KEMET CORP
Form S-3
February 28, 2007
AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 28, 2007

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

KEMET Corporation

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**57-0923789** (I.R.S. Employer Identification No.)

2835 KEMET Way
Simpsonville, SC 29681
(864) 963-6300

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

David E. Gable
Senior Vice President and Chief Financial Officer
2835 KEMET Way
Simpsonville, South Carolina 29681
(864) 963-6300

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

Copy to:

H. Kurt von Moltke, P.C.
Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, Illinois 60601
(312) 861-2000

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

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

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

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

Title of Each Class of Securities to Be Registered	**Amount To Be Registered**	**Proposed Maximum Aggregate Offering Price Per Share**	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration Fee**
2.25% Convertible Senior Notes due 2026	$ 175,000,000	100 %(1)	$ 175,000,000(2)	$ 5,372.50
$0.01 per share(3)	18,041,240 (4)	(3)	(3)	(3)

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended.

(2) Exclusive of accrued interest, if any.

(3) The registrant will receive no consideration for the issuance of these shares of common stock upon conversion of the notes also registered hereby. Therefore, pursuant to Rule 457(i), no filing fee is required with respect to the shares of common stock registered hereby.

(4) Represents the number of shares of common stock initially issuable upon conversion of the notes registered hereby. The registrant calculated the number of shares issuable upon conversion of the notes based on a conversion price of approximately $9.70 per share or a conversion rate of 103.0928 shares per $1,000 principal amount of the notes. Pursuant to Rule 416 under the Securities Act of 1933, as amended, the number of shares of common stock registered hereby includes an indeterminate number of shares issuable upon conversion of the notes, as this amount may be adjusted as a result of stock splits, stock dividends and antidilution provisions.

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.

Subject to Completion, dated February 28, 2007

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

PROSPECTUS

$175,000,000

2.25% Convertible Senior Notes due 2026 and Shares of Common Stock Issuable
Upon Conversion of the Notes

The securities to be offered and sold using this prospectus are:

- our 2.25% Convertible Senior Notes Due 2026; and
- shares of our common stock, $0.01 par value, or common stock, issuable upon conversion of the notes.

These securities will be offered and sold by the selling security holders named in this prospectus or in any supplement to this prospectus. See Selling Security Holders beginning on page 16.

The notes bear interest at the rate of 2.25% per year, accruing from November 1, 2006. We will pay interest on the notes on each May 1 and November 1, beginning on May 15, 2007, to the holders of record at the close of business on the preceding May 1 and November 1, respectively. The notes will mature on November 15, 2026.

We may not redeem the notes prior to November 20, 2011. We may redeem some or all of the notes for cash at any time on or after November 20, 2011 at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if any. Holders may require us to repurchase some or all of their notes for cash on each of November 15, 2011, 2016 and 2021 at a price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any, in each case.

The notes will be convertible into (1) cash in an amount equal to the lesser of the principal amount of such notes and the conversion value of such notes on the conversion date and (2) cash or shares of our common stock or a combination of cash and shares of our common stock, at our option, to the extent such conversion value exceeds the principal amount of such notes. The initial conversion price for the notes is $9.70 per share, subject to adjustments for certain events. The initial conversion price is equivalent to a conversion rate of approximately 103.0928 shares per $1,000 principal amount of notes. Holders may surrender some or all of their notes for conversion at any time after May 15, 2026 and prior to maturity. In addition, holders may surrender some or all of their notes for conversion on or prior to May 15, 2026, if any of the following conditions is satisfied:

- the price of our common stock reaches a specific threshold;
- we have called the notes for redemption;
- the trading price of the notes falls below certain thresholds;
- we make certain significant distributions to the holders of our common stock; or
- in connection with a transaction or event constituting a fundamental change.

Upon the occurrence of a fundamental change, holders may require us to repurchase some or all of their notes for cash at a price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any. Also, if a fundamental change occurs on or prior to November 20, 2011, we may be required to increase the conversion rate for any notes converted in connection with such fundamental change by a specified number of shares of our common stock. The extent to which the conversion rate will be increased will be based on the price paid, or deemed to be paid, in respect of a share of our common stock in, and the effective date of, the fundamental change.

The notes will be our unsubordinated unsecured obligations and will rank equal in right of payment with all of our other existing and future unsubordinated unsecured obligations and will rank junior in right of payment to any of our future secured obligations to the extent of the value of the collateral securing such obligations. Our obligations under the notes will not be guaranteed by, and will be structurally subordinated in right of payment to all existing and future obligations of, our subsidiaries.

We have agreed, pursuant to a registration rights agreement, to file a shelf registration statement, of which this prospectus is a part, with the Securities and Exchange Commission with respect to resales of the notes and any common stock issuable upon conversion of the notes. In the event that we fail to comply with certain of our obligations under the registration rights agreement, we will be required to pay additional interest on the notes.

There is no established market for the notes. The selling security holders may sell the securities offered by this prospectus from time to time on any exchange on which the securities are listed on terms to be negotiated with buyers. They may also sell the securities in private sales or through dealers or agents. The selling security holders may sell the securities at prevailing market prices or at prices negotiated with buyers. The selling security holders will be responsible for any commissions due to brokers, dealers or agents. We will be responsible for all other offering expenses. We will not receive any of the proceeds from the sale by the selling security holders of the securities offered by this prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol KEM. On February 27, 2007, the closing sale price of our common stock on the New York Stock Exchange was $7.69 per share. You are urged to obtain current market quotations for the common stock.

Our principal executive offices are located at KEMET Corporation, 2835 KEMET Way, Simpsonville, South Carolina 29681.

You should carefully read and consider the information under the heading Risk Factors beginning on page 7 and Forward-Looking Statements referred to on page iv of this prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

The date of this prospectus is , 2007.

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You should rely only on the information contained in this prospectus, any prospectus supplement and the documents we have incorporated by reference. We have not authorized anyone else to give you different information. These securities are not being offered in any state or other jurisdiction that does not permit the offer. We will disclose any material changes in our affairs in an amendment to this prospectus, a prospectus supplement or a future filing with the SEC incorporated by reference in this prospectus.

