

LSI LOGIC CORP
Form S-3/A
September 30, 2003

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As filed with the Securities and Exchange Commission on September 30, 2003
Registration No. 333-107976

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
FORM S-3
REGISTRATION STATEMENT
Under
The Securities Act of 1933

LSI LOGIC CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-2712976
(I.R.S. Employer
Identification Number)

1621 Barber Lane
Milpitas, California 95035
(408) 433-8000

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

David G. Pursel
Vice President, General Counsel and
Secretary
LSI Logic Corporation
1621 Barber Lane
Milpitas, California 95035
(408) 433-8000

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

Copies to:
Michael Occhiolini, Esq.
Wilson Sonsini Goodrich & Rosati
Professional Corporation
650 Page Mill Road
Palo Alto, CA 94304
(650) 493-9300

Approximate date of commencement of proposed sale to the public: From time to time after the effective date 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.

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 of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, 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, please 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(c) 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 delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o _____

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Security(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
4.00% Convertible Subordinated Notes due 2010	\$ 350,000,000	100%	\$ 350,000,000	\$ 28,315(2)
common stock \$0.01 par value	26,080,460 (3)	(3)	(3)	(4)

- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1933.
- (2) Previously Paid.
- (3) Includes 26,080,460 shares of common stock, and associated preferred stock purchase rights, issuable upon conversion of the notes registered hereby at a conversion rate of 74.5156 shares per \$1,000 principal amount of notes. Pursuant to Rule 416 under the Securities Act, such number of shares of common stock registered hereby shall include an indeterminate number of shares of common stock that may be issued in connection with a stock split, stock dividend, recapitalization or similar event.
- (4) Pursuant to Rule 457(i), there is no additional filing fee with respect to the shares of common stock issuable upon conversion of the notes because no additional consideration will be received in connection with the exercise of the conversion privilege.

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 this Registration Statement shall become effective on such date as the commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. These securities may not be sold 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.

SUBJECT TO COMPLETION, DATED SEPTEMBER 30, 2003

\$350,000,000

LSI LOGIC CORPORATION

**4.00% Convertible Subordinated Notes Due 2010 and
the Common Stock Issuable Upon Conversion of the Notes**

We issued the notes in a private placement in May 2003. This prospectus will be used by selling security holders to resell their notes and the common stock issuable upon conversion of their notes. We will not receive any proceeds from this offering.

We will pay interest on the notes on May 15 and November 15 of each year. The first interest payment will be made on November 15, 2003.

You may convert the notes into shares of our common stock at an initial conversion rate of 74.5156 shares per \$1,000 principal (representing an initial conversion price of approximately \$13.42), subject to adjustment as set forth in this prospectus.

We may not redeem the notes prior to their maturity. In the event of a fundamental change, as described in this prospectus, holders of the notes may require us to repurchase all or part of their notes.

The notes are subordinated in right of payment to all of our existing and future senior indebtedness.

The notes are not listed on any securities exchange or included in any automated quotation system. Our common stock is quoted on the New York Stock Exchange Composite Tape under the symbol LSI. On September 29, 2003, the last reported sale price for our common stock on the New York Stock Exchange Composite Tape was \$9.86 per share.

The securities offered hereby involve a high degree of risk.

See **Risk Factors** beginning on page 4.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION 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 dated _____, 2003

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SUMMARY

This summary contains basic information about us and this offering. Because this is a summary, it may not contain all the information that may be important to you. You should read this entire prospectus carefully, including the section entitled Risk Factors and our financial statements and the notes thereto before making an investment decision. Documents incorporated by reference form an integral part of this prospectus. When used in this prospectus, unless otherwise stated, the terms we, our and us refer to LSI Logic Corporation and its subsidiaries.

LSI Logic Corporation

We are a leader in the design, development, manufacture, and marketing of complex, high-performance integrated circuits and storage systems. We are focused on four markets: communications, consumer products, storage components and storage systems. Our integrated circuits are used in a wide range of communication devices, including devices used for wireless and broadband data networking applications. We also provide other types of integrated circuit products and board-level products for use in consumer applications, high-performance storage controllers and systems for storage area networks.

We operate in two segments the Semiconductor segment and the Storage Systems segment in which we offer products and services for a variety of electronic systems applications. Our products are marketed primarily to original equipment manufacturers (OEMs) who sell products targeted for applications in our major markets.

In the Semiconductor segment, we use advanced process technology and comprehensive design methodologies to design, develop and manufacture and market highly complex integrated circuits. These systems-on-a-chip solutions include both application specific integrated circuits, commonly referred to as ASICs, and standard products. Semiconductor segment product offerings also include redundant array of independent disks host bus adapters and related products and services. ASICs are designed for specific applications defined by the customer, whereas standard products are for market applications that we define.

We have developed methods of designing integrated circuits based on a library of building blocks of industry-standard electronic functions, interfaces, and protocols. Among these is our CoreWare® design methodology. Our advanced submicron manufacturing process technologies allow our customers to combine one or more CoreWare library elements with memory and their own proprietary logic to integrate a highly complex, system-level solution on a single chip. We have developed and use complementary metal oxide semiconductor (CMOS) process technologies to manufacture our integrated circuits.

