from, or in addition to, your interests as stockholders. Executive officers and directors of EFTC who hold options to purchase

EFTC common stock will receive options to acquire Suntron common stock in exchange upon completion of the combination. In addition, Messrs. Goettman, McCormick, Medeiros and Walker are directors of EFTC and are affiliated with Thayer-BLUM, which owns 77% of the outstanding EFTC common stock and will own approximately 90% of the outstanding common stock of Suntron following the combination. Thayer-BLUM will also receive a fee of $0.75 million from K*TEC upon consummation of the business combination and will enter into a new management and consulting agreement with Suntron to replace its existing agreements with EFTC and K*TEC. Neither the EFTC board of directors nor the special committee appointed by EFTC's board to evaluate the merits of and negotiate the terms and conditions of the combination considered any other potential transactions other than the proposed combination.

The assumptions underlying the fairness opinion obtained by the Special Committee may no longer be valid.

JPMorgan H&Q delivered its written fairness opinion to the Special Committee on May 4, 2001. As of that date, the trading price of EFTC common stock was $3.15, and as of February , the most practicable date prior to the mailing of this proxy statement/prospectus, the trading price of EFTC common stock closed at $. In preparing the opinion, JPMorgan H&Q relied on financial analyses and forecasts. The projections furnished to JPMorgan H&Q for EFTC and K*TEC were based on numerous assumptions that were inherently uncertain and may be beyond the control of EFTC's and K*TEC's management. Moreover, actual results since the preparation of such projections have varied and could continue to vary significantly from those set forth in the projections. For example, although a slight increase in K*TEC's net sales was projected by K*TEC's management for calendar year 2001 compared to 2000, actual net sales decreased significantly through the first nine months of 2001 compared to the comparable period in 2000, and K*TEC's management expects a further significant decrease in the fourth quarter of 2001. In addition, neither EFTC nor K*TEC currently expects that it will achieve the forecasted 2002 operating results previously provided to JPMorgan H&Q. Neither the Board nor the Special Committee has sought an updated opinion from JPMorgan.

The following table sets forth the extent to which K*TEC's operating results have fallen short of forecasts, based on both historical unaudited operating data for K*TEC and the forecasted data furnished to JPMorgan H&Q. Events occurring after the date of JPMorgan's opinion could materially affect the assumptions used in preparing the opinion, and JPMorgan H&Q undertakes no duty or obligation and has no duty or obligation to update or amend its opinion to the special committee or otherwise advise the special committee, or any other party or person of the occurrence of any such events.

	Quarter Ended	
	July 1, 2001	**September 30, 2001**
Net sales	(27.4)%	(55.0)%
Gross profit	(25,946.2)%	(216.3)%
Operating income	(166.9)%	(874.8)%
Net income	(157.2)%	(4,737.3)%
EBITDA	(595.0)%	(236.0)%

K*TEC is currently in the process of compiling its operating results for the fourth quarter of 2001. However, in December 2001, EFTC announced K*TEC's expectation that net sales for the fourth quarter of 2001 might decline up to 45% sequentially from net sales for the third quarter of 2001. Based on this expectation, K*TEC's operating results for the fourth quarter of 2001 would fall short of the forecasted data furnished to JPMorgan H&Q by 80.6%.

The following table sets forth the extent to which EFTC's operating results have fallen short of forecasts, based on both historical unaudited operating data for EFTC and the forecasted data furnished to JPMorgan H&Q. Events occurring after the date of JPMorgan's opinion could materially affect the assumptions used in preparing the opinion, and JPMorgan H&Q undertakes no duty or obligation and has no duty or obligation to update or amend its opinion to the special committee or otherwise advise the special committee, or any other party or person of the occurrence of any such events.

	Quarter Ended	
	July 1, 2001	**September 30, 2001**
Net sales	(1.8)%	(15.9)%
Gross profit	0.3%	(21.0)%
Operating income	7.4%	(16.5)%
Net income	6.0%	(6.6)%
EBITDA	16.4%	(12.7)%

EFTC is in the process of compiling its operating results for the fourth quarter of 2001. However, in November 2001, EFTC announced its expectation that net sales for the fourth quarter of 2001 might decline up to 40% sequentially from net sales for the third quarter of 2001. Based on this expectation, EFTC's operating results for the fourth quarter of 2001 would fall short of the forecasted data furnished to JPMorgan H&Q by 48.6%.

