Table of Contents

As filed with the Securities and Exchange Commission on
April 7, 2000

Registration No. 333-30670

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SCG HOLDING CORPORATION

(Exact name of registrant as specified in its
charter)

Delaware

(State or other jurisdiction of incorporation or organization)

36-3840979

(I.R.S. Employer Identification No.)

5005 E. McDowell Road

Phoenix, AZ 85008

(602) 244-6600

(Address and telephone number of principal executive offices)

3674

(Primary standard industrial classification code number)

George H. Cave, Esq.

SCG Holding Corporation

5005 E. McDowell Road

Phoenix, AZ 85008

(602) 244-5226

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

Copies of Correspondence to:

Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after the Registration Statement becomes effective.

If any 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 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 from the same offering. [ ]

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. [ ]

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants 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.

Table of Contents

Stephen H. Shalen, Esq.
Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006

D. Collier Kirkham, Esq.
Cravath, Swaine & Moore
Worldwide Plaza
825 8th Avenue
New York, New York 10019

PROSPECTUS (Subject to Completion)

Issued April 7, 2000

30,000,000 Shares

[ON SEMICONDUCTOR LOGO]

ON Semiconductor ™

SCG Holding Corporation

COMMON STOCK

SCG Holding Corporation is offering 30,000,000 shares of its common stock. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $15 and $17 per share.

We have filed an application for our common stock to be quoted on the Nasdaq National Market under the symbol "ONNN."

Investing in our common stock involves risks. See "Risk Factors" beginning on page 10.

PRICE $ A SHARE

The information in this prospectus is not complete and may be changed. We 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 we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SCG Holding Corporation has granted the underwriters the right to purchase up to an additional 4,500,000 shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. Incorporated expects to deliver the shares to purchasers on
,
2000.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to SCG Holding Corporation
Per Share	$	$	$
Total	$	$	$

MORGAN STANLEY DEAN WITTER **CHASE H&Q**

LEHMAN BROTHERS

ROBERTSON STEPHENS

Table of Contents

DESCRIPTION OF FRONT COVER ARTWORK

Inside Front Cover Page:

Graphic of Page: Solid black background with ON Semiconductor Logo superimposed over image of globe.

Gatefold Page

Left Side of Gatefold:

Text to say:

“ON Semiconductor makes the semiconductor components that turn on technology and connect it to your world”

Graphic Description: ON Semiconductor logo superimposed over image of globe in lower left-hand corner with a border of semiconductor components across the top of gatefold and icons of representative applications from ON Semiconductor’s target markets (networking and computing, wireless communications, consumer electronics, automotive electronics and industrial) flying off right with wafers in the background.

Right Side of Gatefold:

[ON Semiconductor™ Name & Logo]

TABLE OF CONTENTS

SALOMON SMITH BARNEY

TABLE OF CONTENTS

PROSPECTUS SUMMARY
RISK FACTORS
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS
USE OF PROCEEDS
DIVIDEND POLICY
CAPITALIZATION
DILUTION
SELECTED HISTORICAL FINANCIAL DATA
UNAUDITED PRO FORMA AND ADJUSTED PRO FORMA FINANCIAL DATA
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
BUSINESS
MANAGEMENT
PRINCIPAL STOCKHOLDERS
RELATIONSHIPS AND RELATED TRANSACTIONS
LEGAL MATTERS
EXPERTS
WHERE YOU CAN FIND MORE INFORMATION
GLOSSARY
INDEX TO FINANCIAL STATEMENTS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of the prospectus or of any sale of the common stock. In this prospectus, "ON Semiconductor™," "we," "us," "our" and similar terms refer to SCG Holding Corporation together with its consolidated subsidiaries. Unless we indicate otherwise, information in this prospectus:

	Page
Prospectus Summary	4
Risk Factors	10
Special Note Regarding Forward-Looking Statements	21
Use of Proceeds	22
Dividend Policy	22
Capitalization	23
Dilution	24
Selected Historical Financial Data	25
Unaudited Pro Forma and Adjusted Pro Forma Financial Data	27
Management's Discussion and Analysis of Financial Condition and Results of Operations	32
Industry	45
Business	49
Management	64
Principal Stockholders	73
Relationships and Related Transactions	75
Description of Capital Stock	76
Shares Eligible for Future Sale	78
Description of Indebtedness	79
Underwriters	81
Legal Matters	83
Experts	83
Where You Can Find More Information	83
Glossary	85
Index to Financial Statements	F-1

Until , 2000, (25 days after the commencement of this offering), all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Our principal executive offices are located at 5005 East McDowell Road, Phoenix, Arizona 85008. Our telephone number at that address is (602) 244-6600. The information on our web site is not incorporated by reference into this prospectus.

Table of Contents

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company and the common stock being sold in this offering and our financial statements and notes thereto appearing elsewhere in this prospectus. Although our legal name is SCG Holding Corporation, we do business under our trade name ON Semiconductor™ and refer to our company as ON Semiconductor™ in this prospectus.

ON SEMICONDUCTOR™

ON Semiconductor™, formerly known as the Semiconductor Components Group of the Semiconductor Products Sector of Motorola, Inc., is one of the largest independent suppliers of semiconductor components in the world. Our total addressable market consists of discrete, standard analog and standard logic semiconductors. These devices are commonly referred to as semiconductor components and are the core building blocks that provide the power control, power protection and interfacing necessary for almost all electronic systems. According to World Semiconductor Trade Statistics, our total addressable market comprised approximately $19.5 billion of revenues in 1999 and is projected to grow to $25.1 billion in revenues in 2002. The

principal end-user markets for our products are networking and computing, wireless communications, consumer electronics, automotive electronics and industrial. Our products are used in such high-growth applications as routers and other networking equipment, cable and other high-speed modems, cellular telephones and other portable electronic devices, digital set-top boxes, DVD players, GPS and other navigation tools and industrial automation and control systems. Our research and development team, which includes approximately 300 people, focuses on the development of new products for use in these and other high-growth applications.

With a portfolio of over 16,000 products, we offer our customers a single source of supply for virtually all of their components needs, including the broadest selection of discrete semiconductor products in the industry and an extensive line of standard analog and standard logic products. Our portfolio of products is among the most stable within the semiconductor industry due to its breadth, long product market life cycles and substantial diversity. Our products' market life cycles generally average 10 to 20 years, with some as long as 30 years. The longevity of these products allows us to use our manufacturing assets for longer periods of time, reducing our capital expenditure requirements relative to semiconductor companies that manufacture complex devices such as microprocessors.

Our franchise is built on several specific strengths, including our:

- assumes the underwriters will not exercise their over-allotment option; and
- gives effect to a 2-for-3 reverse stock split of our common stock, which will be effected prior to consummation of this offering.

As a stand-alone company dedicated to the semiconductor components business, we intend to grow our business by pursuing these key strategies:

- leading market position;
- extensive product portfolio;
- technology leadership;
- broad and diverse customer base;
- low-cost production;
- superior customer focus; and
- experienced management team.

We sell our semiconductors to customers around the world, including original equipment manufacturers, such as Agilent, Alcatel, Ford, Hewlett-Packard, Lucent, Motorola, Nortel, Nokia and Sony, electronic manufacturing service providers, such as Celestica, SCI and Solectron, and distributors, such as Arrow, Avnet and Veba. Headquartered in Phoenix, Arizona, we employ approximately 13,400 people worldwide, consisting of approximately 10,400 people employed directly and approximately 3,000 people employed through our joint ventures, most of whom are engaged in manufacturing services. We operate manufacturing facilities in

Arizona, China, the Czech Republic, Japan, Malaysia, Mexico, the Philippines and Slovakia, directly or through our joint ventures.

Among the challenges we face and the risks inherent in investing in our business are the cyclical nature of our industry, possible fluctuations in our quarterly operating results, the need to keep pace with technological advances, competition in our industry and our lack of independent operating history. These and

other risks are described under “Risk Factors.”

Immediately prior to our August 4, 1999 recapitalization, we were a wholly-owned subsidiary of Motorola. We held and continue to hold, through direct and indirect subsidiaries, substantially all of the assets and operations of the Semiconductor Components Group of Motorola’s Semiconductor Products Sector. As part of our recapitalization, an affiliate of Texas Pacific Group purchased a portion of our common stock from Motorola for $337.5 million, and we redeemed common stock held by Motorola for a total of approximately $952 million. As a result, prior to giving effect to this offering, Texas Pacific Group’s affiliate owns approximately 91%, and Motorola owns approximately 9%, of our voting common stock. To finance a portion of the recapitalization, Semiconductor Components Industries, LLC, our primary domestic operating subsidiary, borrowed $740.5 million under senior secured bank facilities, we and Semiconductor Components issued $400 million of senior subordinated notes and Semiconductor Components issued a $91 million junior subordinated note to Motorola. We also issued mandatorily redeemable preferred stock with a total initial liquidation preference of $209 million to Motorola and Texas Pacific Group’s affiliate. At the time of the recapitalization, Motorola agreed to provide us with transition and manufacturing services in order to facilitate our transition to a stand-alone company independent of Motorola.

Recent Developments

On April 3, 2000, we acquired all of the outstanding capital stock of Cherry Semiconductor Corporation for approximately $250 million in cash, which we financed with cash on hand and borrowings of $220 million under our senior secured bank facilities. Cherry Semiconductor, which we have renamed Semiconductor Components Industries of Rhode Island, Inc., designs and manufactures analog and mixed signal integrated circuits for the power management and automotive markets, and had revenues for its fiscal year ended February 29, 2000 of approximately $129.1 million. We have not included in this prospectus the historical financial statements of Cherry Semiconductor or pro forma financial information giving effect to the acquisition because the acquisition is not considered “significant” from a financial reporting perspective.

As part of our business strategy, we continuously review acquisition opportunities and proposals, but we currently have no agreements or understandings with respect to any other acquisition.

Table of Contents

THE OFFERING

- focus on high-growth markets;
- deliver customer satisfaction;
- leverage our manufacturing expertise; and
- pursue strategic acquisitions.

The number of shares of our common stock to be outstanding immediately after this offering is based on the 136,666,666 shares outstanding at April 1, 2000. The share numbers above do not take into account:

Common stock offered	30,000,000 shares
Common stock to be outstanding after this offering	166,666,666 shares
Over-allotment option	4,500,000 shares
Use of proceeds	We intend to use the estimated net proceeds of $448.7 million from the offering, at an assumed initial public offering price of $16.00 per share, to redeem our preferred stock and prepay a portion of our high-yield notes and a portion of the loans under our senior bank facilities. See “Use of Proceeds.”
Proposed Nasdaq National Market symbol	ONNN

See “Capitalization.”

Table of Contents

SUMMARY HISTORICAL, PRO FORMA AND ADJUSTED PRO FORMA FINANCIAL DATA

The following table sets forth our summary historical, pro forma and adjusted pro forma financial data for the periods indicated. We derived the summary historical financial data from our audited historical combined financial statements for the fiscal years ended December 31, 1997 and 1998 and for the period from January 1, 1999 through August 3, 1999, and from our audited historical post-recapitalization consolidated financial statements for the period from August 4, 1999 through December 31, 1999. We derived the summary pro forma and adjusted pro forma financial data from our unaudited pro forma and adjusted pro forma financial data for the fiscal year ended December 31, 1999. We prepared the pro forma financial data as if our recapitalization and the related transactions described herein had taken place on January 1, 1999. We prepared the adjusted pro forma financial data as if this offering and the application of the estimated proceeds therefrom had also taken place on January 1, 1999. You should read this information in conjunction with the audited financial statements and the unaudited pro forma and adjusted pro forma financial data and the notes thereto included elsewhere in this prospectus and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

- 10,051,333 shares of common stock issuable upon the exercise of options outstanding at February 15, 2000, at an exercise price of $1.50 per share, under our 1999 Founders Stock Option Plan;
- 1,525,333 shares of common stock issuable upon the exercise of options granted after February 15, 2000, at an exercise price per share equal to the initial public offering price, under our 1999 Founders Stock Option Plan; and
- 4,500,000 shares of common stock reserved for future issuance under our 2000 Stock Incentive Plan and our 2000 Employee Stock Purchase Plan.

