CONEXANT SYSTEMS INC
Form 424B3
September 24, 2009

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-160637

Subject to Completion, Dated September 23, 2009

Prospectus Supplement
(To Prospectus dated July 27, 2009)

7,000,000 Shares

Common Stock

We are offering 7,000,000 shares of our common stock. Our common stock is listed on the NASDAQ Global Select Market under the symbol CNXT. The last reported sale price of our common stock on the NASDAQ Global Select Market on September 23, 2009 was $3.39 per share.

Investing in our common stock involves significant risks. See Risk Factors beginning on page S-7 of this prospectus supplement.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Us, Before Expenses	$	$

We have granted the underwriter a 30-day option to purchase up to an additional 1,050,000 shares of common stock solely to cover over-allotments of shares, if any. If the underwriter exercises this option in full, the total underwriting discount will be $, and our total proceeds, before expenses, will be $.

We expect to deliver the shares of our common stock to purchasers on or about September , 2009.

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

Oppenheimer & Co.

The date of this prospectus supplement is September , 2009

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Prospectus Supplement

Prospectus

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About This Prospectus Supplement

On July 17, 2009, we filed with the Securities and Exchange Commission (SEC) a registration statement on Form S-3 (File No. 333-160637) utilizing a shelf registration process relating to the securities described in this prospectus supplement, which registration statement was declared effective on July 27, 2009. On September 23, 2009, we filed with the SEC a registration statement on Form S-3 (File No. 333-162082) pursuant to Rule 462(b) of the Securities Act of 1933, as amended, solely to register an additional $4.0 million of our common stock, which registration statement became effective upon filing.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this common stock offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the prospectus. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering.

If there is a conflict between the information contained in this prospectus supplement and the accompanying prospectus or any document incorporated by reference herein or therein, you should rely on the information contained in this prospectus supplement. However, if any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in this prospectus supplement and the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

You should rely only on the information contained in this prospectus supplement, the accompanying prospectus, any free writing prospectus that we have authorized to be distributed to you or information incorporated by reference herein or in the accompanying prospectus. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. We are offering to sell, and seeking offers to buy, common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the front of those documents and any document incorporated by reference is accurate only as of its filing date.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus supplement or the accompanying prospectus in that jurisdiction. Persons who come into possession of this prospectus supplement or the accompanying prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus supplement and the accompanying prospectus applicable to that jurisdiction.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to Conexant, the Company, we, us and our or similar terms are to Conexant Systems Inc. and its subsidiaries.

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Summary

This summary highlights certain information about us, this offering and information appearing elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. This summary is not complete and does not contain all of the information that you should consider before investing. After you read this summary, to fully understand this offering and its consequences to you, you should read and carefully consider the more detailed information and financial statements and related notes that we include in and/or incorporate by reference into this prospectus supplement and the accompanying prospectus, including the information set forth under the heading Risk Factors.

Conexant Systems, Inc.

Our Business

We design, develop, and sell semiconductor solutions comprised of silicon, hardware, software, and firmware that are used in imaging, audio, video, and various embedded-modem applications. Our products and technology are used in a wide range of consumer electronics devices. In our imaging business, our solutions are used in single- and multi-function printers, facsimile machines, and photo printers. We also offer system-on-chip solutions for products that integrate Internet connectivity and touch-screen technology for use in a broad range of video, audio, telephony, and digital signage applications. Examples of these products include digital photo frames, speakerphones, voice-over-IP (VoIP) phones, point-of-sale terminals, and home automation, security, and monitoring systems. Our audio solutions are targeted at products including personal computers, PC peripheral sound systems, notebook docking stations, VoIP speakerphones, intercom, door phone, and surveillance applications. Our video product offering is comprised of decoders and media bridges for video surveillance and security applications, and system solutions for analog video-based multimedia applications. Our embedded-modem solutions are targeted at desktop and notebook PCs, set-top boxes, point-of-sale systems, home automation and security systems, and other industrial applications. Based on industry surveys and internal analysis, we believe we operate in markets with more than $2 billion in revenue opportunities.