In the Storage Systems segment, our enterprise storage systems are designed, manufactured, and sold by our wholly owned subsidiary LSI Logic Storage Systems, Inc. Our high-performance, highly scalable open storage area network systems and storage solutions are available through leading OEMs and a specialized network of resellers. Products and solutions distributed through these channels may exclude LSI Logic Storage Systems brand identification. When included, LSI Logic Storage Systems brand identity may appear alone or in tandem with OEM brand identification.

We were incorporated in California in 1980 and reincorporated in Delaware in 1987. Our principal offices are located at 1621 Barber Lane, Milpitas, California 95035, and our telephone number at that location is (408) 433-8000. Our home page on the Internet is at www.lsillogic.com. The information contained on our website is not incorporated into this prospectus.

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The Offering

Securities Offered	\$350,000,000 principal amount of 4% Convertible Subordinated Notes due 2010.
Maturity Date	May 15, 2010.
Interest	The notes bear interest at an annual rate of 4% on the principal amount, payable semi-annually in arrears on May 15 and November 15 of each year, beginning November 15, 2003.
Conversion	<p>You may convert the notes into shares of our common stock at a conversion rate of 74.5156 shares per \$1,000 principal amount of the notes (representing an initial conversion price of approximately \$13.42) subject to adjustment in specified events.</p> <p>For a discussion of the conversion rate adjustment provisions of the notes, see the subsection entitled "Description of the Notes - Conversion of Notes" below.</p>
Subordination	<p>The notes are subordinated to all existing and future senior indebtedness and are effectively subordinated to all of the indebtedness and other liabilities (including trade and other payables) of our subsidiaries. As of June 30, 2003, we had approximately \$701,000 of indebtedness outstanding that would have constituted senior indebtedness and our subsidiaries had approximately \$173 million of indebtedness and other liabilities outstanding to which the notes would have been effectively subordinated (including trade and other payables, but excluding intercompany liabilities). Additionally, as of June 30, 2003, we had approximately \$912 million of outstanding notes that have substantially the same subordination provisions as the notes registered by the registration statement related to this prospectus. The indenture governing the notes does not limit the amount of indebtedness, including senior indebtedness, that we and our subsidiaries may incur.</p>
Sinking Fund	None.
Redemption	We may not redeem the notes prior to their maturity.
Fundamental Change	If a fundamental change (as described in this prospectus) occurs prior to maturity, you may require us to repurchase all or part of your notes at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the repurchase date.
Use of Proceeds	We will not receive any of the proceeds from the sale by any selling securityholder of the notes or the underlying common stock into which the notes may be converted.
Listing of Common Stock	The Common Stock is listed on the New York Stock Exchange Composite Tape under the symbol LSI.

RISK FACTORS

You should read the "Risk Factors" section, beginning on page 4 of this prospectus, so that you understand this risks associated with an investment in the notes.

Table of Contents**Ratio of Earnings to Fixed Charges**

The ratio of earnings to fixed charges for each of the periods indicated is as follows:

	Six Months Ended June 30,		Fiscal Year Ended December 31,				
	2002	2003	1998	1999	2000	2001	2002
Ratio of earnings to fixed charges				5.3	8.7		

These computations include us and our consolidated subsidiaries. Ratio of earnings to fixed charges is computed by dividing:

earnings before taxes adjusted for fixed charges, minority interest and capitalized interest net of amortization by,

fixed charges, which includes interest expense and capitalized interest incurred, plus the portion of interest expense under operating leases deemed by us to be representative of the interest factor, plus amortization of the debt issuance costs.

For our fiscal year ended December 31, 1998, 2001 and 2002 earnings were inadequate to cover fixed charges by \$140 million, \$1,028 million and \$288 million, respectively. For the six months ended June 30, 2002 and 2003, earnings were inadequate to cover fixed charges by \$233 million and \$283 million, respectively.

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RISK FACTORS

Before you invest in the notes, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included or incorporated by reference in this prospectus, before you decide whether to purchase the notes. The risks set out below are not the only risks we face.

If any of the following risks occur, our business, financial condition and results of operations could be materially adversely affected. In such case, the trading price of the notes could decline, and you may lose all or part of your investment.

Keep these risk factors in mind when you read forward-looking statements elsewhere in this prospectus and in the documents incorporated by reference in this prospectus. These are statements that relate to our expectations for future events and time periods. Generally, the words, anticipate, expect, intend and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements.

Risks Related to Our Business

A continued general economic weakness may further reduce our revenues

The semiconductor industry is cyclical in nature and is characterized by wide fluctuations in product supply and demand. Since 2001, our financial condition and results of operations have been significantly adversely affected by the continuing weakness in the U.S. economy. In addition, our results of operations are becoming increasingly dependent on the global economy. Any geopolitical factors such as additional terrorist activities, armed conflict, or global health conditions may adversely affect the global economy, which may affect our recovery in 2003 and adversely impact our operating results and financial condition. In addition, goodwill and other long-lived assets could be impacted by a further decline in revenues because an impairment is measured based upon estimates of future cash flows. These estimates include assumptions about future conditions within our company and industry.