Risks Relating to our Business

EFTC and K*TEC have each experienced declining net sales, and we expect fourth quarter net sales to decline.

EFTC recently reported third quarter 2001 net sales of approximately $84.1 million, an approximately 14% decrease from second quarter 2001 net sales of $97.8 million. See "EFTC Summary Selected Financial Data Recent Developments" on page 10. In addition, in November 2001 EFTC announced its expectation that net sales for the fourth quarter of 2001 might decline up to 40% sequentially from third quarter 2001 net sales.

K*TEC recently reported third quarter 2001 net sales of $50.2 million, an approximately 16% decrease from second quarter 2001 net sales of $59.5 million. In December 2001, EFTC announced K*TEC's expectation that net sales for the fourth quarter of 2001 might decline up to 45% sequentially from third quarter 2001 net sales. Due to the uncertainty in the markets served by many of EFTC's and K*TEC's customers, we cannot provide guidance beyond the fourth quarter of 2001 with any degree of certainty.

We are dependent on the aerospace industry, and recent terrorist attacks may negatively impact our results of operations.

EFTC's principal customer is engaged in the aerospace market. See " We are dependent upon a small number of customers for a large portion of our net sales, and a decline in sales to major customers would harm our results of operations." Consequently, a significant percentage of our net sales will be derived from the aerospace segment of the electronics industry, and a significant decline in the aerospace market could have a negative impact on our results of operations. The recent terrorist attacks on the World Trade Center in New York and the Pentagon in Washington, D.C. using hijacked commercial aircraft have been highly publicized. The impacts that these events may have on the aerospace segment in the short term are reflected in our reduced net sales guidance for the fourth quarter of 2001. See " EFTC and K*TEC have each experienced declining net sales, and we expect fourth quarter net sales to decline." The long-term impact is not known at this time, but may include reduced demand for products of our aerospace customers, which would have a negative impact on our results of operations.

We are dependent upon the electronics industry and excess capacity or decreased demand for products produced by this industry could result in increased price competition as well as a decrease in our gross margins and unit volume sales.

Our business is heavily dependent on the electronics industry. A significant percentage of our net sales are generated from the industrial controls and instrumentation, medical equipment, semiconductor capital equipment, networking and telecommunications equipment segments of the electronics industry, which is characterized by intense competition, relatively short product life-cycles and significant fluctuations in product demand. Furthermore, these segments are subject to economic cycles and have experienced in the past, and are likely to experience in the future, recessionary periods. A recession or any other event leading to excess capacity or a downturn in these segments of the electronics industry could result in intensified price competition as well as a decrease in our gross margins and unit volume sales.

We are dependent upon a small number of customers for a large portion of our net sales, and a decline in sales to major customers would harm our results of operations.

A small number of customers will be responsible for a significant portion of our net sales. Sales to Honeywell represented approximately 73% of EFTC's 2000 net sales and approximately 82% of net sales for the nine months ended September 30, 2001. Sales to Applied Materials represented approximately 46% of K*TEC's pro forma net sales for the year ended December 31, 2000 and approximately 38% of net sales for the nine months ended September 30, 2001. Sales to Emulex represented 21% of K*TEC's pro forma net sales for the year ended December 31, 2000 and 26% of net sales for the nine months ended September 30, 2001. Sales to Honeywell, Applied Materials and Emulex represent 32%, 26% and 12%, respectively, of our pro forma combined net sales for the 12 months ended December 31, 2000 and 48%, 16% and 11%, respectively, for the nine months ended September 30, 2001. We expect a significant portion of our net sales will continue to be generated by a small number of customers.

Our customer concentration could increase or decrease depending on future customer requirements, which will depend in large part on market conditions in the electronics industry segments in which our customers participate. The loss of one or more major customers or a decline in sales to our major customers could significantly harm our business and results of operations and lead to declines in the price of our common stock.