Table of Contents

The “as adjusted” column below reflects the issuance and sale of shares of our common stock in this offering, at an assumed initial public offering price of $16.00 per share, and the application of the net proceeds to us from the offering, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Historical Years Ended December 31,		Historical January 1 through August 3,	Historical August 4 through December 31,	Year Ended December 31, 1999	
	1997	1998	1999	1999	Pro Forma	Adjusted Pro Forma
	(dollars in millions, except share data)					
Statement of Operations Data:						
Revenues:						
Net product revenues	$1,815.3	$1,495.3	$895.4	$728.8	$1,624.2	$1,624.2
Foundry revenues(1)	–	–	–	69.9	161.0	161.0
Total revenues	1,815.3	1,495.3	895.4	798.7	1,785.2	1,785.2
Cost of sales(2)	1,112.3	1,060.0	620.3	573.3	1,284.7	1,284.7
Gross profit	703.0	435.3	275.1	225.4	500.5	500.5
Operating expenses:						
Research and development(3)	65.7	67.5	34.3	16.3	37.1	37.1
Selling and marketing(4)	110.7	92.4	39.0	24.6	63.6	63.6
General and administrative(5)	243.1	205.7	89.4	77.3	171.6	171.6
Restructuring charges(6)	–	189.8	–	3.7	3.7	3.7
Total operating expenses	419.5	555.4	162.7	121.9	276.0	276.0
Operating income (loss)	283.5	(120.1)	112.4	103.5	224.5	224.5
Other income (expenses):						
Interest expense(7)	(11.7)	(19.8)	(9.1)	(55.9)	(130.6)	(109.4)
Equity in earnings of joint ventures	(.3)	5.7	2.4	1.4	3.8	3.8
Total other income (expenses)	(12.0)	(14.1)	(6.7)	(54.5)	(126.8)	(105.6)
Income before income taxes and minority interests	271.5	(134.2)	105.7	49.0	97.7	118.9
Minority interests	(1.5)	(2.1)	(.9)	(1.1)	(2.0)	(2.0)
Revenues less direct and allocated expenses before taxes	$ 270.0	$ (136.3)	$104.8	47.9	95.7	116.9
Provision for income taxes(8)				(18.1)	(36.1)	(44.0)
Net income(9)				$ 29.8	$ 59.6	$ 72.9
Earnings per common share(10):						
Basic				$ .14	$ .24	$ .44
Diluted				$ .13	$ .23	$ .42
Weighted average common shares outstanding (in millions):						
Basic				136.7	136.7	166.7
Diluted				144.6	144.6	174.6
Other Financial Data:						
Depreciation and amortization	$ 146.1	$ 145.9	$ 81.5	$ 61.9	$ 143.4	$ 143.4
Capital expenditures	181.9	119.9	39.6	64.0	103.6	103.6

	December 31, 1999	
	Actual	As Adjusted(11)
	(dollars in millions)	
Balance Sheet Data:		
Cash and cash equivalents(12)	$ 126.8	$ 160.9
Working capital(13)	309.8	353.9
Total assets(14)	1,616.8	1,642.3
Long-term debt, less current portion(15)	1,295.3	1,117.9
Redeemable preferred stock(16)	219.6	–
Total stockholders' equity (deficit)(17)	(247.7)	184.8

(1) Foundry revenues represent products manufactured for Motorola's Semiconductor Products Sector. Historically, Motorola recorded these foundry revenues as an offset to cost of sales at cost. We now record such sales in a manner consistent with other third-party sales. We and Motorola have agreed to continue providing manufacturing services to each other for limited periods of time following our recapitalization at fixed prices that are intended to approximate each party's cost of providing the services. Foundry revenues increase both total revenues and cost of sales in our unaudited pro forma financial statements.

(2) Cost of sales for periods prior to our recapitalization includes amounts allocated to us by Motorola.

(3) Research and development expenses for periods prior to our recapitalization include amounts allocated to us by Motorola.

(4) Selling and marketing expenses for periods prior to our recapitalization include amounts allocated to us by Motorola.

(5) General and administrative expenses for periods prior to our recapitalization include amounts allocated to us by Motorola.

(6) Restructuring charges in 1998 consist of the $189.8 million portion of a Motorola restructuring charge allocated to us in June 1998. Restructuring charges of $3.7 million in 1999 consist of an $11.1 million charge for employee separation costs and asset write-downs related primarily to the closure of a manufacturing facility in Arizona in December 1999, which was partially offset by a $7.4 million reduction in our restructuring reserves to take into account the remaining costs to be incurred to complete planned actions under our restructuring plan commenced in June 1998.

(7) Prior to our recapitalization, Motorola had net interest expense on a consolidated basis for all periods presented. Motorola allocated a portion of these amounts to us primarily on the basis of our net adjusted assets. For the period subsequent to the recapitalization, interest expense relates to borrowings outstanding under our senior bank facilities and to our senior subordinated notes and our junior subordinated note.

Pro forma interest expense for the year ended December 31, 1999 reflects interest expense which we would have incurred had the recapitalization occurred on January 1, 1999 and had borrowings used to effect the recapitalization been outstanding the entire year.

Adjusted pro forma interest expense for the year ended December 31, 1999 reflects interest expense that we would have incurred had the recapitalization occurred on January 1, 1999 and had a portion of the net proceeds of this offering been used to repay a portion of the pro forma borrowings under the credit agreement relating to our senior bank facilities and to redeem a portion of our senior subordinated notes on January 1, 1999.

(8) Prior to our recapitalization, Motorola did not allocate income tax expense to us. The pro forma and adjusted pro forma provisions for income taxes for the year ended December 31, 1999 were determined by applying an effective income tax rate of approximately 38% to pro forma and adjusted pro forma income before income taxes and minority interests. We believe that the pro forma and adjusted pro forma provisions for income taxes represent reasonable estimates of what our income tax expense would have been had we been a stand-alone company during 1999.

(9) Upon consummation of this offering, we intend to redeem our outstanding preferred stock, redeem a portion of our senior subordinated notes and prepay a portion of the loans outstanding under our senior bank facilities. In connection therewith, we expect to incur prepayment penalties and redemption premiums of approximately $17.6 million and to write off approximately $8.6 million of debt issuance costs that are currently included in other assets in our consolidated balance sheet. We intend to recognize this approximately $26.2 million charge ($16.2 million on an after-tax basis) in the period during which it is incurred and to classify it as an

extraordinary loss. Due to the nonrecurring nature of this charge, it has been excluded from the adjusted pro forma statement of operations data for the year ended December 31, 1999. However, the after-tax charge has been shown as a reduction in our total stockholders' equity (deficit) in the adjusted balance sheet data as of December 31, 1999.

Table of Contents

(10) Earnings per common share for the period from August 4, 1999 through December 31, 1999 on both a basic and diluted basis are calculated by deducting dividends on our redeemable preferred stock of $10.6 million from net income for such period and then dividing the resulting amount by the weighted average number of common shares outstanding during such period. The pro forma per share amounts for the year ended December 31, 1999 are calculated by deducting pro forma preferred stock dividends of $26.2 million, assuming that the preferred stock had been outstanding during the entire year, from net income and then dividing the resulting amount by the pro forma weighted average number of shares outstanding during 1999. The adjusted pro forma financial data for the year ended December 31, 1999 assume that our preferred stock was not outstanding during 1999 and, therefore, no related dividends would have accrued. Accordingly, the adjusted pro forma per share amounts are calculated by dividing net income

(before the extraordinary loss described in note (9) above) by the adjusted pro forma weighted average number of shares outstanding during 1999.

Table of Contents

RISK FACTORS

You should carefully consider the risks described below and other information in this prospectus before making any decision to invest in our common stock. If any of the following risks actually occurs, our business, financial condition or operating results could be materially adversely affected. In this case, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Related to Our Business

(11) Amounts represent actual balance sheet data at December 31, 1999 as adjusted to reflect the sale of shares of our common stock in this offering and the application of the estimated net proceeds of $448.7 million from this offering.

(12) Cash and cash equivalents as adjusted reflects the portion of the net proceeds of this offering to be retained to pay dividends on our redeemable preferred stock that will accrue from January 1, 2000 to the assumed redemption date of April 30, 2000 ($8.8 million), to pay interest on our senior subordinated notes that will accrue from February 1, 2000 to the assumed redemption date of May 31, 2000 ($16.0 million) and to prepay a portion of our senior bank facilities (Tranche D) that was borrowed on April 3, 2000 in conjunction with our acquisition of Cherry Semiconductor ($9.3 million).

(13) Working capital as adjusted reflects the increase in cash and cash equivalents described in note (12) above as well as the assumed tax benefit of $10.0 million resulting from the prepayment penalties and redemption premiums and write-off of debt issuance costs described in note (9) above at an assumed effective income tax rate of approximately 38%.

(14) Total assets as adjusted reflects the increase in cash and cash equivalents described in note (12) above, net of the write-off of debt issuance costs described in note (9) above.

(15) Long-term debt as adjusted reflects the assumed redemption of a portion of our senior subordinated notes ($140.0 million) and the assumed prepayment of a portion of the loans outstanding at December 31, 1999 under Tranche A ($5.9 million), Tranche B ($15.2 million) and Tranche C ($16.3 million) of our senior bank facilities. Long-term debt as adjusted does not include the $200 million of long-term debt incurred on April 3, 2000 to finance our acquisition of Cherry Semiconductor.

(16) Redeemable preferred stock as adjusted reflects the assumed redemption in full of our outstanding redeemable preferred stock (including accrued dividends through December 31, 1999).

(17) Total stockholders' equity (deficit) as adjusted reflects the assumed net proceeds from this offering of $448.7 million, offset by the after-tax effect of the prepayment penalties and redemption premiums and write-off of debt issuance costs described in notes (9) and (13) above.

The semiconductor industry is highly cyclical and is generally characterized by average selling price fluctuations. Since the fourth quarter of 1997, we have experienced significant declines in the pricing of our products as customers reduced demand and manufacturers reduced prices to avoid a significant decline in capacity utilization. We believe these pricing declines were due primarily to the Asian economic crisis and excess semiconductor manufacturing capacity. Although the semiconductor market has recently improved, we cannot assure you that these improvements are sustainable or will continue or that the semiconductor market will not experience subsequent, and possibly more severe and/or prolonged, downturns in the future. We cannot assure you that any future downturn in the semiconductor market will not have a material adverse effect on our revenues.

Cyclical Industry—If Our Industry Were To Experience A Downturn In The Business Cycle, Our Revenues Could Be Adversely Affected.

Given the nature of the markets in which we participate, we cannot reliably predict future revenues and profitability, and unexpected changes may cause us to adjust our operations. A high proportion of our costs are fixed, due in part to our significant

sales, research and development and manufacturing costs. Thus, small declines in revenue could disproportionately affect our operating results in a quarter. Factors that could affect our quarterly operating results include:

Short-Term Performance—Fluctuations In Our Quarterly Operating Results May Cause Our Stock Price To Decline.

- the timing and size of orders from our customers, including cancellations and reschedulings;
- the timing of introduction of new products;
- the gain or loss of significant customers, including as a result of industry consolidation;
- seasonality in some of our target markets;
- changes in the mix of products we sell;
- changes in demand by the end users of our customers' products;
- market acceptance of our current and future products;
- variability of our customers' product life cycles;
- changes in manufacturing yields or other factors affecting the cost of goods sold, such as the cost and availability of raw materials and the extent of utilization of manufacturing capacity;
- changes in the prices of our products, which can be affected by the level of our customers' and end users' demand, technological change, product obsolescence or other factors; and
- cancellations, changes or delays of deliveries to us by our third-party manufacturers, including as a result of the availability of manufacturing capacity and the proposed terms of manufacturing arrangements.

Rapidly changing technologies and industry standards, along with frequent new product introductions, characterize the industries that are currently the primary end-users of semiconductors. As these industries evolve and introduce new products, our success will depend on our ability to adapt to such changes in a timely

and cost-effective manner by designing, developing, manufacturing, marketing and providing customer support for our own new products and technologies.

We cannot assure you that we will be able to identify changes in the product markets of our customers and end-users and adapt to such changes in a timely and cost-effective manner. Nor can we assure you that products or technologies that may be developed in the future by our competitors and others will not render our products or technologies obsolete or noncompetitive. A fundamental shift in technologies or consumption patterns in our existing product markets or the product markets of our customers or end users could have a material adverse effect on our business or prospects.

New Product Development And Technological Change—An Inability To Introduce New Products Could Adversely Affect Us, And Changing Technologies Or Consumption Patterns Could Reduce The Demand For Our Products.

The semiconductor industry, particularly the market for semiconductor components, is highly competitive. Although only a few companies compete with us in all of our product lines, we face significant competition within each of our product lines from major international semiconductor companies as well as smaller companies focused on specific market niches. Many of these competitors have substantially greater financial and other resources than we have with which to pursue development, engineering, manufacturing, marketing and distribution of their products and are better able than we are to withstand adverse economic or market conditions. In addition, companies not currently in direct competition with us may introduce competing products in the future. Significant competitors in the discrete market include International Rectifier, Philips, Rohm, Siliconix, ST Microelectronics and Toshiba. Significant competitors in the standard analog markets include Analog Devices, Fairchild, Linear Technology, Maxim Integrated Products, National Semiconductor, ST Microelectronics and Texas Instruments. Significant competitors in the standard logic product market include

Fairchild, Hitachi, Philips, Texas Instruments and Toshiba. The semiconductor components industry has also been undergoing significant restructuring and consolidations that could adversely affect our competitiveness.

Because our components are often building block semiconductors that in some cases can be integrated into more complex integrated circuits, we also face competition from manufacturers of integrated circuits, application-specific integrated circuits and fully customized integrated circuits, as well as customers who develop their own integrated circuit products.

We compete in different product lines to various degrees on the basis of price, quality, technical performance, product features, product system compatibility, customized design, availability, delivery timing and reliability and sales and technical support. Gross margins in the industry vary by geographic region depending on local demand for the products in which semiconductors are used, such as personal computers, industrial and telecommunications equipment, consumer electronics and automotive goods. In regions where there is a strong demand for such products, price pressures may also emerge as competitors attempt to gain a greater market share by lowering prices. Our ability to compete successfully depends on elements both within and outside of our control, including industry and general economic trends.

Competition—Competition In Our Industry Could Prevent Us From Maintaining Our Level Of Revenues And From Raising Prices To Reflect Increases In Costs.

Manufacturing semiconductor components involves highly complex processes that require advanced and costly equipment. We and our competitors continuously modify these processes in an effort to improve yields and product performance. Impurities or other difficulties in the manufacturing process can lower yields. Our manufacturing efficiency will be an important factor in our future profitability, and we cannot assure you that we will be able to maintain our manufacturing efficiency or increase manufacturing efficiency to the same extent as our competitors.

From time to time we have experienced difficulty in beginning production at new facilities or in effecting transitions to new manufacturing processes that have caused us to suffer delays in product deliveries or reduced yields. We cannot assure you that we will not experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, construction delays, upgrading or expanding existing facilities or changing our process

technologies, any of which could result in a loss of future revenues. Our results of operations could also be adversely affected by the increase in fixed costs and operating expenses related to increases in production capacity if revenues do not increase proportionately.

Manufacturing Risks—Unless We Maintain Manufacturing Efficiency And Avoid Manufacturing Difficulties, Our Future Profitability Could Be Adversely Affected.