Our product and process development activities occur in a highly competitive environment characterized by rapid technological change

The Semiconductor and Storage Systems segments in which we conduct business are characterized by rapid technological change, short product cycles and evolving industry standards. We believe our future success depends, in part, on our ability to improve on existing technologies and to develop and implement new ones in order to continue to reduce semiconductor chip size and improve product performance and manufacturing yields. We must also be able to adopt and implement emerging industry standards and to adapt products and processes to technological changes. If we are not able to implement new process technologies successfully or to achieve volume production of new products at acceptable yields, our operating results and financial condition may be adversely impacted.

In addition, we must continue to develop and introduce new products that compete effectively on the basis of price and performance and that satisfy customer requirements. We continue to emphasize engineering development and acquisition of CoreWare building blocks and integration of our CoreWare libraries into our design capabilities. Our cores and standard products are intended to be based upon industry standard

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functions, interfaces and protocols so that they are useful in a wide variety of systems applications. Development of new products and cores often requires long-term forecasting of market trends, development and implementation of new or changing technologies and a substantial capital commitment. We cannot provide assurance that the cores or standard products that we select for investment of our financial and engineering resources will be developed or acquired in a timely manner or will enjoy market acceptance.

We operate highly complex and costly manufacturing facilities

The manufacture and introduction of our products is a complicated process. We confront challenges in the manufacturing process that require us to:

maintain a competitive manufacturing cost structure;

implement the latest process technologies required to manufacture new products;

exercise stringent quality control measures to ensure high yields;

effectively manage the subcontractors engaged in the wafer fabrication, test and assembly of products; and

update equipment and facilities as required for leading edge production capabilities.

We do not control the timing or size of orders for our products. We generally do not have long-term volume production contracts with our customers. There is a risk that we will be unable to meet sudden increases in demand beyond our current manufacturing capacity, which may result in additional capital expenditures and production costs. On the other hand, order volumes below anticipated levels may result in the under-utilization of our manufacturing facilities, resulting in higher per unit costs, which could adversely affect our operating results and financial condition.

Our manufacturing facilities are subject to disruption

Our wafer fabrication site located in Gresham, Oregon is a highly complex, state-of-the-art facility. Anticipated production rates depend upon the reliable operation and effective integration of a variety of hardware and software components. There is no assurance that all of these components will be fully functional or successfully integrated on time or that the facility will achieve the forecasted yield targets. The capital expenditures required to bring the facility to full operating capacity may be greater than we anticipate and result in lower margins.

Operations at any of our primary manufacturing facilities, or at any of our wafer fabrication, test and assembly subcontractors, may be disrupted for reasons beyond our control, including work stoppages, fire, earthquake, floods or other natural disasters.

We outsource a substantial portion of wafers manufactured

We have developed outsourcing arrangements for the manufacture of some of our products based on process technology that is unique to the supplier. We cannot assure you that the third party manufacturer will be able to produce and deliver wafers that meet our specifications or that it will be able to provide successfully the process technology it has committed. If the third party is not able to deliver products and

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process technology on a timely and reliable basis, our results of operations could be adversely affected. During periods of third party manufacturing capacity shortages, wafer prices increase and may affect product margins.

We have significant capital requirements to maintain and grow our business

We continue to make significant investments in our facilities and capital equipment. We also seek to obtain access to advanced manufacturing capacities through strategic supplier alliances with wafer foundries. In general, we seek to optimally allocate the manufacture of our products between our facilities and those of our foundry suppliers. Nonetheless, a high level of capital expenditures in our facilities results in relatively high fixed costs. If demand for our products does not absorb the available capacity, the fixed costs and operating expenses related to our production capacity could have a material adverse impact on our operating results and financial condition.

We finance our capital expenditure needs from operating cash flows, bank financing and capital market financing

As of June 30, 2003, we had convertible notes outstanding of approximately \$1.3 billion. As of June 30, 2003, we have two operating leases totalling \$395 million financed by several commercial banks. The amounts under both leases were fully drawn on June 30, 2003. Amounts due under these operating leases are not senior indebtedness under the indenture for the notes. In addition to the notes issued pursuant to this offering, we may need to seek additional equity or debt financing from time to time and cannot be certain that additional financing will be available on favorable terms. Moreover, any future equity or equity linked financing may dilute the equity ownership of existing stockholders.

We are exposed to fluctuations in foreign currency exchange rates

We have international subsidiaries and distributors that operate and sell our products globally. Further, we purchase a portion of our raw materials and manufacturing equipment from foreign suppliers, and incur labor and other operating costs in foreign currencies, particularly in our Japanese manufacturing facilities. As a result, we are exposed to the risk of changes in foreign currency exchange rates or declining economic conditions in these countries.

We procure parts and raw materials from limited domestic and foreign sources

We do not maintain an extensive inventory of parts and materials for manufacturing. We purchase a portion of our requirements for parts and raw materials from a limited number of sources and some from a single supplier. On occasion, we have experienced difficulty in securing an adequate volume and quality of parts and materials. There is no assurance that, if we have difficulty in obtaining parts or materials in the future, alternative suppliers will be available, or that these suppliers will provide parts and materials in a timely manner or on favorable terms. As a result, we may be adversely affected by delays in new and current product shipments. If we cannot obtain adequate materials for manufacture of our products, there could be a material adverse impact on our operating results and financial condition.