If we are not able to expand our customer base, we will continue to depend upon a small number of customers for a significant percentage of our net sales. Despite existing contractual arrangements, there can be no assurance that current customers, including Honeywell, Applied Materials and Emulex, or future customers will not terminate their manufacturing arrangements with us or significantly change, reduce or delay the amount of manufacturing services ordered from us.

In addition, we generate significant accounts receivable in connection with providing services to our customers. If one or more of our significant customers were to become insolvent or were otherwise unable or unwilling to pay for our services, our results of operations would be harmed.

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

Electronics manufacturing service providers must provide increasingly rapid product turnaround for their customers. EFTC and K*TEC generally do not, and we do not expect to, obtain firm, long-term purchase commitments from our customers, and we expect to continue to experience reduced lead-times in customer orders. Customers may cancel their orders, change production quantities or

delay production for a number of reasons. Cancellations, reductions or delays by a significant customer or by a group of customers would seriously harm our results of operations. We purchase inventory based on customer forecasts and firm purchase orders, which we may be forced to write off to the extent customer orders are changed or cancelled. In addition, we may be forced to hold excess inventories and incur carrying costs as a result of delays, cancellations or reductions in orders or poor forecasting by our key customers.

In addition, we make significant decisions, including determining the levels of business that we seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on estimates of customer requirements. The short-term nature of our customers' commitments and the possibility of rapid changes in demand for their products reduces our ability to estimate accurately future customer requirements. In addition, because many of our costs and operating expenses are relatively fixed, a reduction in customer demand could harm our gross margins and operating income. Conversely, customers may on occasion require rapid increases in production, which can stress our resources and reduce margins, and we may not have sufficient capacity at any given time to meet our customers' demands.

Our results of operations will be affected by a variety of factors, which could cause our results of operations to fail to meet expectations and our stock price to decline.

EFTC's and K*TEC's results of operations have varied and, following the proposed combination, our results of operations may continue to fluctuate significantly from period to period, including on a quarterly basis. Our results of operations will be affected by a number of factors, including:

- timing of orders from and shipments to major customers;
- mix of products ordered by major customers;
- volume of orders as related to our capacity at individual locations;
- pricing and other competitive pressures;
- component shortages, which could cause us to be unable to meet customer delivery schedules;
- our ability to minimize inventory obsolescence and bad debt expense risk;
- our ability to manage effectively inventory and fixed asset levels;
- our ability to time expenditures in anticipation of future sales; and
- timing and level of goodwill amortization or asset impairments.

Our results of operations can also be significantly influenced by development and introduction of new products by our customers. From time to time, we may experience changes in the volume of sales to our principal customers, and results of operations may be affected on a period-to-period basis by these changes. See " Our customers may cancel their orders, change production quantities or delay production." Our results of operations for the first quarter of 2002 may also be adversely affected by the recognition of transitional impairment losses upon the initial application of recently issued accounting standards. See "K*TEC Management's Discussion and Analysis of Financial Condition and Results of Operations Impact of Recently Issued Accounting Statements." Results of operations in any period should not be considered indicative of the results to be expected for any future period. In addition, fluctuations in results of operations may also result in fluctuations in the price of our common stock.

Our level of indebtedness could adversely affect our financial health, and the restrictions imposed by the terms of our debt instruments may severely limit our ability to plan for or respond to changes in our business.

As of September 30, 2001, on a pro forma basis after giving effect to the combination, we would have had indebtedness of approximately $52.2 million. In addition, subject to the restrictions under our various debt agreements, we may incur significant additional indebtedness from time to time to finance acquisitions or capital expenditures or for other purposes.

Our level of debt could have negative consequences. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to repayment of debt, limiting the availability of cash for other purposes;
- increase our vulnerability to adverse general economic conditions by making it more difficult to borrow additional funds to maintain our operations if we suffer revenue shortfalls;
- limit our ability to attract new customers if we do not have sufficient liquidity to meet working capital needs;
- hinder our flexibility in planning for, or reacting to, changes in our business and industry by preventing us from borrowing money to upgrade our equipment or facilities; and

limit or impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or general corporate purposes.

If we are unable to respond to rapid technological change and process development, we may not be able to compete effectively.