Our future success and competitive position depend, in part, on our ability to establish goodwill in our products and services and to associate that goodwill with our trade name, ON Semiconductor™. In order for us to establish goodwill, customers must acknowledge the quality of our products and services and associate our trade name with that quality and those products and services. Prior to our recapitalization, all of the products and services we offered were sold, distributed and advertised under the Motorola trade name. Consequently, the goodwill of the Motorola trade name may have been associated, in part, with success of those products and services.

We have begun marketing our products under the ON

Semiconductor™ name. However, for one year after our recapitalization, an agreement we have with Motorola gives us the limited ability to use the Motorola trade name in connection with the sale, distribution and advertisement of some products we offer. We are presently using our best efforts to cease using licensed Motorola trademarks as soon as commercially reasonable. If the removal of the Motorola trade name from any of our products would require the product to be requalified by any of our customers, we may continue to use the Motorola trade name for up to two years after our recapitalization, to allow us to continue selling the product pending its requalification. In addition, for two years after our recapitalization, we also have the ability to utilize the transition statement, "formerly a division of Motorola," in connection with the sale, distribution and advertisement of some products we offer. The impact of our no longer using the Motorola trade name cannot be fully predicted and it could have a material adverse effect on our business or our prospects. Although we have recently established our trade name and brands independent of Motorola, we cannot assure you that, prior to the expiration of these transitional arrangements, we will have established the same level of goodwill in our trade name as Motorola has established in its trade name.

Lack Of Independent Identity—We Have Recently Established A Trade Name Identity Independent Of Motorola. A Failure To Establish The Same Level Of Goodwill As Motorola Could Harm Our Long-Term Business Prospects.

Prior to our recapitalization, Motorola allocated to us, as one of several divisions within its Semiconductor Products Sector, a percentage of the expenses related to services Motorola provided to us and other divisions of its Semiconductor Products Sector. During 1998, we incurred approximately $298 million in costs for general, administrative, selling and marketing expenses, of which Motorola allocated to us approximately $124 million for services shared with other divisions of its Semiconductor Products Sector.

As part of our recapitalization, we identified the specific services that we believed were necessary to our business and that we would not be able initially to provide ourselves. Motorola agreed to provide or arrange for the provision of these services, including information technology, human resources, supply management and finance services, for a limited period of time to facilitate our transition to a stand-alone company. We estimate that we will incur not more than $75 million under these arrangements for general, administrative, selling and marketing related expenses during the first year after our recapitalization and that our aggregate general, administrative, selling and marketing expenses during that period will be less than those directly charged and allocated in 1998. In addition, Motorola agreed to continue to provide worldwide shipping and freight services to us for a period of up to three years after our recapitalization using the cost allocation method Motorola previously used with us. Under this arrangement, we anticipate paying Motorola approximately $30 million in the first year following our recapitalization.

We believe that the scope of the agreements we entered into with Motorola as part of our recapitalization and the time frames, pricing and other terms should provide us sufficient time to effect our transition to a stand-alone company with minimal disruption to our business, and that we will ultimately be able to provide

these services ourselves or identify third-party suppliers to provide such services on terms not materially less favorable to us than the terms of our arrangements with Motorola. We cannot, however, assure you that we have correctly anticipated the required levels of services to be provided by Motorola or that we will be able to obtain similar services on comparable terms upon termination of our agreements with Motorola. Any material adverse change in Motorola's ability to supply these services could have a material adverse effect on our business or prospects.

As part of Motorola, we had a number of formal and informal arrangements with other divisions of Motorola's Semiconductor Products Sector that provided us with equipment,

finished products and other goods and services. Except as provided for in the agreements between Motorola and us, which are described under "Business— Sales, Marketing and Distribution" and "Business— Manufacturing," future business dealings between Motorola and us will be on an arm's length basis. There can be no assurance that the arm's length nature of any future business relationship with Motorola will be as beneficial for us as our past relationship to Motorola.

Lack Of Independent Operating History—If The Assumptions We Have Used To Estimate Future Operating Results Are Incorrect Or If We Encounter Unexpected Costs Or Other Problems, Our Profitability Could Be Adversely Affected.

Motorola has historically constituted our largest original equipment manufacturer customer and accounted for approximately 8.6% of our net product revenues in 1999. As a result of our recapitalization, we are no longer part of Motorola, and our current and future product sales to Motorola and its affiliates will be on an arm's length basis. We cannot assure you that we will be able to maintain the level of historical product sales to Motorola or that we will be able to sell any products to Motorola or its affiliates. Notwithstanding our broad customer base, the loss of Motorola or any other sizable customer could harm our results of operations.

Product sales to our ten largest customers accounted in the aggregate for approximately 51% of our net product revenues in 1999. Many of our customers operate in cyclical industries, and in the past we have experienced significant fluctuations from period to period in the volume of our products ordered. We have no agreements with any of our customers that impose minimum or continuing obligations to purchase our products. We cannot assure you that any of our customers will not significantly reduce orders or seek price reductions in the future or that the loss of one or more of such customers would not have a material adverse effect on our business or our prospects.

Prior to our recapitalization, we and other divisions of Motorola's Semiconductor Products Sector provided manufacturing services to each other at cost (as calculated for financial accounting purposes). We and Motorola have agreed to continue providing manufacturing services to each other for limited periods of time following our recapitalization at fixed prices that are intended to approximate each party's cost of providing the services. We currently anticipate that Motorola, which has no purchase obligations after 2000, will purchase manufacturing services from us of approximately $47 million in 2000 and that any purchases thereafter will be insignificant. We could be adversely affected if Motorola does not purchase manufacturing services from us at the level we have anticipated, cancels these arrangements or discontinues using our manufacturing services after these agreements expire or if we are unable to find other uses for, or dispose of, the manufacturing facilities we currently use to provide these services in a manner that allows us to cover our fixed costs.

Dependence On Motorola And Other Key Customers For Our Products And Services— If We Were To Lose One Or More Of Our Large Customers, Our Revenues And Profitability Could Be Adversely Affected.

Prior to our recapitalization, we and other divisions of Motorola's Semiconductor Products Sector provided manufacturing services to each other at cost (as calculated for financial accounting purposes). In 1997, 1998 and the period from January 1, 1999 to August 3, 1999, the costs charged by other divisions of Motorola's Semiconductor Products Sector to us for these services amounted to $310.5 million, $266.8 million and $125.5 million respectively. From August 4, 1999 through December 31, 1999, we paid $101.3 million for manufacturing services to Motorola under our transition agreements. Motorola manufactures our emitter-

coupled logic products, which are high margin products that accounted for approximately 13% of our net product revenues in 1999. We currently have no other manufacturing source for these emitter-coupled logic products. We expect emitter-coupled logic products to remain one of our single most important product families over the next several years.

We and Motorola have agreed to continue providing manufacturing services to each other (including Motorola's manufacturing of our emitter-coupled logic products) for limited periods of time following our recapitalization at fixed prices that are intended to approximate each party's cost of providing these services. Subject to our right to cancel upon six months' written notice, we have minimum commitments to purchase manufacturing services from Motorola of approximately $88 million, $51 million, $41 million and $40 million in fiscal years 2000, 2001, 2002 and 2003, respectively, and have no purchase obligations thereafter. Based on our current budget, we anticipate that we will actually purchase manufacturing services from Motorola of approximately $150 million in 2000. We could be adversely affected if Motorola is unable to provide these services on a timely basis or if we are unable to relocate these manufacturing operations to our own facilities or to other third-party manufacturers on cost-effective terms or make other satisfactory arrangements prior to the time when these agreements expire.

We also use other third-party contractors for manufacturing activities, primarily for the assembly and testing of final goods. In 1999, these contract manufacturers, including Astra, AAPI and ASE, accounted for approximately 23.9% of our cost of sales. Our agreements with these manufacturers typically require us to forecast product needs and commit to purchase services consistent with these forecasts, and in some cases require longer-term commitments in the early stages of the relationship. Our operations could be adversely affected if these contract relationships were disrupted or terminated, the cost of such services increased significantly, the quality of the services provided deteriorated or our forecasts proved to be materially incorrect.

Dependence On Motorola And Other Contractors For Manufacturing Services— The Loss Of One Or More Of Our Sources For Manufacturing Services, Or Increases In The Prices Of Such Services, Could Adversely Affect Our Operations And Profitability.

Our results of operations could be adversely affected if we are unable to obtain adequate supplies of raw materials in a timely manner or if the costs of our raw materials increase significantly or their quality deteriorates. Our manufacturing processes rely on many raw materials, including silicon wafers, copper lead frames, mold compound, ceramic packages and various chemicals and gases. We have no agreements with any of our suppliers that impose minimum or continuing supply obligations, and we obtain our raw materials and supplies from a large number of sources on a just-in-time basis. From time to time, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. Although we believe that our current supplies of raw materials are adequate, shortages could occur in various essential materials due to interruption of supply or increased demand in the industry. Prior to our recapitalization, most of our supplies were purchased jointly with Motorola. As part of our recapitalization we entered into an agreement with Motorola to provide for the transition of our supply management functions to a stand-alone basis. We are currently implementing this transition, which we expect to be complete by August 2000. We cannot assure you that we will be able to continue to procure adequate supplies of raw materials in a timely manner on terms comparable to those on which we procured raw materials as part of Motorola.

Dependence On Supply Of Raw Materials— The Loss Of Our Sources Of Raw Materials, Or Increases In The Prices Of Such Goods, Could Adversely Affect Our Operations And Profitability.

Our future financial performance and success are largely dependent on our ability to implement successfully our business strategy, which is described under "Business—Our Growth Strategy." We cannot assure you that we will successfully implement the business strategy described in this prospectus or that implementing our strategy will sustain or improve our results of operations. In particular, we cannot assure you that we will be able to build our position in markets with high growth potential, increase our sales, increase our manufacturing efficiency, optimize our manufacturing capacity, lower our production costs or make strategic acquisitions.

Our business strategy is based on our assumptions about the future demand for our current products and the new products and applications we are developing and on our continuing ability to

produce our products

Table of Contents

profitably. Each of these factors depends on our ability, among other things, to finance our operating and product development activities, maintain high quality and efficient manufacturing operations, relocate and close manufacturing facilities as part of our ongoing cost restructuring with minimal disruption to our operations, access quality raw materials and contract manufacturing services in a cost-effective and timely manner, protect our intellectual property portfolio and attract and retain highly-skilled technical, managerial, marketing and finance personnel. Our strategy also depends on our ability to implement our transition to a stand-alone company, which depends to a certain extent on Motorola's ability to provide transition services to us for limited periods of time and on our ability to provide or procure such services thereafter. Several of these and other factors that could affect our ability to implement our business strategy, such as risks associated with international operations, increased competition, legal developments and general economic conditions, are beyond our control. In addition, circumstances beyond our control and changes in our business or industry may require us to change our business strategy.

Inability To Implement Our Business Strategy—If We Are Unable To Implement Our Business Strategy, Our Revenues And Profitability May Be Adversely Affected.

We have recently acquired Cherry Semiconductor Corporation, and we may in the future acquire other businesses, products and technologies. Successful acquisitions in the semiconductor industry are difficult to accomplish because they require, among other things, efficient integration of product offerings and manufacturing operations and coordination of sales and marketing and research and development efforts. The difficulties of integration may be increased by the necessity of coordinating geographically separated organizations, the complexity of the technologies being integrated and the necessity of integrating personnel with disparate business backgrounds and combining different corporate cultures. The integration of operations following an acquisition requires the dedication of management resources that may distract attention from the day-to-day business, and may disrupt key research and development, marketing or sales efforts. In addition, we may issue equity securities to pay for any future acquisitions, which could be dilutive to our existing stockholders. We may also incur debt or assume contingent liabilities in connection with acquisitions, which could harm our operating results. We financed our acquisition of Cherry Semiconductor with cash on hand and additional borrowings under our senior secured bank facilities.

Future Acquisitions—We May Engage In Acquisitions That May Harm Our Operating Results, Cause Us To Incur Debt Or Assume Contingent Liabilities Or Dilute Our Stockholders.

Approximately 46%, 33% and 21% of our net product revenues in 1999 were derived from sales, directly or through distributors or electronic manufacturing service providers, to end users in the Americas, the Asia/Pacific region and Europe (including the Middle East), respectively. We maintain significant operations in Guadalajara, Mexico; Seremban, Malaysia; Carmona, the Philippines; Aizu, Japan; Leshan, China; Roznov, the Czech Republic; and Piestany, Slovakia. In addition, we rely on a number of contract manufacturers (primarily for assembly and testing) whose operations are primarily located in the Asia/Pacific region.

We cannot assure you that we will be successful in overcoming the risks that relate to or arise from operating in international markets. Risks inherent in doing business on an international level include, among others, the following:

Risks Associated With International Operations—Our International Operations Subject Us To Risks Inherent In Doing Business On An International Level That Could Adversely Impact Our Results Of Operations.

Table of Contents

- economic and political instability;
- changes in regulatory requirements, tariffs, customs, duties and other trade barriers;
- transportation delays;
- power supply shortages and shutdowns;
- difficulties in staffing and managing foreign operations and other labor problems;
- currency convertibility and repatriation;
- taxation of our earnings and the earnings of our personnel; and

Our activities outside the United States are subject to additional risks associated with fluctuating currency values and exchange rates, hard currency shortages and controls on currency exchange. Motorola historically engaged in hedging activities to reduce the risk of adverse currency rate fluctuations affecting its overall business, but as a stand-alone company we now bear the risks and costs associated with any such hedging activities. Additionally, while our sales are primarily denominated in U.S. dollars, worldwide semiconductor pricing is influenced by currency rate fluctuations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Market Risk.”

- other risks relating to the administration of or changes in, or new interpretations of, the laws, regulations and policies of the jurisdictions in which we conduct our business.