We operate in highly competitive markets

We compete in markets that are intensely competitive and that exhibit both rapid technological change and continual price erosion. Our competitors include many large domestic and foreign companies that have substantially greater financial, technical and management resources than we do. Several major diversified electronics companies offer ASIC products and/or other standard products that are competitive with our product lines. Other competitors are specialized, rapidly growing companies that sell products into

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the same markets that we target. Some of our large customers may develop internal design and production capabilities to manufacture their own products, thereby displacing our products. There is no assurance that the price and performance of our products will be superior relative to the products of our competitors. As a result, we may experience a loss of competitive position that could result in lower prices, fewer customer orders, reduced revenues, reduced gross profit margins and loss of market share. To remain competitive, we continually evaluate our worldwide operations, looking for additional cost savings and technological improvements.

Our future competitive performance depends on a number of factors, including our ability to:

- properly identify target markets;
- accurately identify emerging technological trends and demand for product features and performance characteristics;
- develop and maintain competitive products;
- enhance our products by adding innovative features that differentiate our products from those of our competitors;
- bring products to market on a timely basis at competitive prices;
- respond effectively to new technological changes or new product announcements by others; and
- adapt products and processes to technological changes; and adopt and/or set emerging industry standards.

We may not meet our design, development and introduction schedules for new products or enhancements to our existing and future products. In addition, our products may not achieve market acceptance or sell at favorable prices.

We are dependent on a limited number of customers

We are increasingly dependent on a limited number of customers for a substantial portion of revenues as a result of our strategy to focus our marketing and selling efforts on select, large-volume customers. One of our customers represented 14% of our total consolidated revenues for the six-months ended June 30, 2003. In the Semiconductor segment, two customers represented 13% and 10% of total Semiconductor revenues for the six-months ended June 30, 2003. In the Storage Systems segment, there were three customers with revenues representing 45%, 15% and 12% of total Storage Systems revenues, respectively, for the six-months ended June 30, 2003.

Our operating results and financial condition could be significantly affected if:

- we do not win new product designs from major customers;
- major customers reduce or cancel their existing business with us;
- major customers make significant changes in scheduled deliveries; or

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there are declines in the prices of products that we sell to these customers.

We utilize indirect channels of distribution over which we have limited control

We derive a material percentage of product revenues from independent reseller and distributor channels. Our financial results could be adversely affected if our relationship with these resellers or distributors were to deteriorate or if the financial condition of these resellers or distributors were to decline. Given the current economic environment, the risk of distributors going out of business is significantly increased. In addition, as our business grows, we may have an increased reliance on indirect channels of distribution. There can be no assurance that we will be successful in maintaining or expanding these indirect channels of distribution. This could result in the loss of certain sales opportunities. Furthermore, the partial reliance on indirect channels of distribution may reduce our visibility with respect to future business, thereby making it more difficult to accurately forecast orders.

Our operations are affected by cyclical fluctuations

The Semiconductor and Storage Systems segments in which we compete are subject to cyclical fluctuations in demand. In 2002 and the first quarter of 2003, we experienced declines in sales and/or the prices of our products as a result of the following:

rapid technological change, product obsolescence and price erosion in our products;

maturing product cycles in our products or products sold by our customers;

increases in worldwide manufacturing capacity for semiconductors, resulting in declining prices;

reduced product demand;

excess inventory within the supply chain; and

continued weakness of the United States and worldwide economy, causing declines in our product markets or the markets of our suppliers and customers.

The semiconductor industry has in the past experienced periods of rapid expansion of production capacity. Even when the demand for our products remains constant, the availability of additional excess production capacity in the industry creates competitive pressure that can degrade pricing levels, which can reduce revenues. Furthermore, customers who benefit from shorter lead times may defer some purchases to future periods, which could affect our demand and revenues in the short term. As a result, we may experience downturns or fluctuations in demand in the future and experience adverse effects on our operating results and financial condition.

We engage in acquisitions and alliances giving rise to economic and technological risks

We intend to continue to make investments in companies, products and technologies, either through acquisitions or strategic alliances. Acquisitions and investment activities often involve risks, including the need to:

acquire timely access to needed capital for investments related to acquisitions and alliances;

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Mergers and acquisitions of high-technology companies bear inherent risks. No assurance can be given that our previous or future acquisitions will be successful and will not materially adversely affect our business, operating results or financial condition. We must manage any growth effectively. Failure to manage growth effectively and to integrate acquisitions could adversely affect our operating results and financial condition.

There is uncertainty associated with our research and development investments

Our research and development activities are intended to maintain and enhance our competitive position by utilizing the latest advances in the design and manufacture of semiconductors and storage systems. Technical innovations are inherently complex and require long development cycles and the commitment of extensive engineering resources. We must incur substantial research and development costs to confirm the technical feasibility and commercial viability of a product that in the end may not be successful. If we are not able to successfully and timely complete our research and development programs, we may face competitive disadvantages. We cannot assure you that we will recover the development costs associated with such programs or that we will be able to secure the financial resources necessary to fund future research and development efforts.