The market for our products and services is characterized by rapidly changing technology and continual implementation of new production processes. The future success of our business will depend in large part upon our ability to maintain and enhance our technological capabilities, to develop and market products that meet changing customer needs and to successfully anticipate or respond to technological changes on a cost-effective and timely basis. We expect that the investment necessary to maintain our technological position will increase as customers make demands for products and services requiring more advanced technology on a quicker turnaround basis. We may not be able to borrow additional funds in order to respond to technological changes as quickly as our competitors.

In addition, the electronics manufacturing services industry could encounter competition from new or revised manufacturing and production technologies that render existing manufacturing and production technology less competitive or obsolete. We may not be able to respond effectively to the technological requirements of the changing market. If we need new technologies and equipment to remain competitive, the development, acquisition and implementation of those technologies and equipment may require us to make significant capital investments.

We are dependent on limited and sole source suppliers for electronic components and may experience component shortages, which would cause us to delay shipments to customers, resulting in potential declines in net sales and results of operations.

We are dependent on certain suppliers, including limited and sole source suppliers, to provide critical electronic components and other materials for our operations. At various times, there have been shortages of some of the electronic components we use, and suppliers of some components have lacked sufficient capacity to meet the demand for these components. For example, from time to time, some components used by EFTC and K*TEC, including semiconductors, capacitors and resistors, have been subject to shortages, and suppliers have been forced to allocate available quantities among their customers. Such shortages have disrupted EFTC's and K*TEC's operations in the past, which resulted in incomplete or late shipments of products to EFTC's and K*TEC's customers. Our inability to obtain

any needed components during future periods of allocations could cause delays in shipments to our customers. The inability to make scheduled shipments could in turn cause us to experience a shortfall in revenue. We could also experience negative customer goodwill due to the delay in shipment. Component shortages may also increase our cost of goods due to premium charges we may pay to purchase components in short supply. Accordingly, even though component shortages have not had a lasting negative impact on EFTC or K*TEC, component shortages could harm our results of operations for a particular fiscal period due to the resulting revenue shortfall or cost increases and could also damage customer relationships over a longer-term period.

If we experience excess capacity due to variability in customer demand, our gross margins may fall.

We may schedule certain of our production facilities at less than full capacity to retain our ability to respond to additional quick turnaround orders. However, if these orders are not made, we may forego some production and could experience excess capacity. When we experience excess capacity, our sales revenue may be insufficient to fully cover our fixed overhead expenses and our gross margins will fall. Conversely, we may not be able to capture all potential revenue in a given period if our customers' demands for quick turnaround services exceed our capacity during that period.

Our inability to expand our Web-based supply chain management system could negatively impact our future competitiveness.

Our future success depends in part on our ability to rapidly respond to changing customer needs by scaling operations to meet customers' requirements, shift capacity in response to product demand fluctuations, procure materials at advantageous prices, manage inventory and effectively distribute products to our customers. In order to continue to meet these customer requirements, we have developed a Web-based supply chain management system that enables us to collaborate with our customers on product content and to process engineering changes. We are currently implementing an enhanced version of our existing system, which will include real-time communications between our customers across all of our facilities. Our inability to expand this Web-based system, or delays or defects in such expansion could negatively impact our ability to manage our supply chain in an efficient and timely manner to meet customer demands, which could adversely affect our competitive position and negatively affect our ability to be competitive in the electronics manufacturing services industry.

We may expand our business into new products and services and may not be able to compete effectively with other companies who have been in these businesses longer than we have.

In the future, we may broaden our service offerings by providing new products and services. If we do this, we will likely compete with companies that have substantially greater financial and manufacturing resources than we have and who have been providing these services longer than we have. We may not be able to compete successfully on this basis with more established competitors.

Our industry is extremely competitive.