Our success depends upon our ability to attract and retain highly-skilled technical, managerial, marketing and finance personnel. The market for personnel with such qualifications is highly competitive. In particular, analog component designers are difficult to attract and retain, and the failure to attract and retain analog component designers could compromise our ability to keep pace with our competitors in the market for analog components. We cannot assure you that we will be able to continue to attract and retain individuals with the qualifications necessary to operate our company most effectively.

Dependence On Highly Skilled Personnel—If We Fail To Attract And Retain Skilled Personnel, Our Results Of Operations And Competitive Position Could Deteriorate.

We rely on patents, trade secrets, trademarks, mask works and copyrights to protect our products and technologies. See “Business—Patents, Trademarks, Copyrights and Other Intellectual Property Rights.” Some of our products and technologies are not covered by any patents or pending patent applications, and we cannot assure you that:

Dependence On Intellectual Property—We Use A Significant Amount Of Intellectual Property In Our Business. Some Of That Intellectual Property Is Currently The Subject Of Disputes With Third Parties, And Litigation Could Arise In The Future. If We Are Unable To Protect The Intellectual Property We Use, Our Business May Be Adversely Affected.

Moreover, we cannot assure you that:

- any of the more than approximately 280 U.S. and 280 foreign patents and pending patent applications that Motorola has assigned, licensed or sublicensed to us in connection with our recapitalization will not lapse or be invalidated, circumvented, challenged or licensed to others;
- the license rights granted by Motorola in connection with our recapitalization will provide competitive advantages to us; or
- any of our pending or future patent applications will be issued or have the coverage originally sought.

Furthermore, we cannot assure you that our competitors or others will not develop products or technologies that are similar or superior to our products or technologies, duplicate our products or technologies or design around our protected technologies. In addition, effective patent, trademark, copyright and trade secret protection may be unavailable, limited or not applied for in the United States and in foreign countries.

Also, we may from time to time in the future be notified of claims that we may be infringing third-party patents or other intellectual property rights. Motorola has agreed to indemnify us for a limited period of time with respect to some claims that our activities infringe on the intellectual property rights of others. If necessary or desirable, we may seek licenses under such patents or intellectual property rights. However, we cannot assure you that we will obtain such licenses or that the terms of any offered licenses will be acceptable to us. The failure to obtain a license from a third party for technologies we use could cause us to incur substantial

liabilities or to suspend the manufacture or shipment of products or our use of processes requiring the technologies. Litigation could cause us to incur significant expense, by adversely affecting sales of the challenged product or technologies and diverting the efforts of our technical and management personnel, whether or not such litigation is resolved in our favor. In the event of an adverse outcome in any such litigation, we may be required to:

- pay substantial damages;
- cease the manufacture, use, sale or importation of infringing products;
- expend significant resources to develop or acquire non-infringing technologies;
- discontinue the use of processes; or
- obtain licenses to the infringing technologies.

We will also seek to protect our proprietary technologies, including technologies that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with our collaborators, advisors, employees and consultants. We cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach or that persons or institutions will not assert rights to intellectual property arising out of our research.

- any of the trademarks, copyrights, trade secrets, know-how or mask works that Motorola has assigned, licensed or sublicensed to us in connection with our recapitalization will not lapse or be invalidated, circumvented, challenged or licensed to others; or
- any of our pending or future trademark, copyright, or mask work applications will be issued or have the coverage originally sought.

We cannot assure you that we would be successful in any such development or acquisition or that any such licenses would be available to us on reasonable terms. Any such development, acquisition or license could require the expenditure of substantial time and other resources.

Our manufacturing operations are subject to various environmental laws and regulations relating to the management, disposal and remediation of hazardous substances and the emission and discharge of pollutants into the air and water. Our operations are also subject to laws and regulations relating to workplace safety and worker health which, among other things, regulate employee exposure to hazardous substances. Motorola has agreed to indemnify us for environmental and health and safety liabilities related to the conduct or operations of our business or Motorola's ownership, occupancy or use of real property occurring prior to our recapitalization. We cannot assure you

that such indemnification arrangements will cover all material environmental costs relating to pre-closing matters. Moreover, the nature of our operations exposes us to the continuing risk of environmental and health and safety liabilities related to events or activities occurring after our recapitalization.

We believe that the future cost of compliance with existing environmental and health and safety laws and regulations (and liability for currently known environmental conditions) will not have a material adverse effect on our business or prospects. However, we cannot predict:

Environmental Liabilities; Other Governmental Regulation—Regulatory Matters Could Adversely Affect Our Ability To Conduct Our Business And Could Require Expenditures That Could Have A Material Adverse Effect On Our Results Of Operations Or Financial Condition.

Table of Contents

Risks Related to Our Capital Structure

- changes in environmental or health and safety laws or regulations;
- the manner in which environmental or health and safety laws or regulations will be enforced, administered or interpreted; or
- the cost of compliance with future environmental or health and safety laws or regulations or the costs associated with any future environmental claims, including the cost of clean-up of currently unknown environmental conditions.

We are highly leveraged and have significant debt service obligations. As of December 31, 1999, after giving effect to the application of the net proceeds of this offering, we would have had total long-term indebtedness of approximately $1,117.9 million (excluding unused commitments), stockholders' equity of approximately $184.8 million and annual interest expense of approximately $109.4 million. We will be permitted to incur significant additional debt in the future. Our substantial indebtedness could have important consequences to you, including the risks that:

Substantial Leverage—Our Substantial Leverage Could Adversely Affect Our Ability To Operate Our Business.

- we will be required to use a substantial portion of our cash flow from operations to pay principal and interest on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, product development efforts and strategic acquisitions;
- our interest expense could increase if interest rates in general increase because a substantial portion of our debt will bear interest rates based on market rates;
- our level of indebtedness will increase our vulnerability to general economic downturns and adverse industry conditions;
- our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and the semiconductor components industry;
- our indebtedness may restrict us from raising additional financing on satisfactory terms to fund working capital, capital expenditures, product development efforts and strategic acquisitions; and
- our substantial leverage could place us at a competitive disadvantage compared to our competitors who have less debt.

Our debt instruments contain various provisions that limit our management's discretion in the operation of our business by restricting our ability to:

Restrictive Covenants In Our Debt Instruments—The Agreements Governing Our Indebtedness May Limit Our Ability To Finance Future Operations Or Capital Needs Or Engage In Other Business Activities That May Be In Our Interest.

These restrictions may adversely affect our ability to finance our future operations or capital needs or engage in other business activities that may be in our interest. In addition, our

senior bank facilities require us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control. A breach of any of the provisions of our debt instruments could result in a default under our indebtedness, which would allow our lenders to declare all outstanding amounts due and payable. In such an event, our assets might not be sufficient to repay those amounts.

Table of Contents

Risks Related to the Securities Markets and Ownership of Our Common Stock

- incur additional indebtedness;
- pay dividends and make other distributions;
- prepay subordinated debt;
- make restricted payments;
- enter into sale and leaseback transactions;
- create liens;
- sell and otherwise dispose of assets; and
- enter into transactions with affiliates.

The stock markets in general, and the markets for high technology stocks in particular, have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

Prior to this offering, you could not buy or sell our common stock publicly. Although we have applied to have our common stock quoted on the Nasdaq National Market, an active trading market may not develop or be sustained. We negotiated and determined the initial public offering price with the representatives of the underwriters based on several factors. The market price of the common stock after the offering may be less than the initial public offering price. The market price of the common stock may also fluctuate significantly in response to the following factors, some of which are beyond our control:

Stock Price Fluctuations—Our Stock Price May Be Volatile, Which Could Result In Substantial Losses For Investors Purchasing Shares In This Offering.

- variations in our quarterly operating results;
- changes in securities analysts' estimates of our financial performance;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, capital commitments, new products or product enhancements;
- loss of a major customer or failure to complete significant transactions; and
- additions or departures of key personnel.

Sales in the public market of a substantial number of shares of common stock or other equity or equity-related securities could depress the market price of the common stock and could impair our ability to raise capital through the sale of additional equity securities. A substantial number of shares of our common stock will be available for future sale. See "Shares Eligible for Future Sale."

Shares Eligible For Future Sale—Our Stock Price Could Be Affected Because A Substantial Number Of Shares Of Our Common Stock Will Be Available For Sale In The Future.

The initial public offering price is substantially higher than the net tangible book value per share of our common stock, which was negative $2.18 at December 31, 1999. As a result, you will experience immediate and substantial dilution of $15.14 in our net tangible book value per share, based on an assumed initial public offering price of $16.00 per share. This dilution will occur in large part because our earlier investors paid substantially less than the initial public offering price in this offering when they purchased their shares of common stock. You will experience additional dilution upon the exercise of outstanding stock options. See "Dilution."

Dilution—Purchasers Of Common Stock In This Offering Will Suffer Immediate And Substantial Dilution.

An affiliate of Texas Pacific Group owns 124,999,433 shares of our common stock, prior to giving effect to this offering, each share of which entitles its holder to one vote on stockholder actions. Following this offering, an affiliate of Texas Pacific Group will continue to own 124,999,433 shares, representing approximately 75% of the overall voting power of our outstanding stock, and will be able to:

Controlling Stockholder—One Of Our Principal Stockholders Controls Our Company, Which Will Limit The Ability Of Our Other Stockholders To Influence The Outcome Of Director Elections And Other Matters Submitted For A Vote Of Our Stockholders.

Table of Contents

In addition, our certificate of incorporation provides that the provisions of Section 203 of the Delaware General Corporation Law, which relate to business combinations with interested stockholders, do not apply to us. See "Principal Stockholders."

- elect all of our directors and, as a result, control matters requiring board approval;
- control matters submitted to a stockholder vote, including mergers and consolidations with third parties and the sale of all or substantially all of our assets; and
- otherwise control or influence our business direction and policies.

Our certificate of incorporation and bylaws contain provisions that could make it harder for a third party to acquire us without the consent of our board of directors. These provisions:

Anti-Takeover Provisions—Provisions In Our Charter Documents May Delay Or Prevent Acquisition Of Our Company, Which Could Decrease The Value Of Our Stock.

Although we believe these provisions make a higher third-party bid more likely by requiring potential acquirors to negotiate with our board of directors, these provisions apply even if an initial offer may be considered beneficial by some stockholders. See "Description of Capital Stock—Anti-Takeover Effects of our Certificate of Incorporation and Bylaws."

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this prospectus, including in the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Industry” and “Business,” that are based on our management’s beliefs and assumptions and on information currently available to our management. Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates” or other similar expressions.

Forward-looking statements involve significant risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking statements are reasonable, actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we distribute this prospectus. You should understand that many important factors, in addition to those discussed elsewhere in this prospectus, could cause our results to differ materially from those expressed in forward-looking statements.

Table of Contents

USE OF PROCEEDS

We estimate that our net proceeds from the sale of shares of common stock in this offering will be approximately $448.7 million, at an assumed initial public offering price of $16.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the estimated net proceeds we receive from this offering as follows:

- create a board of directors with staggered terms;
- permit only our board of directors or the chairman on our board of directors to call special meetings of stockholders;
- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting;
- prohibit stockholder action by written consent;
- authorize the issuance of “blank check” preferred stock, which is preferred stock with voting or other rights or preferences that could impede a takeover attempt and that our board of directors can create and issue without prior stockholder approval; and
- require the approval by holders of at least 66 2/3% of our outstanding common stock to amend any of these provisions in our certificate of incorporation or bylaws.

If the underwriters exercise their over-allotment option in full, we intend to use the additional $67.7 million in net proceeds to prepay an additional portion of the loans under our senior bank facilities.

The senior subordinated notes bear interest at a fixed rate of 12% and mature on August 1, 2009. Loans under our senior

bank facilities currently bear interest at floating rates equal to LIBOR plus a spread ranging from 3.00% to 3.75%, and amortize between 2001 and 2007. At December 31, 1999, the weighted average interest rate on loans under our senior bank facilities was 9.36% per annum. We intend to redeem our outstanding preferred stock and prepay a portion of the loans under our senior bank facilities substantially concurrently with the consummation of this offering. We intend to redeem a portion of our senior subordinated notes approximately 30 days after the consummation of this offering, in accordance with the notice requirements contained in the indenture governing those notes.

DIVIDEND POLICY

We have not declared or paid any cash dividends on our common stock since our inception. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. Therefore, we do not anticipate paying any cash dividends in the foreseeable future.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 1999 (1) on an actual basis and (2) on an adjusted basis to give effect to the sale of shares of common stock in this offering, at an assumed initial public offering price of $16.00 per share, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Redeem our outstanding redeemable preferred stock (including accrued dividends of $19,400,000 through an assumed redemption date of April 30, 2000)	$228,400,000
Redeem a portion of our senior subordinated notes (including a redemption premium of $16,800,000 and accrued interest of $16,000,000 through an assumed redemption date of May 31, 2000)	172,800,000
Prepay a portion of the loans under our senior bank facilities (including a prepayment penalty of $800,000 at an assumed prepayment date of April 30, 2000)	47,500,000
Total	$448,700,000

The table above does not reflect:

	December 31, 1999	
	Actual	As Adjusted
	(dollars in millions, except share data)	
Long-term debt, less current portion:		
Senior bank facilities:		
Tranche A	$ 125.5	$ 119.6
Tranche B	325.0	309.8
Tranche C	350.0	333.7
	800.5	763.1
Senior subordinated notes	400.0	260.0
Junior subordinated note	94.8	94.8
Total long-term debt, less current portion	1,295.3	1,117.9
Redeemable preferred stock, $.01 par value, 100,000 shares authorized, 2,090 shares issued and outstanding, actual; no shares issued and outstanding, as adjusted; 12%	219.6	—

annual dividend rate; liquidation value — $209.0 million plus $10.6 million of accrued dividends, actual		
Stockholders' equity (deficit):		
Common stock, $.01 par value, 300,000,000 shares authorized, 136,666,666 shares issued and outstanding, actual; 300,000,000 shares authorized; 166,666,666 shares issued and outstanding, as adjusted	1.4	1.7
Additional paid-in capital	204.2	652.6
Accumulated other comprehensive income	2.7	2.7
Accumulated deficit	(456.0)	(472.2)
Total stockholders' equity (deficit)	(247.7)	184.8
Total capitalization	$1,267.2	$1,302.7

You should read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Historical Financial Data," "Unaudited Pro Forma and Adjusted Pro Forma Financial Data," "Management," "Description of Capital Stock" and our audited historical post-recapitalization consolidated financial statements and the notes thereto included elsewhere in this prospectus.