We may rely on capital and bank markets to provide liquidity

In order to finance strategic acquisitions, capital assets needed in our manufacturing facilities and other general corporate needs, we may rely on capital and bank markets to provide liquidity. Historically, we have been able to access capital and bank markets, but this does not necessarily guarantee that we will be able to access these markets in the future or at terms that are acceptable to us. The availability of capital in these markets is affected by several factors, including geopolitical risk, the interest rate environment and the condition of the economy as a whole. In addition, our own operating performance, capital structure and expected future performance impacts our ability to raise capital. We believe that our current cash, cash equivalents, short-term investments and future cash provided by operations, including the proceeds from this offering, will be sufficient to fund our needs in the foreseeable future. This includes repaying our existing convertible debt when due. However, if our operating performance falls below expectations, we may need additional funds.

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We cannot guarantee the success of our new product offerings that we design in response to changing technology

As technology advances to 0.13 micron and smaller geometries, there are increases in the complexity, time and expense associated with the design, development and manufacture of ASICs. These increases create opportunities into different offerings, which include products such as RapidChip. This new offering addresses a growing market need for cost-effective and fast time-to-market solutions. However, this product is a new offering and has not generated any revenues to date. Therefore, we cannot guarantee that such alternative offerings will result in market acceptance.

Our global operations expose us to numerous international business risks

We have substantial business activities in Asia and Europe. Both manufacturing and sales of our products may be adversely impacted by changes in political and economic conditions abroad. A change in the current tax laws, tariff structures, export laws, regulatory requirements or trade policies in either the United States or foreign countries could adversely impact our ability to manufacture or sell our products in foreign markets. Moreover, a significant decrease in sales by our customers to end users in either Asia or Europe could result in a decline in orders.

We subcontract wafer manufacturing, test and assembly functions to independent companies located in Asia. A reduction in the number or capacity of qualified subcontractors or a substantial increase in pricing could cause longer lead times, delays in the delivery of products to customers or increased costs.

The high technology industry in which we operate is prone to intellectual property litigation

Our success is dependent in part on our technology and other proprietary rights, and we believe that there is value in the protection afforded by our patents, patent applications and trademarks. However, the industry is characterized by rapidly changing technology and our future success depends primarily on the technical competence and creative skills of our personnel. In addition, we have a program whereby we actively protect our intellectual property by acquiring patent and other intellectual property rights.

As is typical in the high technology industry, from time to time we have received communications from other parties asserting that certain of our products, processes, technologies or information infringe upon their patent rights, copyrights, trademark rights or other intellectual property rights. We regularly evaluate such assertions. In light of industry practice, we believe, with respect to existing or future claims, that any licenses or other rights that may be necessary can generally be obtained on commercially reasonable terms. Nevertheless, we cannot assure you that licenses will be obtained on acceptable terms or that a claim will not result in litigation or other administrative proceedings. Resolution of whether our product or intellectual property has infringed on valid rights held by others could have a material adverse effect on our financial position or results of operations and may require material changes in production processes and products.

In February 1999, a lawsuit alleging patent infringement was filed in the United States District Court for the District of Arizona by the Lemelson Medical, Education & Research Foundation, Limited Partnership against 88 electronics industry companies, including us. The case number is CIV990377PHXRGs. The patents involved in this lawsuit are alleged to relate to semiconductor manufacturing and computer imaging, including the use of bar coding for automatic identification of articles. The plaintiff sought an infringement judgment, an injunction, treble damages, attorneys' fees and further relief as the court may provide. In September 1999, we filed an answer denying infringement, raising affirmative defenses and asserting a

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counterclaim for declaratory judgment of non-infringement, invalidity and unenforceability of Lemelson's patents. As of December 31, 2002, the discovery phase was continuing. Initial patent claim construction briefs are due in March 2004. As of this time, no trial date has been set. While we cannot make any assurance regarding the eventual resolution of this matter, we do not believe it will have a material adverse effect on our consolidated results of operations or financial condition.

U.S. Philips Corporation, a subsidiary of Royal Philips Electronics of Netherlands, filed suits on October 17, 2001 in the U.S. District Court in New York against eight companies, including us, for allegedly infringing and inducing others to infringe Philips U.S. Patent Number 4,689,740. This patent is directed to devices and methods used with the Inter-Integrated Circuit Bus. Philips sought an infringement judgment, an injunction, attorneys' fees, costs and further relief as the court may provide. While we cannot make any assurance regarding the eventual resolution of this matter, we do not believe it will have a material adverse effect on our consolidated results of operations or financial condition.

On June 14, 2002, Plasma Physics Corporation filed suit against us in the Eastern District of New York, alleging that we are willfully and deliberately infringing two U.S. Plasma Physics patents. LSI was served with the lawsuit in December 2002. The case is number CV 02-3462 (LDW) (WDW). The two Plasma Physics patent numbers are 5,470,784 and 6,245,648. No specific products on LSI were identified in the complaint. The plaintiff sought an infringement judgment, an injunction, treble damages, attorneys' fees and further relief as the court may provide. Similar lawsuits were also filed at the same time against several other corporations. In January 2003, we answered the complaint denying infringement and asserting the affirmative defenses and asserting counterclaims for judgments declaring patent non-infringement, declaring patent invalidity, and declaring the patents unenforceable. Trial is currently set for April 30, 2004. While we cannot make any assurance regarding the eventual resolution of this matter, we do not believe it will have a material adverse effect on our consolidated results of operations or financial condition.