As used in this prospectus, the terms KEMET, we, us and our refer to KEMET Corporation and its subsidiaries unless otherwise indicated.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the SEC using a shelf registration process. This means the securities described in this prospectus may be offered and sold using this prospectus from time to time as described in the Plan of Distribution. You should carefully read this prospectus and the information described under the heading Where You Can Find More Information and Incorporation of Certain Documents by Reference. Under no circumstances should the delivery to you of this prospectus or any offering or sales made pursuant to this prospectus create any implication that the information contained in this prospectus is correct as of any time after the date of this prospectus.

**WHERE YOU CAN FIND MORE INFORMATION
AND INCORPORATION BY REFERENCE**

We file annual, quarterly and current reports, proxy and information statements and other information with the SEC pursuant to the Exchange Act. The SEC maintains an Internet site at http://www.sec.gov that contains those reports, proxy and information statements and other information regarding us. You may also inspect and copy those reports, proxy and information statements and other information at the Public Reference Room of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. You may also inspect and copy those reports, proxy and information statements and other information at the offices of the New York Stock Exchange at 20 Broad Street, New York, NY 10005, the exchange on which our common stock is listed.

We incorporate by reference information into this prospectus, which means that we are disclosing important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information in this prospectus. This prospectus incorporates by reference the documents set forth below that we previously filed with the SEC. These documents contain important information about us and are an important part of this prospectus.

The following documents that we have filed with the SEC (File No. 1-15491) are incorporated by reference into this prospectus:

- Annual Report on Form 10-K for the fiscal year ended March 31, 2006, filed on June 14, 2006;
- Quarterly Reports on Form 10-Q for the first quarter ended June 30, 2006, filed on August 8, 2006, for the second quarter ended September 30, 2006, filed on November 9, 2006 and for the third quarter ended December 31, 2006, filed on February 9, 2007;
- Proxy Statement on Schedule 14A filed on June 26, 2006;
- Current Reports on Form 8-K filed on April 20, 2006, May 9, 2006 (but only with respect to the information under Item 5.02 thereof), June 28, 2006, July 25, 2006, August 1, 2006, October 26, 2006 (but only with respect to the information under Item 2.03 thereof), October 27, 2006, November 3, 2006, November 17, 2006 and February 21, 2007; and
- Description of our common stock contained in our registration statements on Form 8-A.

We hereby incorporate by reference all documents that we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and until our offering is completed into this prospectus and they will be a part of this prospectus from the date of the filing of the document. Any statement contained in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that also is or is deemed to be incorporated by reference into this prospectus conflicts with, negates, modifies or supersedes that statement. Any statement that is modified or superseded will not constitute a part of this prospectus, except as modified or superseded.

We will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus has been delivered, upon written or oral request, a copy of the indenture and registration rights agreement and any or all of the information incorporated by reference into this prospectus but not delivered herewith, other than the exhibits to those documents, unless the exhibits are specifically incorporated by reference into the information that this prospectus incorporates. You should direct a request for copies to us as follows:

KEMET Corporation
2835 Kemet Way
Simpsonville, SC 29681
Telephone: (864) 963-6300
Attention: Investor Relations

You can access electronic copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and all amendments to those reports, free of charge, on our website at http://www.kemet.com. Access to those electronic filings is available as soon as reasonably practicable after they are filed with, or furnished to, the SEC. We make our website content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements that are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements, other than statements of historical facts, included herein or incorporated herein by reference are forward-looking statements.

Included among forward-looking statements are those relating to, among other things:

- fluctuations in prices and availability of raw materials, particularly tantalum powder, among others;
- the success of integration of acquired businesses, including cost synergies expected therefrom, and the ability to make additional acquisitions or form strategic alliances;
- economic conditions or market changes in certain market sectors in which we conduct business;
- changes in the pricing environment for our products or competitive products;
- success or timing of new product development;
- foreign operations;
- political, economic and social changes, or acts of terrorism or war;
- success of productivity initiatives, including rationalizations, relocations or consolidations;
- impact of changes in management;
- costs of complying with environmental laws and regulations and potential settlement of contingent liabilities;
- our business strategy, our business plans or any other plans, forecasts or objectives, any or all of which are subject to change;
- any SEC or other governmental, regulatory or environmental inquiry or investigation;
- anticipated legislative, governmental, regulatory, administrative or other public body actions, requirements, permits or decisions; and
- other non-historical or future information.

These forward-looking statements are often identified by the use of terms and phrases such as achieve, anticipate, believe, estimate, expect, forecast, plan, project, propose, strategy and similar terms and phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those discussed in Risk Factors beginning on page 6 of this prospectus and those risks discussed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2006. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these risk factors. These forward-looking statements are made as of the date of this prospectus. We assume no obligation to update or revise these forward-looking statements or provide reasons why actual results may differ.

SUMMARY

The summary highlights selected information contained elsewhere in or incorporated by reference into this prospectus and does not contain all of the information you need to consider in making your investment decision. This summary is qualified in its entirety by the more detailed information and consolidated financial statements and notes thereto incorporated by reference into this prospectus. You should read carefully this entire prospectus and such other information and should consider, among other things, the matters set forth in the section entitled Risk Factors before deciding to invest in the notes. In this prospectus, unless the context otherwise requires, KEMET Corporation, KEMET, the Company, we, us or our refer to KEMET Corporation and its subsidiaries.

Our Company

We are a leading manufacturer of tantalum capacitors, multilayer ceramic capacitors and solid aluminum capacitors. Capacitors are electronic components consisting of conducting materials separated by a dielectric, or insulating material, which allows a capacitor to interrupt the flow of electrical current. A capacitor functions to store, filter, and regulate electrical energy and current flow and is one of the essential passive components used on circuit boards. Virtually all electronic products and sub-assemblies contain capacitors, including communication systems, data processing equipment, personal computers, cellular phones, automotive electronic systems, military and aerospace systems, and consumer electronics. We strive to be the preferred capacitor supplier to the world s most successful electronics original equipment manufacturers, electronics manufacturing services providers and electronics distributors.