Table of Contents

DILUTION

The net tangible book value of our common stock as of December 31, 1999 was negative $297.9 million, or negative $2.18 per share. Net tangible book value per share before the offering has been determined by dividing net tangible book value (total book value of tangible assets less total liabilities, minority interests in consolidated subsidiaries and redeemable preferred stock) by the number of shares of common stock outstanding at December 31, 1999. After giving effect to the sale of our common stock in this offering, at an assumed initial public offering price of $16.00 per share, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, the adjusted net tangible book value as of December 31, 1999 would have been $143.2 million, or $.86 per share. This represents an increase in net tangible book value per share of $3.04 to existing stockholders and dilution in net tangible book value per share of $15.14 to new investors who purchase shares in the offering. The following table illustrates this per share dilution:

- 10,051,333 shares of common stock issuable upon the exercise of options outstanding at February 15, 2000, at an exercise price of $1.50 per share, under our 1999 Founders Stock Option Plan;
- 1,525,333 shares of common stock issuable upon the exercise of options granted after February 15, 2000, at an exercise price per share equal to the public offering price, under our 1999 Founders Stock Option Plan;
- 4,500,000 shares of common stock reserved for future issuance under our 2000 Stock Incentive Plan and our 2000 Employee Stock Purchase Plan; and
- long-term debt under our senior bank facilities of $200 million incurred on April 3, 2000 to finance our acquisition of Cherry Semiconductor.

The following table sets forth, on the adjusted basis described above, as of December 31, 1999, the difference between the number of shares of common stock purchased, the total consideration paid, and the average price per share paid by the existing stockholders and by investors purchasing shares in this offering, based upon an assumed initial public offering price of $16.00 per share, before deducting estimated underwriting discounts and commissions and estimated offering expenses:

Assumed initial public offering price per share		$16.00
Net tangible book value per share as of December 31, 1999	$(2.18)	
Increase in net tangible book value per share attributable to new investors	3.04	

Adjusted net tangible book value per share after this offering	.86
Dilution per share to new investors	$15.14

The discussion and tables above exclude the following:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
	(in millions)		(in millions)		
Existing stockholders	136.7	82.0%	$205.0	29.9%	$ 1.50
New investors	30.0	18.0	480.0	70.1	16.00
Total	166.7	100.0%	$685.0	100.0%	

To the extent these options are exercised or this stock is issued in the future, investors in this offering may experience further dilution.

The following table adjusts the information set forth in the preceding table to reflect the assumed exercise of options that were outstanding at December 31, 1999 under our 1999 Founders Stock Option Plan and are currently exercisable:

- 10,051,333 shares of common stock issuable upon the exercise of options outstanding at February 15, 2000, at an exercise price of $1.50 per share under our 1999 Founders Stock Option Plan;
- 1,525,333 shares of common stock issuable upon the exercise of options granted after February 15, 2000, at an exercise price per share equal to the public offering price, under our 1999 Founders Stock Option Plan; and
- 4,500,000 shares of common stock reserved for future issuance under our 2000 Stock Incentive Plan and our 2000 Employee Stock Purchase Plan.

Table of Contents

SELECTED HISTORICAL FINANCIAL DATA

The following table sets forth our selected historical financial data for the periods indicated. We derived the statement of operations data set forth below for the fiscal years ended December 31, 1997 and 1998 and for the periods from January 1, 1999 through August 3, 1999 and from August 4, 1999 through December 31, 1999, and the balance sheet data as of December 31, 1998 and 1999, from our audited historical combined financial statements and audited historical post-recapitalization consolidated financial statements, which are included elsewhere in this prospectus. We derived the statement of operations data set forth below for the fiscal year ended December 31, 1996 and the balance sheet data as of December 31, 1997 from our audited historical combined financial statements, which are not included in this prospectus. We derived the statement of operations data set forth below for the fiscal year ended December 31, 1995 and the balance sheet data as of December 31, 1995 and 1996 from our unaudited historical combined financial statements, which are not included in this prospectus. You should read this information in conjunction with “Unaudited Pro Forma and Adjusted Pro Forma Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited financial statements and the notes thereto included elsewhere in this prospectus.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
	(in millions)		(in millions)		
Existing stockholders	136.7	81.2%	$205.0	29.8%	$ 1.50
New investors	30.0	17.8	480.0	69.8	16.00
Option holders	1.7	1.0	2.5	.4	1.50
Total	168.4	100.0%	$687.5	100.0%	

Table of Contents

	Years Ended December 31,				January 1, 1999 through August 3, 1999	August 4, 1999 through December 31, 1999
	1995	1996	1997	1998		
	(dollars in millions, except share data)					
Statement of Operations Data:						
Revenues:						
Net product revenues	$2,011.1	$1,748.0	$1,815.3	$1,495.3	$895.4	$728.8
Foundry revenues(1)	–	–	–	–	–	69.9
Total revenues	2,011.1	1,748.0	1,815.3	1,495.3	895.4	798.7
Cost of sales(2)	1,209.5	1,128.8	1,112.3	1,060.0	620.3	573.3
Gross profit	801.6	619.2	703.0	435.3	275.1	225.4
Operating expenses:						
Research and development(3)	78.1	71.7	65.7	67.5	34.3	16.3
Selling and marketing(4)	99.7	94.4	110.7	92.4	39.0	24.6
General and administrative(5)	180.3	150.8	243.1	205.7	89.4	77.3
Restructuring charges(6)	–	–	–	189.8	–	3.7
Total operating expenses	358.1	316.9	419.5	555.4	162.7	121.9
Operating income (loss)	443.5	302.3	283.5	(120.1)	112.4	103.5
Other income (expenses):						
Interest expense(7)	(17.7)	(15.0)	(11.7)	(19.8)	(9.1)	(55.9)
Equity in earnings of joint ventures	–	2.4	(.3)	5.7	2.4	1.4
Total other income (expenses)	(17.7)	(12.6)	(12.0)	(14.1)	(6.7)	(54.5)
Income before income taxes and minority interests	425.8	289.7	271.5	(134.2)	105.7	49.0
Minority interests	–	–	(1.5)	(2.1)	(.9)	(1.1)
Revenues less direct and allocated expenses before taxes	$ 425.8	$ 289.7	$ 270.0	$ (136.3)	$104.8	47.9
Provision for income taxes(8)						(18.1)
Net income						$ 29.8
Earnings per common share(9):						
Basic						$ .14
Diluted						$ .13
Weighted average common shares outstanding (in millions):						
Basic						136.7
Diluted						144.6
Other Financial Data:						
Depreciation and amortization	$ 135.4	$ 142.4	$ 146.1	$ 145.9	$ 81.5	$ 61.9
Capital expenditures	252.5	190.7	181.9	119.9	39.6	64.0

	December 31,				
	1995	1996	1997	1998	1999
	(dollars in millions)				
Balance Sheet Data(10):					
Cash and cash equivalents					$ 126.8
Working capital					309.8
Total assets	$714.2	$768.9	$935.3	$840.7	1,616.8
Long-term debt, less current portion					1,295.3
Redeemable preferred stock					219.6
Business equity/total stockholders' equity (deficit)(11)	689.7	746.1	866.4	681.0	(247.7)

(1) Foundry revenues represent products manufactured for Motorola's Semiconductor Products Sector. Historically, Motorola recorded these foundry revenues as an offset to cost of sales at cost. We now record such sales in a manner consistent with other third-party sales. We and Motorola have agreed to continue providing manufacturing services to each other for limited periods of time following our recapitalization at fixed prices that are intended to approximate each party's cost of providing the services. Foundry revenues increase both total revenues and cost of sales in our unaudited pro forma financial statements.

(2) Cost of sales for periods prior to our recapitalization includes amounts allocated to us by Motorola.

(3) Research and development expenses for periods prior to our recapitalization include amounts allocated to us by Motorola.

(4) Selling and marketing expenses for periods prior to our recapitalization include amounts allocated to us by Motorola.

(5) General and administrative expenses for periods prior to our recapitalization include amounts allocated to us by Motorola.

(6) Restructuring charges in 1998 consist of the $189.8 million portion of a Motorola restructuring charge allocated to us in June 1998. Restructuring charges of $3.7 million in 1999 consist of an $11.1 million charge for employee separation costs and asset write-downs related primarily to the closure of a manufacturing facility in Arizona in December 1999, which was partially offset by a $7.4 million reduction in our restructuring reserves to take into account the remaining costs to be incurred to complete planned actions under our restructuring plan commenced in June 1998.

(7) Prior to our recapitalization, Motorola had net interest expense on a consolidated basis for all periods presented. Motorola allocated a portion of these amounts to us primarily on the basis of net assets. For the period subsequent to the recapitalization, interest expense relates to borrowings outstanding under our senior bank facilities, and to our senior subordinated notes and our junior subordinated note.

(8) Prior to our recapitalization, Motorola did not allocate income tax expense to us.

(9) Earnings per common share for the period from August 4, 1999 through December 31, 1999 on both a basic and diluted basis are calculated by deducting dividends on our redeemable preferred stock of $10.6 million from net income for such period and then dividing the resulting amount by the weighted average number of common shares outstanding during such period.

Table of Contents

UNAUDITED PRO FORMA AND ADJUSTED PRO FORMA FINANCIAL DATA

We present below our unaudited pro forma statement of operations as if our recapitalization and the other transactions described below had taken place on January 1, 1999. We also present below our unaudited adjusted pro forma statement of operations as if this offering and the application of the estimated proceeds therefrom had also taken place on January 1, 1999. We derived these pro forma and adjusted pro forma financial data from, and you should read them together with, the audited historical combined financial statements and the audited historical post-recapitalization consolidated financial statements that are included elsewhere in this prospectus.

We prepared the pro forma financial data using the assumptions described below and in the related notes thereto:

(10) It is not meaningful to show cash and cash equivalents, working capital and long-term liabilities, less current portion prior to our recapitalization because Motorola's cash management system was not designed to track centralized cash and related financing transactions to the specific cash requirements of our business.

(11) For periods prior to our recapitalization, business equity represented Motorola's ownership interest in our recorded net assets. All cash transactions, accounts receivable, accounts payable in the United States, other allocations and intercompany transactions were reflected in this amount. For periods subsequent to our recapitalization, our stockholders' equity (deficit) consists of our paid-in capital, accumulated other comprehensive income and accumulated deficit.

Prior to our recapitalization, we were a part of Motorola rather than a stand-alone company. As a result, Motorola allocated a portion of its corporate, marketing, administrative and development expenses to us, which is reflected in our audited historical combined financial statements. In the opinion of our management, these allocations are reasonable. However, these expenses may not be indicative of, and it is not feasible to estimate, the nature and level of expenses that might have been incurred had we operated as an independent company for the periods presented. Our management estimates that our aggregate general, administrative, selling and marketing expenses during the first year after our recapitalization will be less than those directly charged and allocated in 1998.

We prepared the adjusted pro forma financial data using the assumptions described below and in the related notes thereto:

- borrowings under our senior bank facilities and the issuance of our senior subordinated notes, our junior subordinated note and our redeemable preferred stock, each as part of our recapitalization;
- the inclusion of foundry sales and manufacturing expenses in our revenues and cost of sales as historically both foundry sales and manufacturing expenses were included in cost of sales; and
- quantifiable adjustments to reflect our results of operations on a stand-alone basis.

The foregoing are based upon available information and assumptions that management believes are reasonable. We have not adjusted the pro forma or adjusted pro forma financial data to reflect operating efficiencies and additional cost savings that we may realize as a result of our stand-alone operations.

We are providing our unaudited pro forma and adjusted pro forma statement of operations for illustrative purposes only. It does not purport to represent what our results of operations would have been if our recapitalization, this offering, the application of the proceeds therefrom and the other transactions described above actually occurred as of the dates indicated, and it does not purport to project our future results of operations.

SCG HOLDING CORPORATION AND SUBSIDIARIES

(D/B/A ON SEMICONDUCTOR)

FORMERLY,

SEMICONDUCTOR COMPONENTS GROUP OF MOTOROLA, INC.

UNAUDITED PRO FORMA AND ADJUSTED PRO FORMA

STATEMENT OF OPERATIONS

- the issuance of shares of common stock in this offering; and
- the application of the estimated proceeds from the sale of these shares to redeem our outstanding preferred stock, redeem a portion of our senior subordinated notes and prepay a portion of the loans under our senior bank facilities.

[Additional columns below]

[Continued from above table, first column(s) repeated]

	January 1, through August 3, 1999			
	Historical	Adjustments for Foundry Revenues	Adjustments for the Recapitalization	Subtotal
	(dollars in millions, except share data)			
Revenues:				
Net product revenues	$895.4			$895.4
Foundry revenues		$91.1(A)		91.1
Total revenues	895.4			986.5
Cost of sales	620.3	91.1(A)		711.4
Gross profit	275.1			275.1
Operating expenses:				
Research and development	34.3		$(13.5)(B)	20.8
Selling and marketing	39.0			39.0
General and administrative	89.4		4.9 (B)	94.3
Restructuring charges	—			—
Total operating expenses	162.7			154.1
Operating income	112.4			121.0
Other income (expenses):				
Interest expense	(9.1)		(74.7)(C)	
			9.1 (D)	(74.7)
Equity in earnings of joint ventures	2.4			2.4
Total other income (expenses)	(6.7)			(72.3)
Income before income taxes and minority interests	105.7			48.7
Provision for income taxes			(18.0)(F)	(18.0)
Minority interests	(.9)			(.9)
Net income(G)	$104.8			$ 29.8
Earnings per common share(H):				
Basic	N/A			N/A
Diluted	N/A			N/A
Weighted average common shares outstanding (in millions):				
Basic	N/A			N/A
Diluted	N/A			N/A

See accompanying Notes to the Unaudited Pro Forma and Adjusted Pro Forma Statement of Operations.