We must attract and retain key employees in a highly competitive environment

Our employees are vital to our success and our key management, engineering and other employees are difficult to replace. We do not generally have employment contracts with our key employees. The expansion of high technology companies in Silicon Valley, Colorado, Kansas, Oregon and elsewhere where we operate our business has increased demand and competition for qualified personnel and, despite the economic slowdown, competition for these personnel is intense. Our continued growth and future operating results will depend upon our ability to attract, hire and retain significant numbers of qualified employees.

There are multiple factors that may make it more difficult for a third party to acquire us, and the rights of some shareholders could be adversely affected

Provisions for our Restated Certificate of Incorporation and our bylaws, as well as the Delaware General Corporation Law, could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. We are subject to the provisions of Section 203 of the Delaware General Corporation Law, which restricts certain business combinations with interested stockholders. These provisions may discourage transactions involving a change in control of the company.

In addition, shares of our preferred stock may be issued in the future without further shareholder approval and upon such terms and conditions and having such rights, privileges and preferences, as the board of directors may determine. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of any holders of preferred stock that may be issued in the future. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of our outstanding voting stock. We have also adopted a shareholder rights plan and have entered into severance agreements with each of our executive officers that, along with certain provisions of our Restated Certificate of Incorporation, may have the effect of discouraging certain transactions involving a change in control of the company.

Risks Related to the Offering

Our indebtedness and debt service obligations may adversely affect our cash flow and we will be permitted to incur additional indebtedness in the future

We intend to fulfill our debt service and repayment obligations both from cash generated by our operations and from our cash and investments. If we are unable to generate sufficient cash to meet these obligations and need to use existing cash or liquidate investments in order to fund our debt service obligations, we may have to delay or curtail research and development programs.

Our current and future indebtedness could have significant additional negative consequences, including:

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requiring the dedication of a substantial portion of our expected cash flow from operations to service our indebtedness, thereby reducing the amount of our expected cash flow available for other purposes, including capital expenditures;

increasing our vulnerability to general adverse economic and industry conditions;

limiting our ability to obtain additional financing;

limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete;

placing us at a possible competitive disadvantage to less leveraged competitors and competitors that have better access to capital resources; and

affecting our abilities to make interest payments on our indebtedness, including the notes.

The notes are subordinated and we may incur additional debt

The notes are unsecured and subordinated in right of payment in full to all of our existing senior indebtedness. As a result, in the event of our bankruptcy, liquidation or reorganization 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 senior indebtedness has been paid in full. After retiring our senior indebtedness, we may not have sufficient assets remaining to pay amounts due on any or all of the notes then outstanding.

The notes are our exclusive obligations and our corporate structure results in substantial structural subordination of the notes. Since almost all of our operations are conducted through subsidiaries, our cash flow and ability to service debt, including the notes, are dependent upon the earnings of our subsidiaries and the distribution of those earnings to, or upon loans or other payments of funds by those subsidiaries to, us. Our subsidiaries are separate legal entities and have no obligation to make any payments on the notes or to make any funds available for payment on the notes. The payment of dividends and the making of loans and advances to us by our subsidiaries may be subject to statutory or contractual restrictions, are dependent upon the earnings of those subsidiaries and are subject to various business considerations. Our right to receive assets of any of our subsidiaries upon their liquidation or reorganization (and the consequent right of the holders of the notes to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors (including trade creditors), except to the extent that we are recognized as a creditor of such subsidiary, in which case our claims would still be subordinate to any security interests in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by us.

The indenture does not prohibit or limit us from incurring senior indebtedness or incurring other indebtedness and other liabilities. As of June 30, 2003, we had approximately \$701,000 of indebtedness outstanding that would have constituted senior indebtedness, and our subsidiaries had approximately \$173 million of indebtedness and other liabilities outstanding to which the notes would have been effectively subordinated (including trade and other payables, but excluding intercompany liabilities). We have also fully drawn the \$395 million available under our operating leases, of which \$384 million was cash collateralized as of June 30, 2003. Under the terms of the lease agreements, we are also required to maintain unrestricted cash reserves of no less than the greater of (a) the sum of \$100 million plus the principal amount outstanding under our convertible subordinated notes due February 15, 2005 and (b) \$350 million. Additionally, as of June 30, 2003, we had approximately \$912 million of outstanding notes that have substantially the same subordination provisions as the notes registered by the registration statement related to this prospectus. We anticipate that from time to time we will incur additional senior indebtedness. We and our subsidiaries will also from time to time incur other additional indebtedness and liabilities. See "Description of the Notes - Subordination."

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We may not be able to repurchase the notes upon a fundamental change

Upon a fundamental change, which includes certain types of change in control transactions in which the holder of the notes does not receive, upon conversion of the notes, securities where all or substantially all of such securities are traded on a national securities exchange or the Nasdaq National Market, each holder of notes will have certain rights, at the holder's option, to require us to repurchase all or a portion of such holder's notes. If a fundamental change were to occur, we may not have sufficient funds to pay the repurchase price for all notes tendered by the holders. In such case, our failure to repurchase tendered notes would constitute an event of default under the indenture and may constitute a default under the terms of other indebtedness that we may enter into from time to time. In such circumstances or if the occurrence of a fundamental change or the triggering of repurchase rights as a result of a fundamental change could constitute an event of default under our senior indebtedness, the subordination provisions in the indenture would restrict or prohibit payments to the holders of notes. The term fundamental change is limited to certain specified transactions and may not include other events that might adversely affect our financial condition, nor would the requirement that we offer to repurchase the notes upon a fundamental change necessarily protect holders of the notes if we engaged in a highly leveraged transaction, reorganization, merger or similar transaction. See Description of the Notes Repurchase at Option of the Holder.