We market and sell our semiconductor products and system solutions directly to leading original equipment manufacturers (OEMs) of communication electronics products, and indirectly through electronic components distributors. We also sell our products to third-party electronic manufacturing service providers, who manufacture products incorporating our semiconductor products for OEMs.

Recent Divestitures

On August 24, 2009, we completed the sale of certain assets related to our Broadband Access Products (BBA) business to Ikanos Communications, Inc. (Ikanos). Assets sold pursuant to the asset purchase agreement with Ikanos include specified intellectual property, inventory, contracts and tangible assets. Ikanos has agreed to assume certain liabilities, including obligations under transferred contracts and certain employee-related liabilities. Under the terms of the asset purchase agreement, Ikanos paid an aggregate of $54 million, of which approximately $47 million was received in cash at closing with the remaining proceeds deposited into an escrow account. The escrow account will remain in place for 12 months following the closing of the BBA transaction to satisfy potential indemnification claims by Ikanos pursuant to the indemnification provisions of the asset purchase agreement.

On August 8, 2008, we completed the sale of certain assets related to our Broadband Media Processing (BMP) business to NXP B.V. (NXP) for an aggregate consideration of approximately $110 million, of which $11 million was deposited into an escrow account for 12 months to satisfy potential indemnification claims by NXP. In July 2009, NXP sought indemnification from us for asserted losses in connection with the asset sale and on September 18, 2009, we entered into a settlement agreement with NXP to pay them $2.65 million from the escrow account for such losses. The remainder of the escrow funds have been returned to us. Assets sold pursuant to the asset purchase agreement with NXP include specified patents, inventory, contracts and tangible assets. NXP assumed certain liabilities, including obligations under transferred contracts

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and certain employee-related liabilities. We also granted to NXP a license to use certain of our retained technology assets in connection with NXP s current and future products in certain fields of use, along with a patent license covering certain of our retained patents to make, use, and sell such products (or, in some cases, components of such products).

Recent Developments

On August 24, 2009, we announced plans to improve our capital structure through the early retirement of up to $80.0 million of our floating rate senior secured notes due in November 2010. We have commenced a tender offer for $73.0 million of the notes and entered into an agreement to purchase an additional $7.0 million of the notes. The tender offer is set to expire on September 24, 2009, and the repurchase of the additional $7.0 million of the notes must occur no later than the second business day following completion of the tender offer. The $80.0 million to be used to fund these debt-reduction activities will be from a combination of proceeds from the BBA sale and other completed transactions and available cash on hand.

Corporate Information

We have many years of operating history in the communications semiconductor business, including as part of the semiconductor systems business of Rockwell International Corporation (now Rockwell Automation, Inc.), and have been an independent public company since January 1999, following our spin-off from Rockwell. Since then, we have transformed our company from a broad-based communications semiconductor supplier into a fabless communications semiconductor supplier focused on delivering technology and products for imaging, audio, video, and various embedded-modem applications.

Our principal corporate office is located at 4000 MacArthur Boulevard, Newport Beach, CA 92660, and our main telephone number at that location is (949) 483-4600. We maintain a website at *www.conexant.com*. The information on, or accessible through, our website is not intended to be incorporated into this prospectus supplement or the accompanying prospectus.

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The Offering

Common stock offered by us	7,000,000 shares
Common stock to be outstanding immediately after this offering	56,917,009 shares
Use of proceeds	We intend to use the net proceeds of this offering for general corporate purposes, including, but not limited to, repaying, redeeming or repurchasing existing debt, and for working capital, capital expenditures and acquisitions. See Use of Proceeds on page S-25.
NASDAQ Global Select Market symbol	CNXT
Risk Factors	See Risk Factors beginning on page S-7 and other information included in this prospectus supplement for a discussion of factors you should carefully consider before deciding to invest in shares of the common stock.