We manufacture a broad line of capacitors, based upon primary raw material (tantalum, multilayer ceramic, and solid aluminum) and method of attachment (surface-mount or leaded). Most customers buy both tantalum and ceramic capacitors from us. We manufacture these types of capacitors in many different sizes and configurations. Our surface-mount capacitors are attached directly to the circuit board without lead wires while leaded capacitors are attached to the circuit board using lead wires.

Our customers choice of capacitor dielectric is driven by the engineering specifications and the application of the component product into which the capacitor is incorporated. Product design engineers in the electronics industry typically select capacitors on the basis of capacitance levels, size, and cost. Tantalum and ceramic capacitors are commonly used in conjunction with integrated circuits, and the same circuit may, and frequently does, contain both ceramic and tantalum capacitors. Generally, ceramic capacitors are more cost-effective at lower capacitance values, tantalum capacitors are more cost-effective at higher capacitance values, and solid aluminum capacitors can be more effective in special applications.

We believe that sales of surface-mount capacitors, including multilayer ceramic, tantalum, and solid aluminum capacitors will continue to grow more rapidly than other types of capacitors in both the United States and worldwide markets, because technological breakthroughs in electronics are regularly expanding the number and type of applications for these products.

We operate in two reporting segments: the Tantalum Business Unit (Tantalum) and the Ceramics Business Unit (Ceramics).

Tantalum Business Unit. The Tantalum Business Unit, which produces tantalum and aluminum capacitors, operates in six manufacturing sites in the United States, Portugal, Mexico and China and maintains product innovation centers in the United States and Germany. Net sales for Tantalum increased by 17.7% during the fiscal year ended March 31, 2006 as compared to the fiscal year ended March 31, 2005 as sales units increased to 3.0 billion pieces in fiscal year 2006 from 2.2 billion pieces in fiscal year 2005. During fiscal years ended March 31, 2006, 2005 and 2004, net sales for the Tantalum Business Unit represented 59.6%, 58.4% and 60.6% of total net sales, respectively.

Ceramics Business Unit. The Ceramics Business Unit, which produces ceramic capacitors, operates in three manufacturing sites in Mexico and China and maintains a product innovation center in the United States. Net sales for Ceramics increased by 11.8% during the fiscal year ended March 31, 2006 as compared to the fiscal year ended March 31, 2005 as sales units increased to 37.0 billion pieces in fiscal year 2006 from 31.4 billion pieces in fiscal year 2005. During fiscal years ended March 31, 2006, 2005 and 2004, net sales for the Ceramics Business Unit represented 40.4%, 41.6% and 39.4% of total net sales, respectively.

For the fiscal year ended March 31, 2006, we generated total net sales of $490.1 million, up 15.2% from $425.3 million in fiscal year 2005. In fiscal year 2006, total net sales were broken down geographically as follows: North America and South America (Americas) net sales were approximately 42.4% of total net sales, Asia and Pacific Rim (APAC) net sales were approximately 38.9% of total net sales, and Europe, Middle East and Africa (EMEA) net sales were approximately 18.7% of total net sales. During fiscal year 2006, we shipped approximately 40.1 billion capacitors as compared to 33.6 billion in fiscal year 2005.

Business Strategy

Our strategy is to use our position as a leading, high-quality manufacturer of capacitors to capitalize on the increasingly demanding requirements of our customers. Key elements of our strategy include to:

(1) Ground all of our strategies and business decisions with a focus on both the short-term and long-term financial impact of a particular decision or strategy a profitable company is best able to effectively serve its customers and, in turn, its shareholders, partners and employees.

(2) Continue to be responsive to customers needs and requirements and show them that their satisfaction is our number one priority by focusing on building products around their needs, giving decision making authority to customer facing personnel and providing purpose built systems and processes such as our Easy-To-Buy-From, or ETBF, order entry system to make order entry and fulfillment easier, faster, more flexible and more reliable for our customers.

(3) Leverage our technological competence to introduce new products in a timely and cost efficient manner and generate an increasing portion of our sales from new products to improve financial performance as well as to meet our customers varied and evolving capacitor needs. In fiscal year 2006 we released over 1,000 new products, 114 of which were first to market (which is a product not currently supplied by any competitor).

(4) Continue to become the Capacitance Company the supplier of choice for all capacitance needs including tantalum, ceramic, and solid aluminum capacitors so our customers can reap the benefits of being able to satisfy their varied capacitor product needs through one supplier. While we believe we have the most complete line of capacitor technologies across these primary capacitor types, we intend to continue to research other capacitance technologies and solutions in order to remain at the forefront of this area.

(5) Pursue activities to maintain our position as a low-cost producer of capacitors with facilities close to our customers. These activities include shifting production to low cost locations; reducing material and labor costs; developing more cost-efficient manufacturing equipment and processes; designing manufacturing plants for more efficient production; and reducing work-in-process (WIP) inventory by building products from start to finish in one factory.

(6) Continue to evaluate and pursue strategic acquisition opportunities, some of which may be significant in size, that would enable us to enhance our competitive position and expand our market presence. Our objective is to acquire complementary capacitor and other related businesses, including

those involved in other passive components that are synergistic with our customer base and provide opportunities to leverage our business model.

(7) Promote the KEMET brand globally by highlighting the high quality and high reliability of our products and our superior customer service. We intend to continue to implement Lean and Six Sigma methods to drive towards zero product defects so that quality remains a given in the minds of our customers.

The Offering

This prospectus covers the resale of up to $175,000,000 aggregate principal amount of the notes and the shares of our common stock issuable upon conversion of the notes. We issued and sold $175,000,000 aggregate principal amount of the notes on November 1, 2006 and November 13, 2006 in a private placement to Credit Suisse Securities (USA) LLC and Deutsche Bank Securities Inc., which we refer to as the initial purchasers. The summary below describes the principal terms of the note and the common stock issuable upon conversion of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions.