Our stock price has been volatile and is likely to remain volatile, which may adversely affect the price of the notes and our common stock

Our stock has experienced substantial price volatility, particularly as a result of quarterly variations in results, the published expectations of analysts and announcements by our competitors and us. In addition, the stock market has experienced price and volume fluctuations that have affected the market price of many technology companies and that have often been unrelated to the operating performance of such companies. The price of our securities may also be affected by general global, economic and market conditions. While we cannot predict the individual effect that these and other factors may have on the price of our securities, these factors, either individually or in the aggregate, could result in significant variations in the price of our common stock during any given period of time. These fluctuations in our stock price also impact the market price of the notes and our outstanding convertible securities and the likelihood of the convertible securities being converted into equity. If our stock price is below the effective conversion price (based on the then applicable conversion rate) of our convertible notes on the date of maturity, holders may not convert them into equity and we may be required to repay the principal amount of the convertible securities for cash. However, in the event they do not convert to equity, we believe that our current cash position and expected future operating cash flows will be adequate to meet these obligations as they mature.

The rating on our notes may decrease or our notes may receive a lower rating than anticipated

Our notes have been rated by Standard & Poor's and one or more other rating agencies may rate the notes. If Standard and Poor's decreases the rating on our notes or if one or more rating agencies assign the notes a rating lower than expected by investors, the market prices of the notes and our common stock would be materially and adversely affected.

There may be no public market for the notes

There is no established public trading market for the notes. At the time of the original issuance of the notes in a private placement in May 2003, Morgan Stanley & Co. Incorporated, the initial purchaser of the notes, advised us that it intended to make a market in the notes. However, the initial purchaser is not obligated

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to do so and may discontinue its market-making activities at any time without notice. Consequently, we cannot be sure that any market for the notes will develop, or if one does develop, that it will be maintained. If an active market for the notes fails to develop or be sustained, the trading price of the notes could decline. We do not intend to apply for listing of the notes on any securities exchange or any automated quotation system.

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus, including the documents incorporated herein by reference, are forward-looking statements, including but not limited to those specifically identified as such, that involve risks and uncertainties. The statements contained herein that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, including statements regarding our expectations, beliefs, intentions or strategies regarding the future. All forward-looking statements included in this prospectus are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results to differ materially from those implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipates, believes, estimates, intends, projects, predicts, objectives, potential, or continue or the negative of these terms or other comparable terminology. For such statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Risks and uncertainties that may affect our results include, among others:

- fluctuations in timing and volumes of customer demand;
- the rate of depletion of customer inventory buildup;
- our achievement of revenue objectives and other financial targets;
- the development of new products;
- the timing and success of new product introductions;
- the continued availability of appropriate levels of manufacturing capacity;
- the realization of benefits from our strategic relationships;
- competing technologies, R&D investments, products and other competitive factors;
- disruptions in general economic activity due to worsening global business and geopolitical conditions;
- the extent to which we may not realize the cost savings we expect from the reduction in workforce and operating expenses;

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the cyclical nature of the semiconductor industry and the markets addressed by our products; and
the unpredictability of the economy and other factors beyond our control.

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USE OF PROCEEDS

We will not receive any of the proceeds from the sale by any selling securityholder of the notes or the underlying common stock issuable upon conversion of the notes.

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DESCRIPTION OF THE NOTES

We issued the notes under an indenture dated as of May 16, 2003, between us, as issuer, and U.S. Bank National Association, as trustee. The notes and the shares issuable upon conversion of the notes are covered by a registration rights agreement. You may request a copy of the indenture and the registration rights agreement from the trustee.

The following description is a summary of the material provisions of the notes, the indenture and the registration rights agreement. It does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the indenture, including the definitions of certain terms used in the indenture, which has been filed as an exhibit to this registration statement. We urge you to read the indenture because it defines your rights as a holder of the notes.

As used in this Description of the Notes section, references to LSI, we, our or us refer solely to LSI Logic Corporation and not to our subsidiaries.

General

The notes are general, unsecured obligations of LSI Logic Corporation. The notes are subordinated to all existing and future senior indebtedness as described under Subordination. The notes are convertible into our common stock as described under Conversion of Notes.

The notes are limited to \$350,000,000 aggregate principal amount. The notes will be issued only in denominations of \$1,000 and multiples of \$1,000. The notes will mature on May 15, 2010 unless earlier converted or repurchased at your option upon a fundamental change.

Neither we nor any of our subsidiaries are subject to any financial covenants under the indenture. In addition, neither we nor any of our subsidiaries are restricted under the indenture from paying dividends, incurring debt, or issuing or repurchasing our securities.

You are not afforded protection under the indenture in the event of a highly leveraged transaction or a change in control of us except to the extent described below under Repurchase at Option of the Holder.