Table of Contents

SCG HOLDING CORPORATION AND SUBSIDIARIES

(D/B/A ON SEMICONDUCTOR)

FORMERLY,

SEMICONDUCTOR COMPONENTS GROUP OF MOTOROLA, INC.

NOTES TO THE UNAUDITED PRO FORMA AND ADJUSTED PRO FORMA

STATEMENT OF OPERATIONS

	Historical	Year Ended December 31, 1999		
	August 4 through December 31, 1999	Pro Forma	Adjustments for this Offering	Adjusted Pro Forma
		(dollars in millions, except share data)		
Revenues:				
Net product revenues	$728.8	$1,624.2		$1,624.2
Foundry revenues	69.9	161.0		161.0
Total revenues	798.7	1,785.2		1,785.2
Cost of sales	573.3	1,284.7		1,284.7
Gross profit	225.4	500.5		500.5
Operating expenses:				
Research and development	16.3	37.1		37.1
Selling and marketing	24.6	63.6		63.6
General and administrative	77.3	171.6		171.6
Restructuring charges	3.7	3.7		3.7
Total operating expenses	121.9	276.0		276.0
Operating income	103.5	224.5		224.5
Other income (expenses):				
Interest expense	(55.9)	(130.6)	$21.2 (E)	(109.4)
Equity in earnings of joint ventures	1.4	3.8		3.8
Total other income (expenses)	(54.5)	(126.8)		(105.6)
Income before income taxes and minority interests	49.0	97.7		118.9
Provision for income taxes	(18.1)	(36.1)	(7.9)(F)	(44.0)
Minority interests	(1.1)	(2.0)		(2.0)
Net income(G)	$ 29.8	$ 59.6		$ 72.9
Earnings per common share(H):				
Basic	$ .14	$ .24		$ .44
Diluted	$ .13	$ .23		$ .42
Weighted average common shares outstanding (in millions):				
Basic	136.7	136.7		166.7
Diluted	144.6	144.6		174.6

(A) Foundry revenues represent products manufactured for Motorola’s Semiconductor Products Sector. Historically, Motorola recorded these revenues as an offset to cost of sales at cost. We now record such sales in a manner consistent with other third-party sales. We and Motorola have agreed to continue providing manufacturing services to each other for limited periods of time following our recapitalization at fixed prices that are intended to approximate each party’s cost of providing the services. Foundry revenues increase total revenues and cost of sales in our unaudited pro forma and adjusted pro forma financial data.

(B) Reflects the elimination of Motorola cost allocations for corporate and divisional research and development and other allocated costs that bear no direct or indirect relationship to our operations. These costs represent allocations in excess of what we will incur on a stand-alone basis.

	January 1 through August 3, 1999
	(in millions)
Corporate research and development(1)	$ 3.2
Sector engineering(2)	10.3
	$13.5

The following describes the above cost allocation adjustments:

	January 1 through August 3, 1999
	(in millions)
Royalty income(3)	$(5.4)
Other expenses(4)	.5
	$(4.9)

Table of Contents

SCG HOLDING CORPORATION AND SUBSIDIARIES

(D/B/A ON SEMICONDUCTOR)

FORMERLY,

SEMICONDUCTOR COMPONENTS GROUP OF MOTOROLA, INC.

NOTES TO THE UNAUDITED PRO FORMA AND ADJUSTED PRO FORMA

STATEMENT OF OPERATIONS — (Continued)

(1) Represents the elimination of the portion of Motorola's expenses for its corporate research and development labs that was allocated to the Semiconductor Components Group. These were costs for Motorola projects that we will not incur in the future.

(2) Represents the elimination of the portion of Motorola's expenses for sector engineering that was allocated to the Semiconductor Components Group, excluding the costs for a lab that performed research and development for the Semiconductor Components Group's TMOS products. We will not incur costs relating to these research and development activities in the future.

(3) Represents the elimination of royalty income that Motorola allocated to all of its businesses. This royalty income is not necessarily indicative of the income we will receive as a stand-alone company.

(4) Represents the elimination of other income and expenses that Motorola allocated to all of its businesses. These items principally include chemical decontamination costs and other expenses that we will not incur in the future.

(C) Reflects the additional interest expense resulting from borrowings of approximately $1.23 billion under the credit agreement relating to our senior bank facilities and through the issuance of our senior subordinated notes and our junior subordinated note, plus $3.8 million of deferred financing cost amortization. This pro forma interest charge assumes that we borrowed the following amounts on January 1, 1999 and that the interest rates indicated below applied through August 3, 1999:

Tranche A of senior bank facilities of $65.5 million — LIBOR plus 3.00% (8.14%, assumed rate)
Tranche B of senior bank facilities of $325.0 million — LIBOR plus 3.50% (8.64%, assumed rate)
Tranche C of senior bank facilities of $350.0 million — LIBOR plus 3.75% (8.89%, assumed rate)
Senior subordinated notes of $400.0 million (12.00%, fixed rate)
Junior subordinated note of $91.0 million (10.00%, fixed rate)

An increase or decrease of .125% in LIBOR would have resulted in a $.5 million adjustment to this pro forma interest charge for the period from January 1, 1999 through August 3, 1999.

(D) Reflects the elimination of the portion of Motorola's corporate interest expense that was allocated to the Semiconductor Components Group.

(E) Represents the elimination of interest expense assuming that a portion of the net proceeds of this offering were used to repay pro forma borrowings of $177.4 million under the credit agreement relating to our senior bank facilities and our senior subordinated notes as of January 1, 1999. This adjusted pro forma interest expense reduction for the year ended December 31, 1999 assumes that the following amounts were repaid on January 1, 1999 and the interest rates indicated below applied during 1999:

Tranche A senior bank facilities of $5.9 million (8.33%, assumed rate)
Tranche B senior bank facilities of $15.2 million (8.83%, assumed rate)
Tranche C senior bank facilities of $16.3 million (9.08%, assumed rate)
Senior subordinated notes of $140 million (12.00%, fixed rate)

SCG HOLDING CORPORATION AND SUBSIDIARIES

(D/B/A ON SEMICONDUCTOR)

FORMERLY,

SEMICONDUCTOR COMPONENTS GROUP OF MOTOROLA, INC.

NOTES TO THE UNAUDITED PRO FORMA AND ADJUSTED PRO FORMA

STATEMENT OF OPERATIONS — (Continued)

(F) Prior to our recapitalization, Motorola did not allocate income tax expense to the Semiconductor Components Group. This adjustment represents the provision for income taxes for the period from January 1, 1999 through August 3, 1999 that would have resulted from applying our actual effective income tax rate of approximately 38% for the period from August 4, 1999 through December 31, 1999 to our pre-tax income for the period prior to the recapitalization. We have also used this effective tax rate to adjust the provision for income taxes resulting from the adjusted pro forma reduction in interest expense described in Note E above. We believe that the pro forma and adjusted pro forma provisions for income taxes represent reasonable estimates of what our income tax expense would have been had we been a stand-alone company during 1999.

(G) Upon consummation of this offering, we intend to redeem our outstanding preferred stock, redeem a portion of our senior subordinated notes and prepay a portion of the loans outstanding under our senior bank facilities. In connection therewith, we expect to incur prepayment penalties and redemption premiums of approximately $17.6 million and to write off approximately $8.6 million of

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our audited historical combined financial statements, our audited historical post-recapitalization consolidated financial statements and our unaudited pro forma and adjusted pro forma financial data for the fiscal year ended December 31, 1999, which are included elsewhere in this prospectus. Our audited historical combined financial statements present the combined assets, liabilities and business equity and the related combined revenues less direct and allocated expenses before taxes of the business of Motorola's Semiconductor Components Group prior to our August 4, 1999 recapitalization and are not intended to be a complete presentation of the financial position, results of operations or cash flows of the business of ON Semiconductor™. The results of operations before taxes are not necessarily indicative of the results of operations before taxes that would have been recorded by us on a stand-alone basis. Our audited historical post-recapitalization consolidated financial statements present the consolidated financial position and results of operations of ON Semiconductor™ on a stand-alone basis subsequent to our August 4, 1999 recapitalization. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results contemplated by these forward-looking statements due to certain factors, including those discussed below and elsewhere in the prospectus.

Overview

We are one of the largest independent suppliers of semiconductor components in the world. Our total addressable market consists of discrete, standard analog and standard logic semiconductors. According to World Semiconductor Trade Statistics, our total addressable market comprised approximately $19.5 billion of revenues in 1999 and is projected to grow to $25.1 billion in revenues in 2002. The principal end-user markets for our products are networking and computing, wireless communications, consumer electronics, automotive electronics and industrial. Our products are used in such high-growth applications as routers and other networking equipment, cable and other high-speed modems, cellular telephones and other portable electronic devices, digital

set-top boxes, DVD players, GPS and other navigation tools and industrial automation and control systems.

We offer our customers a portfolio of over 16,000 products. Our products generally have long market life cycles, averaging 10 to 20 years, with some as long as 30 years. The longevity of these products allows us to use our manufacturing assets for longer periods of time, reducing our capital expenditure requirements relative to semiconductor companies that manufacture complex devices such as microprocessors. Our total sales volume was approximately 19 billion units in 1999.

Recent Restructuring. In 1997, Motorola created the Semiconductor Components Group as a separate division within its Semiconductor Products Sector to concentrate on the manufacturing of discrete, standard analog and standard logic semiconductors. In 1998, Motorola initiated a company-wide restructuring with the goal of increasing the manufacturing efficiency of various operations within each of Motorola's business groups. In furtherance of this strategy, we have implemented ongoing cost-saving initiatives to rationalize our product portfolio, close plants and relocate or outsource related operations to take advantage of lower-cost labor markets and make our manufacturing processes more efficient. See "Business—Manufacturing" and "Business—Employees." We expect to realize annual cost savings of approximately $210 million in 2000, as compared to our cost structure at the beginning of 1998. Motorola recorded a restructuring charge in the second quarter of 1998, of which $189.8 million was allocated to us. We do not currently anticipate any significant additional charges in connection with this restructuring.

Recapitalization. Immediately prior to our August 4, 1999 recapitalization, we were a wholly-owned subsidiary of Motorola. We held and continue to hold, through direct and indirect subsidiaries, substantially all of the assets and operations of the Semiconductor Components Group of Motorola's Semiconductor Products Sector. As part of our recapitalization, an affiliate of Texas Pacific Group purchased our common shares from Motorola for $337.5 million, and we redeemed common stock held by Motorola for a total of approximately $952 million. As a result, prior to giving effect to this offering, Texas Pacific Group's affiliate owns

approximately 91%, and Motorola owns approximately 9%, of our voting common stock. To finance a portion of the recapitalization, Semiconductor Components Industries, LLC, our primary domestic operating subsidiary, borrowed $740.5 million under senior secured bank facilities (a portion of which we intend to prepay using a portion of the proceeds of this offering), we and Semiconductor Components issued $400 million of senior subordinated notes ($140 million of which we intend to redeem using a portion of the proceeds of this offering) and Semiconductor Components issued a $91 million junior subordinated note to Motorola. We also issued mandatorily redeemable preferred stock with a total initial liquidation preference of $209 million (which we intend to redeem upon consummation of this offering) to Motorola and Texas Pacific Group's affiliate. Because Texas Pacific Group's affiliate did not acquire substantially all of SCG Holding's common stock, the basis of SCG Holding's assets and liabilities for financial reporting purposes was not impacted by our recapitalization.

Separation from Motorola. When we were a division of Motorola, Motorola allocated to us expenses related to shared services provided by Motorola and its other divisions. During 1998, we incurred approximately $298 million in general, administrative, marketing and selling expenses, of which Motorola and its other divisions allocated to us approximately $124 million. During the period from January 1, 1999 to our August 1999 recapitalization, we incurred $128.4 million of general, administrative, marketing and selling expenses, of which Motorola and its other divisions allocated to us $52 million. As part of our recapitalization, we identified the specific services that we believed were necessary to our business and that we would not be able initially to provide ourselves. Motorola agreed to provide or arrange for the provision of these services, including information technology, human resources, supply

management and finance services, for periods of time sufficient to facilitate our transition to a stand-alone company. Our management estimates that we will incur not more than $75 million under these arrangements for general, administrative, selling and marketing related expenses during the first year after our recapitalization and that our aggregate general, administrative, selling and marketing expenses during that period will be less than those directly charged and allocated in 1998. In addition, Motorola agreed to continue to provide worldwide shipping and freight services to us for a period of up to three years using the cost allocation method in effect at the time of the recapitalization. Under this arrangement, we anticipate paying Motorola approximately $30 million in the first year following our recapitalization. We believe that the scope of the agreements we entered into with Motorola as part of our recapitalization and the time frames, pricing and other terms provide us sufficient time to effect the transition with minimal disruption to our business, and that we will ultimately be able to provide these services ourselves or identify third-party suppliers to provide such services on terms not materially less favorable to us than the terms of our arrangements with Motorola.