The Description of the Notes section of this prospectus contains a more detailed description of the terms of the notes.

Issuer	KEMET Corporation.
Notes Offered	$175,000,000 aggregate principal amount of 2.25% Convertible Senior Notes due 2026.
Common Stock Offered	The shares of our common stock, $0.01 par value per share, issuable upon conversion of the notes.
Maturity Date	November 15, 2026.
Interest Payment Dates	May 15 and November 15 of each year, beginning on May 15, 2007.
Interest	2.25% per annum, payable semiannually, in arrears. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.
Guarantees	The notes will not be guaranteed.
Ranking	The notes will be our unsubordinated unsecured obligations and will: • rank equal in right of payment with all of our other existing and future unsubordinated unsecured obligations; • rank junior in right of payment to any of our future secured obligations to the extent of the value of the collateral securing such obligations; and • be structurally subordinated in right of payment to all existing and future obligations of our subsidiaries.

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Conversion

The notes will be convertible, into (1) cash in an amount equal to the lesser of the principal amount of such notes and the conversion value of such notes on the conversion date and (2) cash or shares of our common stock or a combination of cash and shares of our common stock, at our option, to the extent such conversion value exceeds the principal amount of such notes, under the conditions described herein. The initial conversion price for the notes is $9.70 per share, subject to adjustments for certain events. The initial conversion price is equivalent to a conversion rate of approximately 103.0928 shares per $1,000 principal amount of notes.

A holder may surrender some or all of its notes for conversion at any time after May 15, 2026 and prior to maturity. In addition, a holder may surrender some or all of its notes for conversion on or prior to May 15, 2026 if any of the following conditions is satisfied:

- During any fiscal quarter, if the closing sale price of our common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter exceeds 130% of the conversion price per share on such last trading day;
- We have called the notes for redemption;
- The average of the trading prices of the notes for any five consecutive trading day period is less than 98% of the average of the conversion values of the notes during that period;
- We make certain significant distributions to the holders of our common stock; or
- In connection with a transaction or event constituting a fundamental change.

See Description of the Notes Conversion of Notes Conversion Conditions.

Except as described in Description of the Notes Conversion of Notes, upon any conversion, holders will not receive any separate cash payment representing accrued and unpaid interest or additional interest.

Optional Redemption

At any time on or after November 20, 2011, we may redeem some or all of the notes for cash at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if any, to, but not including, the redemption date.

Purchase at Holder s Option	A holder may require us to repurchase some or all of its notes for cash upon the occurrence of a fundamental change and on each of November 15, 2011, 2016 and 2021 at a price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any, in each case to, but not including, the repurchase date. See Description of the Notes Repurchase of Notes at the Option of Holders Upon a Fundamental Change and Description of the Notes Repurchase at the Option of Holders.
Conversion Rate Adjustment upon a Fundamental Change	If a fundamental change occurs on or prior to November 20, 2011, we may be required to increase the conversion rate for any notes converted in connection with such fundamental change by a specified number of shares of our common stock. The extent to which the conversion rate will be increased will be based on the price paid, or deemed to be paid, in respect of a share of our common stock in, and the effective date of, the fundamental change. A description of how the conversion rate will be increased and tables showing the conversion rate that would apply at various stock prices and fundamental change effective dates are set forth under Description of the Notes Conversion of Notes Increase of Conversion Rate Upon Certain Fundamental Changes.
Sinking Fund	None.
Use of Proceeds	We will not receive any proceeds from the sale by any selling security holder of the notes or our common stock issuable upon conversion of the notes.
Registration Rights	Under a registration rights agreement that we entered into with the initial purchasers in connection with the initial placement of the notes, we have filed a shelf registration statement, of which this prospectus is a part, with the SEC. In the event that we fail to comply with certain of our obligations, we will be required to pay additional interest to the holders. See Description of the Notes Registration Rights.
Trustee and Paying Agent	Wilmington Trust Company.
DTC Eligibility	The notes were issued in book-entry form and are represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes are shown on, and transfers will be effected only through, records maintained by DTC or its nominee, and any such interest may not be exchanged for certificated securities, except in limited circumstances. See Description of the Notes Book-Entry Delivery and Form.

Listing and Trading	Our common stock is listed on the New York Stock Exchange under the symbol KEM. The notes are not listed on any securities exchange or included on any automatic quotation system.
Governing Law	The indenture and the notes are governed by, and construed in accordance with, the laws of the State of New York.

Risk Factors

See Risk Factors beginning on page 7 of this prospectus for a discussion of certain factors that you should carefully consider before investing in the notes.

RISK FACTORS

An investment in the notes and our common stock involves risks. You should carefully consider the following risks, as well as those risks discussed in our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K and the other information contained in this prospectus. If any of the following risks actually occurs, our business, and your investment in the notes, could be negatively affected. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently see as immaterial, may also negatively affect us and your investment in the notes.

Risks Relating to the Notes and Our Common Stock

Our subsidiaries may not be able to make payments to us, which could cause us to be unable to service our indebtedness, including the notes.

We derive a substantial portion of our operating income from our subsidiaries. An important source of cash to pay principal and interest on our indebtedness, including the notes, is from cash distributions, dividends and other payments from our subsidiaries. The payment of dividends by our subsidiaries is subject to the declaration of dividends by those subsidiaries boards, and our subsidiaries are not obligated to pay dividends. Our subsidiaries ability to make such payments may also be restricted by, among other things, applicable laws and regulations and future credit agreements into which our subsidiaries may enter.

Rating agencies may provide unsolicited ratings on the notes that could reduce the market value or liquidity of the notes and our common stock.

We have not requested a rating of the notes from any rating agency and we do not anticipate that the notes will be rated. However, if one or more rating agencies rates the notes and assigns the notes a rating lower than the rating expected by investors, or reduces their rating in the future, the market price or liquidity of the notes and our common stock could be harmed.

The adjustment to increase the conversion rate for notes converted in connection with a fundamental change may not adequately compensate holders for the lost option time value of their notes as a result of such fundamental change and may not be enforceable.