The number of shares of our common stock outstanding after this offering is based on 49,917,009 shares of our common stock outstanding as of August 28, 2009. Unless otherwise indicated, the number of shares of common stock presented in this prospectus supplement excludes the following:

4,245,499 shares of our common stock issuable upon exercise of stock options outstanding under our stock option and long-term incentive plans, at a weighted average exercise price of $23.19 per share;

165,166 shares of our common stock that may be issued upon the vesting of restricted stock units outstanding under our long-term incentive plans as of that date;

9,139,908 shares of our common stock available as of that date for future grant or issuance pursuant to our stock option and long-term incentive plans for employees, directors and consultants; and

up to 1,050,000 shares of our common stock that may be purchased by the underwriters to cover over-allotments, if any.

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Summary Consolidated Financial Information

The following table presents summary consolidated financial information. The summary consolidated financial information for the three fiscal years ended October 3, 2008, September 28, 2007, and September 29, 2006 has been derived from the audited consolidated financial statements of Conexant and its subsidiaries included in our Current Report on Form 8-K filed with the SEC on September 10, 2009, which is incorporated herein and in the accompanying prospectus by reference. The summary consolidated financial information for the nine fiscal months ended July 3, 2009 and June 27, 2008 and as of July 3, 2009 has been derived from our unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 2009, which is incorporated herein and in the accompanying prospectus by reference. See Where You Can Find More Information and Incorporation of Certain Documents by Reference. In August 2009, we completed the sale of certain assets related to our BBA business to Ikanos. The summary consolidated financial information for the three fiscal years ended October 3, 2008, September 28, 2007, and September 29, 2006 presented below has been recast from the financial statements included in our Annual Report on Form 10-K for the year ended October 3, 2008 to reflect the effects of the disposition of the BBA product line. The unaudited condensed consolidated balance sheets as of January 2, 2009 and April 3, 2009, and the unaudited condensed consolidated statements of operations, consolidated statements of stockholders equity and comprehensive loss, and cash flows for the three-month periods ended December 31, 2007, March 28, 2008, January 2, 2009, and April 3, 2009, and for the six-month periods ended March 28, 2008 and April 3, 2009, included in the Company s quarterly report on Form 10-Q for the quarters ended January 2, 2009 and April 3, 2009, incorporated by reference herein and in the accompanying prospectus, have not been retrospectively adjusted to reflect the effects of the disposition of the BBA product line. If the interim financial statements referred to above were to be refiled, those financial statements would need to be recast to retrospectively reflect the effects of the disposition of the BBA product line for each of the quarters noted above.

The summary consolidated financial information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto incorporated by reference into this prospectus supplement and the accompanying prospectus. Operating results for the nine months ended July 3, 2009 are not necessarily indicative of the operating results to be expected for the fiscal year ending October 2, 2009.

	Nine Fiscal Months Ended		Fiscal Year Ended		
	July 3, 2009	June 27, 2008	October 3, 2008	September 28, 2007	September 29, 2006
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Net revenues	$ 152,272	$ 250,389	$ 331,504	$ 360,703	$ 485,571
Cost of goods sold(1)	64,409	103,089	137,251	161,972	223,809
Gain on cancellation of supply agreement(2)					(17,500)
Gross margin	87,863	147,300	194,253	198,731	279,262
Operating expenses:					
Research and development(1)	38,783	43,368	58,439	91,885	101,274
Selling, general and administrative(1)	49,739	58,733	77,905	80,893	89,863
Amortization of intangible assets	2,547	2,269	3,652	9,555	18,450
Asset impairments(3)			277	221,965	85

Gain on sale of intellectual property	(12,858)				
Special charges(4)	13,653	15,910	18,682	11,775	3,731
Total operating expenses	$ 91,864	$ 120,280	$ 158,955	$ 416,073	$ 213,403