The electronics manufacturing services industry is extremely competitive and includes hundreds of companies. The contract manufacturing services we provide are available from many independent sources, and we compete with numerous domestic and foreign electronic manufacturing services firms, including Solectron Corporation; SMTC Corporation; Benchmark Electronics, Inc.; Pemstar, Inc.; Plexus Corp.; Group Technologies Corporation; Sanmina Corporation; Flextronics International Ltd.; ACT Manufacturing, Inc.; Manufacturers Services, Ltd.; Celestica Inc; Jabil Circuit, Inc. and others. Many of such competitors are more established in the industry and have substantially greater financial, manufacturing or marketing resources than us. We may be operating at a cost disadvantage as compared to our competitors that have greater direct buying power from component suppliers, distributors, and raw material suppliers and have lower cost structures. In addition, certain of our

---

competitors have broader geographic presence, including manufacturing facilities in foreign countries. We believe that the principal competitive factors in our targeted market are quality, reliability, ability to meet delivery schedules, technological sophistication, geographic location and price. We also face competition from our current and potential customers, who are continually evaluating the relative merits of internal manufacturing versus contract manufacturing for various products.

In recent years, many participants in our industry have substantially expanded their manufacturing capacity. If overall demand for electronics manufacturing services decreases, this increased capacity could result in substantial pricing pressures, which could seriously harm our operating results.

We may be subject to risks associated with acquisitions, and these risks could harm our results of operations and cause our stock price to decline.

We anticipate that, after the combination, we may seek to identify and acquire suitable businesses in the electronics manufacturing services industry. Acquisitions of companies and businesses and expansion of operations involve certain risks, including the following:

- the potential inability to successfully integrate acquired operations and businesses or to realize anticipated synergies, economies of scale or other value;
- diversion of management's attention;
- difficulties in scaling up production and coordinating management of operations at new sites;
- the possible need to restructure, modify or terminate customer relationships of the acquired business;
- loss of key employees of acquired operations; and
- the potential liabilities of the acquired businesses.

Accordingly, we may experience problems in integrating the operations associated with any future acquisition. We therefore cannot assure you that any future acquisition will result in a positive contribution to our results of operations. In particular, the successful combination with any businesses we acquire in the future will require substantial effort from each company, including the integration and coordination of sales and marketing efforts. The diversion of the attention of management and any difficulties encountered in the transition process, including the interruption of, or a loss of momentum in, the activities of any business acquired, problems associated with integration of management information and reporting systems, and delays in implementation of consolidation plans, could harm our ability to realize the anticipated benefits of any future acquisition. Any failure to realize the anticipated benefits of our acquisitions could harm our business and results of operations, and could cause the price of our common stock to decline. In addition, future acquisitions may result in dilutive issuances of equity securities, the incurrence of additional debt, large one-time write-offs and the creation of goodwill or other intangible assets that could result in increased amortization or impairment expense. These factors could harm our business and results of operations and cause the price of our common stock to decline.

Products we manufacture may contain design or manufacturing defects, which could result in reduced demand for our services and liability claims.

We manufacture products to our customers' specifications, which are highly complex and may contain design or manufacturing errors or failures despite our quality control and quality assurance efforts. Defects in the products we manufacture, whether caused by a design, manufacturing or component failure or error, may result in delayed shipments, customer dissatisfaction, or a reduction or cancellation of purchase orders. If these defects occur either in large quantities or too frequently, our business reputation may be impaired. Because our products are used in products that are integral to our customers' businesses, errors, defects or other performance problems could result in financial or

other damages to our customers, for which we may be legally required to compensate them. Product liability litigation against us, even if it were unsuccessful, would be time consuming and costly to defend.

Our management team has not worked together as a combined unit, which may make it more difficult to conduct and grow our business.

Our management team has not worked together as a combined unit. In addition, EFTC's senior management team has only been working together since July 2000 after the completion of the initial stage of EFTC's recapitalization by Thayer-BLUM. If our management team cannot successfully work together, we may not be able to execute our business strategy or compete effectively. Any failure to manage the combined operations of EFTC and K*TEC could harm our business and limit our ability to realize the anticipated benefits of the combination.

Our major stockholder will control us and could prevent a change of control or other business combination.

Following the business combination, Thayer-BLUM will own approximately 90% of our common stock, and four of our nine directors will be representatives of Thayer-BLUM. The interests of Thayer-BLUM may not always coincide with those of our other stockholders, particularly if Thayer-BLUM decides to sell its controlling interest. In addition, Thayer-BLUM will have sufficient voting power (without the approval of Suntron's other stockholders) to elect the entire Board of Directors of Suntron and, in general, to determine the outcome of various matters submitted to stockholders for approval, including fundamental corporate transactions. Thayer-BLUM could cause us to take actions that we would not consider absent Thayer-BLUM's influence, or could delay, deter or prevent a change of control or other business combination that might otherwise be beneficial to our public stockholders.