If a fundamental change occurs on or prior to November 20, 2011, we may be required to increase the conversion rate for any notes converted in connection with such fundamental change. The extent to which the conversion rate will be increased will be based on the date on which the fundamental change becomes effective and the price paid, or deemed to be paid, in respect of a share of our common stock in the fundamental change as described under Description of the Notes Conversion of Notes Increase of Conversion Rate Upon Certain Fundamental Changes. While this adjustment is designed to compensate you for the lost option time value of your notes as a result of a fundamental change, the adjustment is only an approximation of such lost value and may not adequately compensate you for such loss. In addition, if the price paid, or deemed to be paid, in respect of a share of our common stock in connection with such fundamental change is less than $7.46 or more than $30.00 (subject to adjustment), we will not increase the conversion rate in connection with such fundamental change. Furthermore, our obligation to make the adjustment could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

There is no public market for the notes, which could limit their market price or the ability to sell them for an amount equal to or higher than the price paid by buyers.

There is no established trading market for the notes. Consequently, the notes will be relatively illiquid, and you may be unable to sell your notes. We do not intend to apply for a listing of the notes on any securities exchange or to arrange for quotation on any automated dealer quotation system. We cannot assure you that a market will develop for the notes or that you will be able to sell your notes. If any of the notes are traded after you purchase them, they may trade at a discount from your purchase price. Future trading prices of the notes will depend on many factors, including prevailing interest rates, the market for similar securities, the price of our underlying common stock, general economic conditions and our financial condition, performance and prospects. Certain of the initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so. The initial purchasers may terminate their market making activities at any time, in their sole discretion, which could negatively impact your ability to sell the notes or the prevailing market price at the time you choose to sell.

We may not be able to repurchase the notes upon a fundamental change or upon the exercise of your option to require us to repurchase the notes, or pay you cash upon conversion of your notes.

Upon the occurrence of a fundamental change, and on November 15, 2011, 2016 and 2021, you will have the right to require us to repurchase your notes at a price in cash equal to 100% of the principal amount of the notes you have selected to be repurchased plus accrued and unpaid interest, if any, to, but not including, the repurchase date. In addition, upon a conversion, we will be required to make a cash payment to you. Any future credit agreement or other agreements relating to indebtedness to which we become a party may contain similar provisions. In the event that we experience a fundamental change that results in us having to repurchase the notes offered hereby or upon the exercise of your option to require us to repurchase the notes, or upon your conversion of the notes, we may not have sufficient financial resources to satisfy all of our obligations under the notes and our other debt instruments. Our failure to make the fundamental change offer, to pay the fundamental change repurchase price when due, to make payments upon the exercise of your option to require us to repurchase the notes or to pay cash to you upon your conversion of notes, would result in a default under the indenture governing the notes. In addition, the fundamental change feature of the notes does not cover all corporate reorganizations, mergers or similar transactions and may not provide you with protection in a highly leveraged transaction. See Description of the Notes Repurchase of Notes at the Option of Holders Upon a Fundamental Change and Description of the Notes Consolidation, Merger and Sale of Assets.

The price of our common stock may experience volatility in the future and the issuance of substantial amounts of our common stock could adversely affect the price of our common stock and, thus, the price of the notes. Additionally, the price of our common stock will impact the price of the notes.

Subject to certain conditions, the notes will be convertible into cash or both cash and shares of our common stock and the number of shares into which the notes may be partially converted will depend on the market price of our common stock. The market price of our common stock may experience high volatility in the future, and the broader stock market from time to time experiences significant price and volume fluctuations. This volatility has and may continue to affect the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the price of our common stock in a similar fashion. In addition, our announcements of our quarterly operating results or other company-specific events, changes in general conditions in the economy or the financial markets, changes in outlook, estimates or coverage of us by research analysts and other developments affecting us or our competitors could also cause the market price of our common stock to fluctuate substantially. The trading price of the notes is expected to be affected significantly by the price of our common stock.

In addition, the issuance of substantial amounts of our common stock, including any common stock issuable upon conversion of the notes, could adversely impact its price. In the future, we may sell additional shares of our common stock to raise capital. In addition, a substantial number of shares of our common stock is reserved for issuance upon the exercise of stock options and upon conversion of the notes. As of December 31, 2006, approximately 4.7 million shares of our common stock were reserved for issuance for outstanding stock options. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price of our common stock. The issuance and sales of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the market price of our common stock and the trading price of the notes.

The price of our common stock could also be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that may develop involving our common stock. The hedging or arbitrage could, in turn, affect the trading prices of the notes.

Conversion of the notes may affect the trading price of our common stock.

The conversion of some or all of the notes and any sales in the public market of our common stock issued upon such conversion could adversely affect the market price of our common stock. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could depress our common stock price.

Upon conversion of the notes, converting holders will receive cash or a combination of cash and shares of our common stock. Therefore, holders of the notes may receive no shares of our common stock or fewer shares than they may expect.

To satisfy our conversion obligation to holders, we will deliver cash in an amount equal to the lesser of the principal amount of the notes and the conversion value of the notes. To the extent the conversion value is greater than the principal amount of the notes, any remaining amounts shall be satisfied, at our option, in cash, shares of our common stock or a combination of both. Accordingly, upon conversion of a note, holders may not receive any shares of common stock, or they might receive fewer shares of common stock than they may expect.

If you hold notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

You will have rights with respect to our common stock only if and when we deliver shares of common stock to you upon conversion of your notes and, in limited cases, under the conversion rate adjustments applicable to the notes. For example, in the event that an amendment is proposed to our articles of incorporation or by-laws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of common stock to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock. Similarly, if we declare a dividend, you will only be entitled to the conversion rate adjustment, if any, provided for under Description of the Notes Conversion of Notes Conversion Rate Adjustments.

Certain provisions of our restated certificate of incorporation, by-laws and the Delaware General Corporation Law may have possible anti-takeover effects.

Some of the provisions of our restated certificate of incorporation, by-laws and Delaware law could discourage, delay or prevent an acquisition of our business at a premium price. In particular, our by-laws permit the board of directors to increase its own size and fill the resulting vacancies.