We will pay interest on May 15 and November 15 of each year, beginning November 15, 2003, to record holders at the close of business on the preceding May 1 and November 1 as the case may be; provided, however, in case you convert any of your notes into common stock during the period after any record date but prior to the next interest payment date, one of the following will occur:

we will not be required to pay interest on the interest payment date if the note is to be repurchased in connection with a fundamental change on a repurchase date that occurs during this period; or

if otherwise, any note not subject to repurchase that is submitted for conversion during this period must also be accompanied by an amount equal to the interest due on the interest payment date on the converted principal amount, unless at the time of conversion there is a default in the payment of interest on the notes. See the subsection entitled Conversion of Notes below for more information.

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We will maintain an office in the Borough of Manhattan, The City of New York, for the payment of interest, which shall initially be an office or agency of the trustee. We may pay interest either:

by check mailed to your address as it appears in the note register, provided that if you are a holder with an aggregate principal amount in excess of \$10 million, you shall be paid, at your written election, by wire transfer in immediately available funds; or

by transfer to an account maintained by you in the United States.

However, payments to The Depository Trust Company, New York, New York, which we refer to as DTC, will be made by wire transfer of immediately available funds to the account of DTC or its nominee. Interest will be computed on the basis of a 360-day year composed of twelve 30-day months.

Conversion of Notes

You may convert your notes, in whole or in part, into common stock prior to the close of business on the final maturity date of the notes, subject to prior repurchase of the notes. If you have submitted your notes for repurchase upon a fundamental change, you may convert your notes only if you withdraw your repurchase election in accordance with the indenture. You may convert your notes in part so long as this part is \$1,000 principal amount or an integral multiple of \$1,000. If any notes not subject to repurchase are converted after a record date for any interest payment date and prior to the next interest payment date, the notes must be accompanied by an amount equal to the interest payable on the interest payment date on the converted principal amount unless a default in the payment of interest exists at the time of conversion.

The initial conversion rate for the notes is 74.5156 shares per \$1,000 principal amount of the notes (representing an initial conversion price of approximately \$13.42), subject to adjustment as described below. We will not issue fractional shares of common stock upon conversion of notes. Instead, we will pay cash equal to the closing price of the common stock on the trading day prior to the conversion date. Except as described below, you will not receive any accrued interest or dividends upon conversion.

To convert interests in a global note, you must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program. To convert a definitive note into common stock, you must:

complete and manually sign the conversion notice on the back of the note or facsimile of the conversion notice and deliver this notice to the conversion agent;

surrender the note to the conversion agent;

if required, furnish appropriate endorsements and transfer documents;

if required, pay all transfer or similar taxes; and

if required, pay funds equal to interest payable on the next interest payment date.

The date you comply with these requirements is the conversion date under the indenture.

We will adjust the conversion rate if any of the following events occurs:

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- (1) we issue common stock as a dividend or distribution on our common stock;
- (2) we issue to all holders of common stock certain rights or warrants to purchase our common stock;
- (3) we subdivide or combine our common stock;
- (4) we distribute to all holders of our common stock, shares of our capital stock, evidences of indebtedness or assets, including securities, but excluding:

rights or warrants listed in (2) above;

dividends or distributions listed in (1) above; and

cash distributions listed in (5) below;

If we distribute capital stock of, or similar equity interests in, a subsidiary or other business unit of ours and do not elect to reserve such securities on a *pro rata* basis for the benefit of holders of notes described below, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of our common stock, in each case based on the average closing sale prices of those securities for the 10 trading days commencing on and including the fifth trading day after the date on which ex-dividend trading commences for such distribution on the New York Stock Exchange or such other national or regional exchange or market on which the securities are then listed or quoted.

- (5) we distribute cash, excluding any dividend or distribution in connection with our liquidation, dissolution or winding up or any quarterly cash dividend on our common stock, to the extent that the aggregate cash dividend per share of common stock in any quarter does not exceed the greater of:

the amount per share of common stock of the next preceding quarterly cash dividend on the common stock to the extent that the preceding quarterly dividend did not require an adjustment of the conversion rate pursuant to this clause (5), as adjusted to reflect subdivisions or combinations of the common stock; and

2.0% of the average of the last reported sale price of the common stock during the ten trading days immediately prior to the declaration date of the dividend.

If an adjustment is required to be made under this clause (5) as a result of a distribution that is a quarterly dividend, the adjustment would be based upon the amount by which the distribution exceeds the amount of the quarterly cash dividend permitted to be excluded pursuant to this clause (5). If an adjustment is required to be made under this clause (5) as a result of a distribution that is not a quarterly dividend, the adjustment would be based upon the full amount of the distribution;

- (6) we or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of common stock exceeds the current market price per share of common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer; and

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(7) someone other than us or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer in which, as of the closing date of the offer, our board of directors is not recommending rejection of the offer. The adjustment referred to in this clause (7) will only be made if:

the tender offer or exchange offer is for an amount that increases the offeror's ownership of common stock to more than 25% of the total shares of common stock outstanding; and

the cash and value of any other consideration included in the payment per share of common stock exceeds the current market price per share of common stock on the business day next succeeding the last date on which tenders or exchanges may be made pursuant to the tender or exchange offer.

However, the adjustment referred to in this clause (7) will generally not be made if as of the closing of the offer, the offering documents disclose a plan or an intention to cause us to engage in a consolidation or merger or a sale of all or substantially all of our as