Our major stockholder could affect a "short form" merger without the approval of other stockholders.

Following the business combination, Thayer-BLUM will own approximately 90% of our common stock. Thayer-BLUM could contribute its Suntron stock to a newly formed subsidiary corporation which, as a 90% stockholder, would have the ability under Delaware law to merge with or into Suntron without the approval of the other Suntron stockholders. In the event of such a "short-form" merger, Suntron stockholders would have the right to assert appraisal/dissenters' rights to receive cash in the amount of the fair market value of their shares in lieu of the consideration they would have otherwise received from the transaction.

Our inability to manage our growth successfully may divert our resources and harm our results of operations.

Our future results of operations will be affected by our ability to manage expected growth successfully. Our future results may also be impacted by our ability to execute future acquisitions and integrate the operations of acquired companies with our operations. Any further growth is likely to continue to place a significant strain on our managerial, operational, financial and other resources. This growth will require us to implement additional management information systems, to further develop our operating, administrative, financial and accounting systems and controls and to maintain close coordination among our accounting, finance, sales and marketing and customer service and support departments. In addition, we may be required to retain additional personnel to adequately support our growth. If we cannot effectively manage our expanding operations, we may not be able to continue to grow, or we may grow at a slower pace. Any failure to successfully manage growth and to develop financial controls and accounting and operating systems or to add and retain personnel that adequately support growth could harm our business and financial results.

We may need additional capital in the future and it may not be available on acceptable terms, or at all.

We may need to raise additional funds for the following purposes:

- to fund our operations;
- to fund any growth we experience;
- to enhance or expand the range of services we offer;
- to increase our promotional and marketing activities; or
- to respond to competitive pressures or perceived opportunities, such as investment, acquisition and international expansion activities.

If such funds are not available when required or on acceptable terms, our business and financial results could suffer.

Our manufacturing processes depend on the collective industry experience of our employees. If these employees were to leave and take this knowledge with them, our manufacturing processes may suffer and we may not be able to compete effectively.

We have no patent or trade secret protection for our manufacturing processes, but instead rely on the collective experience of our employees to ensure that we continuously evaluate and adopt new technologies in our industry. Although we are not dependent on any one employee or a small number of employees, if a significant number of our employees involved in our manufacturing processes were to leave our employment and we are not able to replace these people with new employees with

comparable experience, our manufacturing processes may suffer as we may be unable to keep up with innovations in the industry. As a result, we may not be able to continue to compete effectively.

We depend on our key personnel and may have difficulty attracting and retaining skilled employees.

Our future success will depend to a significant degree upon the continued contributions of our key management, marketing, technical and operational personnel, including James K. Bass, our President and Chief Executive Officer. There can be no guarantee that current employees of EFTC or K*TEC will remain our employees following the combination. In addition, we do not have employment agreements with any of our key employees, except Mr. Bass. The loss of the services of one or more key employees could have a material adverse effect on our results of operations. We also believe that our future success will depend in large part upon our ability to attract and retain additional highly skilled management, technical, marketing, product development, operational personnel and consultants. Competition for such personnel is intense. There can be no assurance that we will be successful in attracting and retaining such personnel. In addition, recent and potential future facility shutdowns and workforce reductions by EFTC and K*TEC may have a negative impact on employee recruiting and retention.

Our failure to comply with the requirements of environmental laws could result in fines and revocation of permits necessary to our manufacturing processes.