In addition, Section 203 of the Delaware General Corporation Law imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock.

You should consider the U.S. federal income tax consequences of owning the notes.

Investors should be aware that the conversion of notes into either cash only or a combination of cash and shares of our common stock may be taxable at the time of such conversion (or subject to alternative treatment different from that of conventional convertible debt instruments). These consequences may be materially different from the consequences that may be expected by investors in considering other convertible debt investments. Investors considering the purchase of notes are urged to consult with their own tax advisors concerning such consequences and the potential impact in their particular circumstances. The material U.S. federal income tax consequences of the purchase, ownership and disposition of the notes are summarized in this prospectus under the heading Certain United States Federal Income Tax Consequences.

You may have to pay taxes with respect to distributions on the common stock that you do not receive.

The conversion price of the notes is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us that modify our capital structure. Please read Description of the Notes Conversion of Notes Conversion Rate Adjustments. If the conversion price is adjusted as a result of a distribution that is taxable to the holders of our common stock, such as a cash dividend, you may be required to include an amount in income for federal income tax purposes, notwithstanding the fact that you do not receive such distribution. In addition, non-U.S holders (as defined in Certain United States Federal Income Tax Consequences) of the notes may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements, which we may set off against cash payments of interest payable on the notes. See Certain United States Federal Income Tax Consequences.

The contingent conversion features of the notes could result in your receiving less than the value of the common stock upon which the conversion values would otherwise be based.

Except during the final six months prior to the maturity date of the notes, the notes are convertible only if specified conditions are met. If the specific conditions for conversion are not met prior to May 15, 2026, you may not be able to receive the conversion value prior to such date. Therefore, you may not be able to realize the appreciation, if any, in the value of our common stock after the issuance of the notes in this offering and prior to such date.

The notes are not protected by restrictive covenants.

The indenture governing the notes does not contain any financial or operating controls or restrictions on the payment of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. For example, the indenture does not restrict our ability in the future to enter into new credit facilities that may be secured and, accordingly, effectively senior to the notes. The indenture contains no covenants or other provisions to afford protection to holders of the notes in the event of a change in control involving us, except to the extent described under Description of the Notes.

The notes are unsecured and, therefore, are effectively subordinated to any of our secured indebtedness that we may incur in the future.

The notes are not secured by any of our assets or those of our subsidiaries. As a result, the notes will be effectively subordinated to any secured indebtedness that we may incur in the future. In the event of our insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, or upon acceleration of the notes due to an event of default under the indenture and in certain other events, our assets will be available to pay obligations on the notes only after all obligations on our secured debt have been satisfied.

As a result, there may not be sufficient assets remaining to pay amounts due on any or all of the outstanding notes.

The notes will be structurally subordinated to all liabilities of our current and future subsidiaries.

The notes will be structurally subordinated to indebtedness and other liabilities of our subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, these subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to us. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. Accordingly, holders of the notes are structurally subordinated to the claims of our subsidiaries creditors, including trade creditors, to the extent of the assets of the indebted subsidiary. This subordination could adversely affect our ability to pay our obligations on the notes. As of December 31, 2006, our subsidiaries had approximately $62.4 million of outstanding indebtedness and other liabilities (excluding intercompany liabilities and liabilities of the type not required to be reflected on a balance sheet in accordance with generally accepted accounting principles) to which the notes would be structurally subordinated.

Risks Relating to Our Business

Cyclical changes in the electronics industry could result in significant fluctuations in demand for our products, impacting our profitability.

Our products are used in the electronics industry, which is a highly cyclical industry. The demand for capacitors tends to reflect the demand for products in the electronics markets. Our customers requirements for our capacitors fluctuate as a result of changes in general economic activity or other general economic events beyond our control and other factors that affect the demand for their products. During periods of increasing demand for their products, they typically seek to increase their inventory of our products to avoid production bottlenecks. We may not be able to meet our customers requirements during periods of increases in demand which could cause them to use other suppliers for their needs which were previously met by us. When demand for their products peaks and begins to decline, they may rapidly decrease orders for our products while they use up accumulated inventory. Business cycles vary somewhat in different geographical regions and within customer industries.

We must consistently reduce the total costs of manufacturing our products to combat the impact of downward price trends.

Our industry is intensely competitive and prices for existing products tend to decrease steadily over their life cycles. There is substantial and continuing pressure from customers to reduce the total cost of using our parts. To remain competitive, we must achieve continuous cost reductions through process and product improvements.

We must also be in a position to minimize our customers shipping and inventory financing costs and to meet their other goals for rationalization of supply and production. Our growth and the profit margins of our products will suffer if our competitors are more successful in reducing the total cost to customers of their products than we are. We must also continue to introduce new products that offer performance advantages over our existing products and can thereby achieve premium prices, offsetting the price declines in our older products.

An increase in the cost of our principal raw materials could adversely affect profitability.

The principal raw materials used in the manufacture of our products are tantalum powder, palladium and silver. These materials are considered commodities and are subject to price volatility. Tantalum powder is primarily purchased under annual contracts, while palladium and silver are primarily purchased on the spot and forward markets, depending on market conditions. For example, if we believe that palladium and silver prices are likely to rise, we may purchase a significant amount of our annual requirements on a forward delivery basis. While the financial impact of these decisions are short-term in nature given that we are not currently party to any long-term supply agreements, they could impact our financial performance from period to period given that we do not hedge any of our raw material exposure and we are not likely to be able to pass on to our customers any fluctuations in our raw material costs. Additionally, any delays in obtaining raw materials for our products could hinder our ability to manufacture our products, negatively impacting our competitive position and our relationships with our customers.

Presently three suppliers process tantalum ore into capacitor-grade tantalum powder. Our management believes that the tantalum we require has generally been available in sufficient quantities to meet our requirements and that there are a sufficient number of tantalum processors relative to foreseeable demand. However, the limited number of tantalum powder suppliers could lead to increases in tantalum prices that we may not be able to pass on to our customers. In fiscal year 2001, for instance, the increase in demand for tantalum capacitors led to tight supplies of tantalum raw material and some tantalum powders resulting in prices increasing from under $50 per pound early in calendar 2000 to over $300 per pound in calendar 2001.