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	Nine Fiscal Months Ended		Fiscal Year Ended		
	July 3, 2009	June 27, 2008	October 3, 2008	September 28, 2007	September 29, 2006
	(In thousands, except per share amounts)				
Operating (loss) income	$ (4,001)	$ 27,020	$ 35,298	$ (217,342)	$ 65,859
Interest expense	15,634	21,822	27,804	36,953	32,567
Other (income) expense, net	(3,455)	6,766	9,223	(36,505)	14,281
(Loss) income from continuing operations before income taxes and gain (loss) on equity method investments	(16,180)	(1,568)	(1,729)	(217,790)	19,011
Provision for income taxes	819	362	849	798	889
(Loss) income from continuing operations before gain (loss) on equity method investments	(16,999)	(1,930)	(2,578)	(218,588)	18,122
(Loss) gain on equity method investments	(2,166)	3,612	2,804	51,182	(8,164)
(Loss) income from continuing operations	(19,165)	1,682	226	(167,406)	9,958
Gain on sale of discontinued operations, net of tax(5)			6,268		
Loss from discontinued operations, net of tax(1)(5)	(9,554)	(302,775)	(306,670)	(235,056)	(132,549)
Net loss	$ (28,719)	$ (301,093)	$ (300,176)	$ (402,462)	$ (122,591)
(Loss) income per share from continuing operations basic	$ (0.39)	$ 0.03	$	$ (3.42)	$ 0.21
(Loss) income per share from continuing operations diluted	$ (0.39)	$ 0.03	$	$ (3.42)	$ 0.20
Loss per share from discontinued operations basic	$ (0.19)	$ (6.14)	$ (6.21)	$ (4.80)	$ (2.77)
Loss per share from discontinued operations diluted	$ (0.19)	$ (6.11)	$ (6.21)	$ (4.80)	$ (2.77)
Net loss per share basic	$ (0.58)	$ (6.11)	$ (6.08)	$ (8.22)	$ (2.56)
Net loss per share diluted	$ (0.58)	$ (6.08)	$ (6.08)	$ (8.22)	$ (2.56)

	As of July 3, 2009		
	Actual	As Adjusted(6)	Pro Forma As Adjusted(7)
Balance Sheet Data:			
Working capital(8)	$ 135,940	157,915	77,915
Total assets	399,998	421,973	341,973
Short-term debt	30,739	30,739	30,739
Long-term debt	391,400	391,400	311,400
Shareholders deficit	(161,992)	(140,017)	(140,017)

(1) We adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment, on October 1, 2005. As a result, stock-based compensation expense included within cost of goods sold, research and development expense, and selling, general and administrative expense in fiscal 2008, 2007 and 2006 is based on the fair value of all stock options, stock awards and employee stock purchase plan shares. Stock-based compensation expense for earlier periods is based on the intrinsic value of acquired or

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exchanged unvested stock options in business combinations, which is in accordance with previous accounting standards. Non-cash employee stock-based compensation expense included in our consolidated statements of operations was as follows (in thousands):

	Nine Fiscal Months Ended		Fiscal Year Ended		
	July 3, 2009	June 27, 2008	October 3, 2008	September 28, 2007	September 29, 2006
Cost of goods sold	$ 196	$ 310	$ 370	$ 426	$ 382
Research and development	746	2,024	2,725	6,157	9,249
Selling, general and administrative	3,410	7,854	9,185	7,271	19,312
Income (loss) from discontinued operations, net of tax	1,007	3,565			

(2) In fiscal 2006, Conexant and Jazz Semiconductor, Inc. (Jazz) terminated a wafer supply and services agreement. In lieu of credits towards future purchases of product from Jazz, we received additional shares of Jazz common stock and recorded a gain of $17.5 million.

(3) In fiscal 2007, we recorded $184.7 million of goodwill impairment charges, $30.3 million of intangible impairment charges and $6.1 million of property, plant and equipment impairment charges associated with our Embedded Wireless Network product lines.

(4) Special charges include the following related to the settlement of legal matters and restructuring charges (in thousands):

	Nine Fiscal Months Ended		Fiscal Year Ended		
	July 3, 2009	June 27, 2008	October 3, 2008	September 28, 2007	September 29, 2006
Legal settlements	$	$	$	$ 1,497	$