Our operations are regulated under a number of federal, state and foreign environmental and safety laws and regulations that govern, among other things, the discharge of hazardous materials into the air and water, as well as the handling, storage and disposal of such materials. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act, as well as analogous state and foreign laws. Compliance with these environmental laws is a major consideration for us because our manufacturing processes use and generate materials classified as hazardous such as ammoniacal etching solutions, copper and nickel. In addition, because we use hazardous materials and generate hazardous wastes in our manufacturing processes, we may be subject to potential financial liability for costs associated with the investigation and remediation of our own sites, or sites at which we have arranged for the disposal of hazardous wastes, if such sites become contaminated. Even if we fully comply with applicable environmental laws and are not directly at fault for the contamination, we may still be liable. The wastes we generate include spent ammoniacal etching solutions, solder stripping solutions and hydrochloric acid solutions containing palladium; waste water which contains heavy metals, acids, cleaners and conditioners; and filter cake from equipment used for on-site waste treatment. Neither K*TEC nor EFTC have incurred significant costs related to compliance with environmental laws and regulations in the prior three years, and we believe that EFTC's and K*TEC's operations substantially comply with all applicable environmental laws. However, any material violations of environmental laws by us could subject us to revocation of our effluent discharge and other environmental permits. Any such revocations could require us to cease or limit production at one or more of our facilities, negatively impacting our net sales and causing our common stock price to decline. Even if we ultimately prevail, environmental lawsuits against us would be time consuming and costly to defend.

Environmental laws could also become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with violation. We operate in environmentally sensitive locations and are subject to potentially conflicting and changing regulatory agendas of political, business and environmental groups. Changes or restrictions on discharge limits, emissions levels, or material storage, handling or disposal might require a high level of unplanned capital

investment or relocation. It is possible that environmental compliance costs and penalties from new or existing regulations may harm our business, financial condition and results of operations.

We may be exposed to intellectual property infringement claims by third parties that could be costly to defend, could divert management's attention and resources and, if successful, could result in liability.

We could be subject to legal proceedings and claims for alleged infringement of third party proprietary rights, such as patents, from time to time in the ordinary course of business. In certain cases, we may find it necessary or desirable to license or otherwise acquire rights to intellectual property held by others. For example, in February 2000, EFTC settled a dispute with the Lemelson Foundation by entering into a license agreement that required EFTC to make payments totaling approximately $160,000 over 18 months. Other similar disputes could arise in the future. These disputes could be costly to defend and could also result in the diversion of management time and attention. In addition, adverse determinations in any proceedings could require us to pay monetary damages and could also result in loss of intellectual property rights. In the event we were able to settle disputes through licensing or similar arrangements, the costs of these licenses could be substantial. Accordingly, future disputes regarding intellectual property rights could harm our business, financial condition and results of operations.

Our stock price may be volatile and our stock will be thinly traded, which could cause investors to lose all or part of their investments in our stock.

The stock market has recently experienced volatility that has often been unrelated to the operating performance of any particular company or companies. If market or industry-based fluctuations continue, our stock price could decline regardless of our actual operating performance, and investors could lose a substantial part of their investments. Moreover, if an active public market for our stock does not develop, or if such a market is not sustained in the future, it may be difficult to resell our stock. We anticipate that our stock will be thinly traded. The average daily trading volume for EFTC's common stock was 12,315 shares during the period from October 1, 2001 through December 12, 2001. The market price of our common stock will likely fluctuate in response to a number of factors, including the following:

- failure to meet the performance estimates of securities analysts;
- changes in financial estimates of our net sales and results of operations by securities analysts;
- the timing of announcements by us or our competitors of significant contracts or acquisitions; and
- general stock market conditions.

Recently, when the market price of a company's stock has been volatile, stockholders have often instituted securities class action litigation against that company. If a class action lawsuit is filed against us, we could incur substantial costs defending the lawsuit and management time and attention would be diverted. An adverse judgment could cause our financial condition or results of operations to suffer.

Operating in foreign countries exposes us to increased risks that could adversely affect our results of operations.

We currently have foreign operations in Mexico. We may in the future expand into other foreign countries. We have limited experience in managing geographically dispersed operations and in

operating in foreign countries. Because of the scope of our international operations, we are subject to the following risks, which could adversely impact our results of operations:

- economic or political instability;
- transportation delays and interruptions;
- increased employee turnover and labor unrest;
- incompatibility of systems and equipment used in foreign operations;
- difficulties in staffing and managing foreign personnel and diverse cultures; and
- less developed infrastructures.

In addition, changes in policies by the United States or foreign governments could negatively affect our operating results due to increased duties, increased regulatory requirements, higher taxation, currency conversion limitations, restrictions on the transfer of funds, the imposition of or increase in tariffs and limitations on imports or exports. Also, we could be n