Palladium is presently found primarily in South Africa and Russia. Although the palladium we require has generally been available in sufficient quantities, the limited number of palladium suppliers could lead to significant price fluctuations. For instance, in fiscal year 2001 the price of palladium fluctuated between $554 and $1,090 per troy ounce. Such price increases and our inability to pass them on to our customers could have an adverse effect on our profitability.

Silver has generally been available in sufficient quantities, and we believe there are a sufficient number of suppliers from which we can purchase our silver requirements. An increase in the price of silver that we were not able to pass on to our customers, however, could have an adverse affect on our profitability.

We face intense competition in our business.

The capacitor business is highly competitive worldwide, with low transportation costs and few import barriers. Competition is based on factors such as product quality and reliability, availability, customer service, timely delivery and price. The industry has become increasingly concentrated and globalized in recent years, and our primary U.S. and non-U.S. competitors, some of which are larger than we are, have significant financial resources. The greater financial resources or the lower amount of debt of such competitors may enable them to commit larger amounts of capital in response to changing market conditions. Some competitors may also have the ability to use profits from their other operations to subsidize losses sustained in their businesses with which we compete. Certain competitors may also develop product or service innovations that could put us at a disadvantage.

We may not be able to successfully integrate the EPCOS tantalum business unit or any future acquisitions with our operations or identify attractive acquisition opportunities in the future.

Because the markets and industries in which we operate are highly competitive, and due to the inherent uncertainties associated with the integration of acquired companies, we may not be able to integrate the EPCOS tantalum business unit without encountering difficulties including, without limitation, the loss of key employees and customers, the disruption of the ongoing businesses and possible inconsistencies in standards, controls and procedures. In addition, we may not be able to achieve the expected cost synergies from our purchase of the EPCOS tantalum business unit and we may incur higher than anticipated integration or restructuring costs associated with it.

Our business strategy includes growth through select acquisitions of other businesses. A portion of the proceeds from the sale of the notes may be used to fund such acquisitions. However, acquisition opportunities may not be available and may be unattractively priced because of competition or other factors. In addition, we may be unable to fund an acquisition opportunity. Even if we are able to make acquisitions, we may be unable to successfully integrate such acquisitions into our existing operations and operational difficulties or diminished financial performance may result or a disproportionate amount of our management s attention may be diverted. Even if we are successful in integrating any future acquisitions, we may not derive the benefits, such as operational, cost or administrative synergies, that we expected.

We manufacture many of our capacitors in Portugal, Mexico and China and future political or regulatory changes in any of these countries could adversely affect our profitability.

Although we have not experienced significant problems conducting operations in Portugal, Mexico or China, our international operations are subject to a number of special risks, in addition to the same risks as our domestic business, including currency exchange rate fluctuations, differing protections of intellectual property, trade barriers, labor unrest, exchange controls, regional economic uncertainty, differing (and possibly more stringent) labor regulation, risk of governmental expropriation, domestic and foreign customs and tariffs, current and changing regulatory regimes, differences in the availability and terms of financing, political instability and potential increases in taxes. These factors could impact our production capability or adversely affect our results of operations or financial condition.

Losing the services of our executive officers or our other highly qualified and experienced employees or our inability to continue to attract and retain additional qualified personnel could harm our business.

Our success depends upon the continued contributions of our executive officers and certain other employees, many of whom have many years of experience with KEMET and would be extremely difficult to replace. We must also attract and retain experienced and highly skilled engineering, sales and marketing and managerial personnel. Competition for qualified personnel is intense in our industry, and we may not be successful in hiring and retaining these people. If we lose the services of our executive officers or our other highly qualified and experienced employees, or cannot attract and retain other qualified personnel, our business could suffer through less effective management due to loss of accumulated knowledge of our business or through less successful products due to a reduced ability to design, manufacture and market our products.

Environmental laws and regulations could limit our ability to operate as we are currently operating and could result in additional costs.

We are subject to a variety of U.S. federal, state and local, as well as foreign, environmental laws and regulations relating, among other things, to wastewater discharge, air emissions, handling of hazardous materials, disposal of solid and hazardous wastes, and remediation of soil and groundwater contamination. We use a number of chemicals or similar substances, and generate wastes, that are classified as hazardous. We require environmental permits to conduct many of our operations. Violations of environmental laws and regulations could result in substantial fines, penalties, and other sanctions. Changes in environmental laws or regulations (or in their enforcement) affecting or limiting, for example, our chemical uses, certain of our manufacturing processes, or our disposal practices, could restrict our ability to operate as we are currently operating, impose additional costs or otherwise cause delays in the delivery of our products to our customers, thereby damaging our relationships with them. In addition, we may experience releases of certain chemicals or discover existing contamination, which could cause us to incur material cleanup costs or other damages.

We must continue to develop innovative products to maintain our relationships with our customers and to offset potential price erosion in older products.

While most of the fundamental technologies used in the passive components industry have been available for a long time, the market is nonetheless typified by rapid changes in product designs and technological advances allowing for better performance, smaller size and/or lower cost. New applications are frequently found for existing technologies, and new technologies occasionally replace existing technologies for some applications or open up new business opportunities in other areas of application. We believe that successful innovation is critical for maintaining profitability in the face of potential erosion of selling prices for existing products and to ensure the flow of new products and robust manufacturing processes that will keep us at the forefront of our customers product designs. Non-customized commodity products are especially vulnerable to price pressure, but customized products have also experienced price pressure in recent years. Developing and marketing new products requires start-up costs that may not be recouped if these products or production techniques are not successful. There are numerous risks inherent in product development, including the risks that we will be unable to anticipate the direction of technological change or that we will be unable to develop and market new products and applications in a timely fashion to satisfy customer demands. If this occurs, we could lose customers and experience adverse effects on our results of operations.