We and Motorola have also agreed to continue providing manufacturing services to each other for limited periods of time following our recapitalization at fixed prices that are intended to approximate each party's cost of providing these services. Prior to our recapitalization, the cost of the services we provided to other divisions of Motorola's Semiconductor Products Sector was recorded as a credit to our cost of production, while the cost of the services other divisions of Motorola's Semiconductor Products Sector provided to us was included in our cost of sales. We now record foundry revenues for services we provide to other divisions of Motorola's Semiconductor Products Sector as revenues, and this change has been reflected as an adjustment in our unaudited pro forma and adjusted pro forma financial data for the fiscal year ended December 31, 1999 included elsewhere in this prospectus. In 1997, 1998 and the period from January 1, 1999 to August 3, 1999, the Semiconductor Components Group recorded $177.4 million, $162.3 million and $91.1 million, respectively, for the cost of foundry services it provided to other divisions of Motorola's Semiconductor Products Sector. Each party has committed to purchases specified under these manufacturing services agreements. Subject to our right to cancel upon six months' written notice, we have minimum commitments to purchase manufacturing services from Motorola of approximately $88 million, $51 million, $41 million and $40 million in fiscal years 2000, 2001, 2002 and 2003, respectively, and have no purchase obligations thereafter. We currently anticipate that we will purchase manufacturing services from Motorola of approximately $150 million in 2000. We currently anticipate that Motorola, which has no purchase obligations after 2000, will purchase manufacturing services from us of approximately $47 million in 2000 and that any purchases thereafter will be insignificant. We believe that, prior to the expiration of our manufacturing services agreements with Motorola, we will be able to relocate operations to our facilities, or make arrangements with

third-party manufacturers to replace the manufacturing services provided by Motorola at costs not materially in excess of the amounts we expect to pay Motorola.

Market Share. We experienced a decline in our market share from 1994 through 1999. Our market share as a percentage of our total addressable market was 10.5% in 1994, 9.7% in 1995, 9.4% in each of 1996 and 1997, 8.7% in 1998 and 8.4% in 1999. We believe this decline was attributable primarily to the emphasis of Motorola's Semiconductor Products Sector on the sale of more complex and higher-priced semiconductors, including the diversion of research and development, capital expenditures and manufacturing capacity to these products and incentives provided to our sales force and third-party distributors linked to the sale of these products. Although our total addressable market share may continue to decline for 2000, we expect that any such decline will not materially affect our operating results because we have chosen to focus on products with significant growth potential, such as analog,

emitter-coupled logic and bipolar discrete semiconductors.

Joint Ventures. We have majority ownership interests in two joint ventures located in the Czech Republic. As we have the ability to control these joint ventures, we have consolidated them in our financial statements. We also have a majority ownership interest in a Chinese joint venture as well as a 50% interest in a joint venture located in Malaysia. As we do not have the ability to control these joint ventures, we have accounted for them in our financial statements using the equity method. See "Business—Joint Ventures."

Results of Operations

The following table summarizes certain information relating to our historical operating results that has been derived from our audited historical combined financial statements and our audited historical post-recapitalization consolidated financial statements:

debt issuance costs that are currently included in other assets in our consolidated balance sheet. We intend to recognize this adjustment in the period during which it is incurred and to classify it as an extraordinary loss (approximately $26.2 million, pre-tax). Due to the nonrecurring nature of this charge, it has been excluded from the unaudited adjusted pro forma financial data for the year ended December 31, 1999.

(H) Earnings per common share for the period from August 4, 1999 through December 31, 1999 on both a basic and diluted basis is calculated by deducting dividends on our redeemable preferred stock of $10.6 million from net income for that period and then dividing the resulting amount by the weighted average number of common shares outstanding during the period. The pro forma per share amounts for the year ended December 31, 1999 are calculated by deducting pro forma preferred stock dividends of $26.2 million, assuming that the preferred stock had been outstanding during the entire year, from net income and then dividing the resulting amount by the pro forma weighted average number of shares outstanding during the year. The adjusted pro forma financial data for the year ended December 31, 1999 assumes that our preferred stock was not outstanding during the year and, therefore, no related dividends would have accrued. Accordingly, the adjusted pro forma per share amounts are calculated by dividing net income (before the extraordinary loss described in note (G) above) by the adjusted pro forma weighted average number of shares outstanding during the year.

Table of Contents

The following table summarizes certain information related to our historical operating results expressed as a percentage of net product revenues:

	Pre-Recapitalization			Post-Recapitalization	
	Years Ended December 31,		January 1 through August 3,	August 4 through December 31,	Year Ended December 31,
	1997	1998	1999	1999	1999
	(dollars in millions)				
Revenues:					
Net product revenues	$1,815.3	$1,495.3	$895.4	$728.8	$1,624.2
Foundry revenues	–	–	–	69.9	69.9
Total revenues	1,815.3	1,495.3	895.4	798.7	1,694.1
Cost of sales	1,112.3	1,060.0	620.3	573.3	1,193.6
Gross profit	703.0	435.3	275.1	225.4	500.5
Operating expenses:					
Research and development	65.7	67.5	34.3	16.3	50.6
Selling and marketing	110.7	92.4	39.0	24.6	63.6
General and administrative	243.1	205.7	89.4	77.3	166.7
Restructuring charges	–	189.8	–	3.7	3.7
Total operating expenses	419.5	555.4	162.7	121.9	284.6
Operating income (loss)	283.5	(120.1)	112.4	103.5	215.9
Other income (expenses):					
Interest expense	(11.7)	(19.8)	(9.1)	(55.9)	(65.0)
Equity in earnings of joint ventures	(.3)	5.7	2.4	1.4	3.8
Total other income (expenses)	(12.0)	(14.1)	(6.7)	(54.5)	(61.2)
Income before income taxes and minority interests	271.5	(134.2)	105.7	49.0	154.7
Minority interests	(1.5)	(2.1)	(.9)	(1.1)	(2.0)
Revenues less direct and allocated expenses before taxes	$ 270.0	$ (136.3)	$104.8	$ 47.9	$ 152.7

Prior to our capitalization, Motorola allocated a portion of its operating expenses to us. Although we believe that these allocations were reasonable, we also believe that subsequent to our recapitalization our annual operating expenses, as a

percentage of net product revenues, will be less than the aggregate amount of such annual expenses, as a percentage of net product revenues, that were incurred directly plus those that were allocated to us by Motorola prior to the recapitalization.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Total revenues. Total revenues increased $198.8 million, or 13.3%, from $1,495.3 million in 1998 to $1,694.1 million in 1999, due to an increase in net product revenues and the inclusion of foundry revenues as a component of total revenues after our recapitalization. Our total revenues consist of net product revenues and foundry revenues. Net product revenues relate to the sale of semiconductor components that are recognized at the time of shipment to the customer. We also make provisions for estimated returns and allowances at that time. Foundry revenues relate to products manufactured for Motorola and are recognized at the time of shipment to Motorola. Prior to our recapitalization, Motorola recorded these revenues as an offset to cost of sales at cost. We now record these sales in a manner consistent with other third party sales. We expect to continue to generate foundry revenues through the term of the our manufacturing agreements with Motorola, which expire at the end of this year but may be canceled by either party prior to expiration upon six months written notice.

Net product revenues. Net product revenues increased $128.9 million, or 8.6%, from $1,495.3 million in 1998 to $1,624.2 million in 1999. Unit volume increased by 27.1% in 1999 compared to 1998, while the average selling price for our products decreased by 14.6%, as a result of excess semiconductor manufacturing capacity, product mix and aggressive pricing actions taken to maintain market share. Given recent increases in demand and capacity utilization, we expect selling prices for most of our products to stabilize in the near term.

Depending on the overall mix of products we sell, however, our average selling price, calculated by dividing net product revenues by units sold, may decline.

Net revenues for standard analog products, which accounted for 20.3% of net product revenues in 1999, increased 17.9% compared to 1998, as a result of increased demand in the telecommunications industry and our focus on expanding the sales of this product line. Net revenues for standard logic products, which accounted for 23.8% of net product revenues in 1999, increased 12.0% compared to 1998, due to increased demand for emitter-coupled logic products, which was partially offset by reduced emphasis on older standard logic product families and the discontinuation of a related product line. Net revenues for discrete products, which accounted for 55.7% of net product revenues in 1999, increased by 4.3% compared to 1998, mainly fueled by increased demand in the rectifier, thyristor and zener product families, which was partially offset by the sale of a product line in August 1998.

Approximately 46%, 33% and 21% of our net product revenues in 1999 were derived from sales to end users, directly or through distributors or electronic manufacturing service providers, in the Americas, Asia/ Pacific and Europe (including the Middle East), respectively, compared to 46%, 30% and 24%, respectively, in 1998.

Foundry revenues. Foundry revenues in 1999 were $69.9 million and relate only to the period from August 4, 1999 through December 31, 1999. As previously mentioned, prior to our recapitalization, Motorola recorded foundry revenues as an offset to cost of sales at cost. Foundry revenues recorded as an offset to cost of sales totaled $91.1 million for the period from January 1, 1999 through August 3, 1999 and $162.3

million for the year ended December 31, 1998.

Cost of sales. Cost of sales increased $133.6 million, or 12.6%, from $1,060.0 million in 1998 to $1,193.6 million in 1999, primarily as a result of increased sales volume and the inclusion of cost of foundry sales as a component of cost of sales after our recapitalization. These increases were partially offset by cost reductions from our recent restructuring program commenced in 1998. The restructuring program included the implementation of ongoing cost-saving initiatives to rationalize our product portfolio, close plants and relocate or outsource related operations to take advantage of lower-cost labor markets and make our manufacturing processes more efficient. In connection with the restructuring program, we have closed wafer fabrication and assembly and test facilities located in the Philippines and Arizona and have outsourced or moved related operations to other facilities in Malaysia, Mexico, the Czech Republic and Japan. We expect these cost reductions will continue to have a positive impact on our gross margin as a percentage of net product revenues. See "—Overview—Recent Restructuring."

Gross profit. Gross profit increased 15.0% from $435.3 million in 1998 to $500.5 million in 1999. As a percentage of net product revenues, gross margin was 29.1% in 1998, compared to 30.8% in 1999. The improvement in gross profit resulted mainly from reductions in costs from our restructuring program, which were offset, in part, by lower average selling prices.

Operating expenses

Research and development. Research and development costs decreased $16.9 million, or 25.0% from $67.5 million in 1998 to $50.6 million in 1999, primarily as a result of the discontinuation of related expense allocations from Motorola following our recapitalization. As a percentage of net product revenues, these costs decreased from 4.5% in 1998 to 3.1% in 1999. Research and development costs that we incurred directly increased from $34.4 million in 1998 to $37.3 million in 1999, while research and development costs allocated from Motorola decreased from $33.1 million to $13.3 million for the same periods. We expect our research and development costs to increase as we concentrate on developing products for our high-growth markets.

Selling and marketing. Selling and marketing expenses decreased by 31.2% from $92.4 million in 1998 to $63.6 million in 1999. As a percentage of net product revenues, these costs decreased from 6.2% in 1998 to 3.9% in 1999. The decrease in selling and marketing expenses was attributable to workforce reductions associated with our restructuring program. We anticipate that our selling and marketing expenses will increase

as we develop an applications organization within our marketing group to focus on identifying system needs and designing improved products for our high-growth markets.

General and administrative. General and administrative expenses decreased by 19.0% from $205.7 million in 1998 to $166.7 million in 1999, as a result of worldwide personnel reductions associated with our restructuring program and as a result of our recapitalization and the discontinuation of related expense allocations from Motorola. As a percentage of net product revenues, these costs decreased from 13.8% in 1998 to 10.3% in 1999. General and administrative expenses allocated from Motorola decreased from $115.2 million in 1998 to $50.0 million in 1999.

Restructuring charges. In June 1998, Motorola recorded a charge to cover one-time costs related to a restructuring program, including costs related to the consolidation of manufacturing operations, the exit of non-strategic or poorly performing businesses by discontinuance of selected product lines and the rationalization of our product portfolio, and a reduction in the number of our employees. Asset impairment and other charges were also recorded for the write-down of assets

that had become impaired as a result of business conditions or business portfolio decisions. Motorola allocated $189.8 million of this charge to us, of which $53.9 million represented asset impairments charged directly against machinery and equipment. The remaining charges consisted of $13.2 million for the consolidation of manufacturing operations, $20.7 million for business exits and $102.0 million for employment reductions. Through December 31, 1998, the we had spent $67.9 million in connection with this restructuring program, including $58.5 million for employee separation costs and $9.4 million for business exits, leaving a reserve of $68.0 million as of that date.

A summary of activity in our restructuring reserves during 1999 is as follows:

	Pre-Recapitalization			Post-Recapitalization	
	Years Ended December 31,		January 1 through August 3,	August 4 through December 31,	Year Ended December 31,
	1997	1998	1999	1999	1999
	(as a percentage of net product revenues)				
Revenues:					
Net product revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Foundry revenues	—	—	—	9.6	4.3
Total revenues	100.0	100.0	100.0	109.6	104.3
Cost of sales	61.3	70.9	69.3	78.7	73.5
Gross profit	38.7	29.1	30.7	30.9	30.8
Operating expenses:					
Research and development	3.6	4.5	3.8	2.2	3.1
Selling and marketing	6.1	6.2	4.4	3.4	3.9
General and administrative	13.4	13.8	10.0	10.6	10.3
Restructuring charges	—	12.7	—	.5	.2
Total operating expenses	23.1	37.2	18.2	16.7	17.5
Operating income (loss)	15.6	(8.1)	12.5	14.2	13.3
Other income (expenses):					
Interest expense	(.6)	(1.3)	(1.0)	(7.7)	(4.0)
Equity in earnings of joint ventures	.0	.4	(.3)	.2	.2
Total other income (expenses)	(.6)	(.9)	(.7)	(7.5)	(3.8)
Income before income taxes and minority interests	15.0	(9.0)	11.8	6.7	9.5
Minority interests	(.1)	(.1)	(.1)	(.2)	(.1)
Revenues less direct and allocated expenses before taxes	14.9%	(9.1)%	11.7%	6.5%	9.4%

At the time of the recapitalization, it was determined that the remaining 900 employees whose positions were to have been eliminated in connection with the restructuring described above would only be entitled to termination benefits if they remained employees of and were terminated by Motorola. Accordingly, Motorola agreed to retain the employees as well as the remaining employee separation reserve of $28.8 million as of August 3, 1999. Motorola has advised us that the remaining employees were released over the balance of 1999 and that the related costs were charged against the employee separation reserve.