We may not achieve the expected benefits of our Enhanced Strategic Plan or other restructuring plans we have or may adopt in the future.

In July 2003, we announced our Enhanced Strategic Plan to improve our position as a global leader in passive electronic technologies. Pursuant to the plan, we reorganized our operations around the world. Several of our facilities were relocated based on access to key customers, access to key technical resources and knowledge, and availability of low-cost resources. We have also undertaken several other restructuring actions over the last several years to reduce our costs and to make our operations more efficient. We anticipate two remaining moves associated with the Enhanced Strategic Plan, which are scheduled to be completed by June 30, 2007, and also expect additional actions related to our acquisition of the EPCOS tantalum business unit. To the extent we are unsuccessful in realizing the goals of any or all of these initiatives, we will not be able to achieve our anticipated operating results. Additionally, to the extent we embark on additional restructuring or repositioning programs, such initiatives may be unsuccessful and we may not achieve the expected benefits therefrom, though it is likely we would incur additional costs.

OTHER DATA

Numerical figures included in this prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

TRADEMARKS

KEMETTM and KEMET CHARGEDTM are trademarks of KEMET Corporation.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our unaudited consolidated ratio of earnings to fixed charges for the five years ended March 31, 2006 and for the nine months ended December 31, 2006. For the purpose of calculating the ratio of earnings to fixed charges, earnings consists of income before income taxes plus interest expense plus an estimated interest component in net rental expense and fixed charges consist of interest expense plus an estimated interest component in net rental expense.

Fiscal year Ended March 31,					Nine Months ended December 31,
2002	**2003**	**2004**	**2005**	**2006**	**2006**
(4.28)x	(11.05)x	(20.18)x	(21.04)x	(0.55)x	2.55x

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

As of December 31, 2006, there were 83,733,980 shares of our common stock outstanding, held by approximately 285 holders of record. Our common stock is traded on the New York Stock Exchange under the symbol KEM .

The following table sets forth, for the periods indicated, the high and low sales price for shares of our common stock, as reported on the New York Stock Exchange for our two most recent fiscal years and the subsequent interim period. The closing sales price of our common stock on the New York Stock Exchange on February 27, 2007 was $7.69 per share.

	Price Ranges	
	High	**Low**
Fiscal year ended March 31, 2007		
Fourth Quarter (through February 27)	$ 8.27	$ 6.81
Third Quarter	8.53	6.93
Second Quarter	9.33	7.45
First Quarter	11.58	7.92
Fiscal year ended March 31, 2006		
Fourth Quarter	$ 9.64	$ 7.14
Third Quarter	8.82	6.48
Second Quarter	8.72	6.23
First Quarter	7.90	6.09
Fiscal year ended March 31, 2005		
Fourth Quarter	$ 9.01	$ 7.70
Third Quarter	9.35	7.44
Second Quarter	12.25	7.80
First Quarter	15.11	10.80

We have not declared or paid any cash dividends on our common stock since our initial public offering in October 1992. We do not anticipate paying dividends in the foreseeable future.

USE OF PROCEEDS

The securities to be offered and sold using this prospectus will be offered and sold by the selling security holders named in this prospectus or in any supplement to this prospectus. We will not receive any proceeds from the sale of securities or conversion of the notes. The shares of our common stock offered by this prospectus are those shares issuable upon conversion of the notes.

SELLING SECURITY HOLDERS

On November 1, 2006 and November 13, 2006, we issued and sold $175,000,000 aggregate principal amount of the notes in a private placement to Credit Suisse Securities (USA) LLC and Deutsche Bank Securities Inc. (which we sometimes refer to as the initial purchasers in this prospectus). The initial purchasers have advised us that they resold all of the notes in transactions exempt from the registration requirements of the Securities Act, to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A. The selling security holders, which term includes their transferees, pledgees, donees and successors, may from time to time offer and sell pursuant to this prospectus any and all of the notes and the shares of our common stock issuable upon conversion of the notes.

The notes and shares of our common stock to be issued upon conversion of the notes are being registered pursuant to a registration rights agreement between us and the initial purchasers. In that agreement, we undertook to file a registration statement with regard to the notes and shares of our common stock issuable upon conversion of the notes and, subject to certain exceptions, to keep that registration statement effective for up to two years. The registration statement to which this prospectus relates is intended to satisfy our obligations under that agreement.

The selling security holders named below have advised us that they currently intend to sell the notes and shares of our common stock set forth below pursuant to this prospectus. Additional selling security holders may choose to sell notes and shares of our common stock from time to time upon notice to us. Except as noted in the table below, the selling security holders named below have not, within the past three years, held any position, office or other material relationship with us or any of our predecessors or affiliates.

Unless the securities were purchased pursuant to this registration statement, before a security holder not named below may use this prospectus in connection with an offering of securities, this prospectus will be amended to include the name and amount of notes and common stock beneficially owned by the selling security holder and the amount of notes and common stock to be offered.

Any amended prospectus will also disclose whether any selling security holder selling in connection with that amended prospectus has held any position, office or other material relationship with us or any of our predecessors or affiliates during the three years prior to the date of the amended prospectus.

The following table is based solely on information provided by the selling security holders. This information represents the most current information provided to us, as of February , 2007, by the selling security holders.

Name of Holder	Amount of Notes Beneficially Owned	Percentage of Notes Beneficially Owned	Amount of Notes to be Sold ($)(1)	Number of Shares of Common Stock Beneficially Owned(2)	Number of Shares of Common Stock that may be Sold(2)	Number of Shares of Common Stock Upon Completion of Offering(1)
ACE Tempest Reinsurance Ltd.	$ 690,000	*	$ 690,000	71,134	71,134	0
AHFP Context	630,000	*	630,000	64,948	64,948	0
Altma Fund SICAV Plc. in respect of the Grafton Sub Fund	1,730,000	*	1,730,000	178,350	178,350	0
BP Amoco PLC Master Trust	312,000	*	312,000	32,165	32,165	0
CALAMOS Market Neutral Income Fund CALAMOS Investment Trust	3,000,000	1.71 %	3,000,000			