During the fourth quarter of 1999, we completed a detailed evaluation of the costs to be incurred to complete the remaining actions under our restructuring and have, as a result, reduced $7.4 million of our restructuring reserve to income as a credit to restructuring charges in our consolidated statement of operations and comprehensive income.

In December 1999, we recorded a restructuring charge of $11.1 million, including $3.5 million to cover separation costs relating to approximately 150 employees at a manufacturing facility in Mesa, Arizona that was closed in December 1999, as well as a charge of $7.6 million to cover equipment write-downs at that facility and other non-cash business exit costs that were charged directly against the related assets.

Operating income (loss). We generated an operating loss of $120.1 million in 1998 compared to operating income of $215.9 million in 1999. This improvement is attributable to the restructuring charge in 1998 as well as subsequent cost reductions resulting from the restructuring and an increase in net product sales. As described above, cost reductions from the restructuring related to the consolidation of manufacturing operations, the relocation or outsourcing of related operations to take advantage of lower-cost labor markets, the exit of non-

strategic or poorly performing businesses by discontinuance of select product lines and the rationalization of our product portfolio, and a reduction in the number of employees. Excluding the restructuring charge, we generated operating income of $69.7 million, or 4.7% of net product revenues during 1998.

Interest expense. Interest expense increased $45.2 million, or 228%, from $19.8 million in 1998 to $65.0 million in 1999, due to borrowings under our senior bank facilities and the issuance of our senior subordinated notes and our junior subordinated note in order to finance our recapitalization.

Equity in earnings of joint ventures. Equity in earnings from joint ventures decreased $1.9 million, or 33.3%, from $5.7 million in 1998 to $3.8 million in 1999, due primarily to reduced earnings in the Leshan, China joint venture associated with higher financing costs.

Minority interests. Minority interests represent the portion of net income of two Czech joint ventures attributable to the minority owners of each joint venture. As previously described, we consolidate these joint ventures in our financial statements. Minority interests were $2.0 million in 1999, compared to $2.1 million in 1998.

Revenues less direct and allocated expenses before taxes. Revenues less direct and allocated expenses before taxes increased $289.0 million, from a deficit of $136.3 million in 1998 to income of $152.7 million in 1999, due primarily to the restructuring charge in 1998, an increase in net product revenues and the cost reductions associated with the restructuring, partially offset by average sales price declines.

Provision for income taxes. Provision for income taxes was $18.1 million in 1999. No provision for taxes was made for periods prior to our recapitalization.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Net product revenues. Net product revenues decreased $320.0 million, or 17.6%, from $1,815.3 million in 1997 to $1,495.3 million in 1998. Our net revenues decreased in all major product categories. The decline in net product revenues, which was greater than the decline in overall revenues in our total addressable market of 11% over the same time period, was attributable to a worldwide recessionary period in the semiconductor industry resulting from the Asian economic crisis, excess manufacturing capacity and excess inventory levels. The average selling price for our products declined 12.3%, while total unit volume declined only 5.9%.

Net revenues for discrete, standard analog and standard logic products, which accounted for 58%, 19% and 23%, respectively, of net product revenues in 1998, decreased 16.5%, 7.3% and 27.1%, respectively, compared to 1997, primarily as a result of industry-wide declines in average selling prices. The decrease in net revenues of standard logic products was exacerbated by our discontinuation of a standard logic product line and reduced emphasis on older standard logic product families.

Approximately 46%, 30% and 24% of our net product revenues in 1998 were derived from sales to end users in the Americas, the Asia/ Pacific region and Europe (including the Middle East), respectively, compared to 46%, 33% and 21%, respectively, in 1997.

Cost of sales. Cost of sales decreased $52.3 million, or 4.7%, from $1,112.3 million in 1997 to $1,060 million in

1998, primarily as a result of decreased sales volume.

Gross profit. Gross profit decreased 38.1% from $703.0 million in 1997 to $435.3 million in 1998. As a percentage of net product revenues, gross margin was 38.7% in 1997 compared to 29.1% in 1998. The decrease in gross margin as a percentage of net product revenues resulted primarily from a lower average sales price as well as the underutilization of production capacity, causing fixed production costs to be spread over fewer units of production. These negative impacts on gross profit were offset, in part, by reductions in costs resulting from the restructuring program initiated in June 1998.

Operating expenses

Research and development. Research and development costs increased $1.8 million, or 2.7%, from $65.7 million in 1997 to $67.5 million in 1998. As a percentage of net product revenues, these costs increased

Table of Contents

from 3.6% in 1997 to 4.5% in 1998. Research and development costs historically consisted of allocations from Motorola and other divisions of its Semiconductor Products Sector as well as research and development costs incurred directly by us. Research and development expenses allocated to us by Motorola and other divisions of its Semiconductor Products Sector decreased by $1.5 million from $34.6 million in 1997 to $33.1 million in 1998. Research and development cost increased by $3.3 million from $31.1 million in 1997 to $34.4 million in 1998. This increase reflects our continued commitment to focus on new product development.

Selling and marketing. Selling and marketing expenses decreased by 16.5% from $110.7 million in 1997 to $92.4 million in 1998. The reduction in selling and marketing expenses is attributable to the restructuring program. As a percentage of net product revenues, these costs remained relatively consistent at just over 6% in 1997 and 1998 due to the decline in total revenues and the restructuring in 1998.

General and administrative. General and administrative expenses decreased by 15.4% from $243.1 million in 1997 to $205.7 million in 1998. As a percentage of net product revenues, these costs remained relatively consistent at just over 13% in 1997 and 1998 due to the decline in net product revenues in 1998. In addition to general and administrative expenses incurred directly by us, general and administrative costs consist of an allocation of Motorola’s corporate and sector costs. General and administrative expenses allocated to us by Motorola decreased by $1.8 million, or 1.5%, to $115.2 million for 1998. General and administrative expenses incurred directly by us decreased by $35.6 million, or 28.2%, to $90.5 million for 1998. The reduction in general and administrative expenses is primarily attributable to worldwide personnel reductions under the restructuring.

Restructuring and other charges. In June 1998, Motorola recorded a charge to cover restructuring costs related to the consolidation of manufacturing operations, the exit of non-strategic or poorly performing businesses and a reduction in worldwide employment by 20,000 employees. Asset impairment and other charges were also recorded for the writedown of assets that had become impaired as a result of business conditions or business portfolio decisions. Motorola allocated $189.8 million of this charge to us, of which $53.9 million represented asset impairments charged directly against machinery and equipment. Under our restructuring program, we expect to reduce our workforce by approximately 3,900 employees by the end of the first quarter of 2000. As of December 31, 1999, we had released approximately 3,500 employees as part of our restructuring program.

As of December 31, 1998, $68.0 million of restructuring accruals remain outstanding. The following table shows, as of December 31, 1998, the balances of the accruals established

during the second quarter of 1998:

	Balance as of December 31, 1998	Amounts Used	Amounts Retained by Motorola	Reserve Release	Provision	Balance as of December 31, 1999
			(dollars in millions)			
Consolidation of manufacturing operations	$13.2	$ (4.6)	$ –	$(2.6)	$ –	$6.0
Business exits	11.3	(6.5)	–	(4.8)	–	–
Employee separations	43.5	(14.7)	(28.8)	–	3.5	3.5
Total restructuring	$68.0	$(25.8)	$(28.8)	$(7.4)	$3.5	$9.5

Our remaining accrual at December 31, 1998 of $13.2 million for the consolidation of manufacturing operations represents the finalization of plant closings in Arizona and the Philippines. Within the business exits category, the remaining accrual of $11.3 million at December 31, 1998 relates to costs of exiting two unprofitable product lines. Our remaining accrual of $43.5 million at December 31, 1998 for employee separations relates to the completion of severance payments in Japan, Asia, the United Kingdom and Arizona.

Our total amount used of $121.8 million through December 31, 1998 reflects approximately $63.6 million in cash payments and $58.2 million in write-offs. The remaining $68.0 million accrual balance at December 31, 1998 is expected to be liquidated via cash payments.

Table of Contents

Motorola recorded its restructuring charge in the following categories:

Consolidation of manufacturing operations. Consolidation of manufacturing operations relates to the closing of production and distribution facilities and selling or disposing of the machinery and equipment that was no longer needed and, in some cases, scrapping excess assets that had no net realizable value. The buildings associated with these production facilities, in many cases, were sold to outside parties. Also included in this restructuring category were costs related to shutting down or reducing the capacity of production lines. In most cases, older facilities with older technologies or non-strategic products were closed. Machinery and equipment write downs related to equipment that would no longer be utilized comprised the majority of these costs. These assets have been deemed to be held for use until such time as they are removed from service and, therefore, no longer utilized in manufacturing products. An assessment was made as to whether or not there was an asset impairment related to the valuation of these assets in determining what the amount of the write down included in the restructuring charge should be for this machinery and equipment. This assessment utilized the anticipated future undiscounted cash flows generated by the equipment as well as its ultimate value upon disposition.

The charges in this restructuring category do not include any costs related to the abandonment or sub-lease of facilities, moving expenses, inventory disposals or write downs, or litigation or environmental obligations.

As part of the consolidation of manufacturing operations, Semiconductor Products Sector facilities in North Carolina, California, Arizona and the Philippines are being closed as planned. The Semiconductor Products Sector is consolidating its production facilities into fewer integrated factories to achieve economies of scale and improved efficiencies and to capitalize on new technologies that should reduce operating costs.

Business exits. Business exit costs include costs associated with shutting down businesses that did not fit with Motorola’s new strategy. In many cases, these businesses used older technologies that produced non-strategic products. The long-term growth and margins associated with these businesses were not in line with Motorola’s expectations given the level of investment and returns. Included in these business exit

costs were the costs of terminating technology agreements and selling or liquidating interests in joint ventures that did not fit with the new strategy of Motorola. Exit costs allocated to us related to the discontinuance of selected product lines and the rationalization of our product portfolio. Similar to consolidation of manufacturing operations, the charges in this restructuring category did not include any costs related to the abandonment or sublease of facilities, moving expenses, inventory disposals or write downs, or litigation or environmental obligations.

Employee separations. Employee separation costs represent the costs of involuntary severance benefits for the 20,000 positions identified as subject to severance under the restructuring plan and special voluntary termination benefits offered beginning in the third quarter of 1998. The special voluntary termination benefits provided for one week of pay for each year of service between years 1 through 10, two weeks of pay for each year of service between years 11 through 19, and three weeks of pay for each year of service for year 20 and greater. The majority of employees who accepted special voluntary termination benefits did so by the end of the year, although severance payments were not completed by that time. The majority of the special voluntary termination benefits expired at the end of the fourth quarter of 1998.

As of December 31, 1998, approximately 13,800 employees have separated from Motorola through a combination of voluntary and involuntary severance programs. Of the 13,800 separated employees, approximately 8,200 were direct employees and 5,600 were indirect employees. Direct employees are primarily non-supervisory production employees, and indirect employees are primarily non-production employees and production managers.

Asset impairments and other charges. As a result of current and projected business conditions, Motorola wrote down operating assets that became impaired. The majority of the assets written down were used manufacturing equipment and machinery.

The amount of impairment charge for the assets written down was based upon an estimate of the future cash flows expected from the use of the assets, as well as upon their eventual disposition. These undiscounted cash flows were then compared to the net book value of the equipment, and impairment was determined based on that

comparison. Cash flows were determined at the facility level for production facilities based upon anticipated sales value of the products to be produced and the costs of producing the products at those facilities. In cases in which sufficient cash flows were not going to be generated by the equipment at those facilities, the assets were written down to their estimated fair value. These estimated fair values were based upon what the assets could be sold for in a transaction with an unrelated third party. Since the majority of these assets were machinery and equipment, Motorola was able to utilize current market prices for comparable equipment in the marketplace in assessing what would be the fair value upon sale of the equipment.

Building writedowns were based on marketability factors of the building in the particular location.

Assets held for use continue to be depreciated based on an evaluation of their remaining useful lives and their ultimate values upon disposition. There were no assets held for sale at December 31, 1998 nor were any impaired assets disposed of prior to that date.

Operating income. Operating income was $283.5 million, or 15.6% of net sales, in 1997 compared to an operating loss of $120.1 million, or 8.1% of net sales, in 1998. Excluding the restructuring charge, we would have had operating income of $69.7 million, or 4.7% of net sales, in 1998. This decrease is

primarily attributable to the deterioration in gross margins.

Interest expense. Interest expense increased from $11.7 million in 1997 to $19.8 million in 1998. These amounts were allocated by Motorola to its Semiconductor Products Sector and in turn to us.

Equity in earnings of joint ventures. Equity in earnings from joint ventures improved from a loss of $.3 million in 1997 to income of $5.7 million in 1998. During 1998, we recognized a greater benefit from our 1997 investments in the Leshan joint venture, as its manufacturing facility continued to increase to full capacity in 1998. This investment was part of our global semiconductor expansion strategy to relocate manufacturing facilities out of the United States into markets with lower cost facilities.

Minority interests. Minority interests were $2.1 million in 1998, compared to $1.5 million in 1997, due to increased net income from our joint ventures in the Czech Republic.

Revenues less direct and allocated expenses before taxes. Revenues less direct and allocated expenses before taxes produced a loss of $136.3 million in 1998, as compared to $270.0 million in 1997, due to the restructuring charge in 1998 and decreased sales volumes.

Table of Contents

Historical Quarterly Results of Operations — 1998 and 1999

The following table sets forth certain unaudited historical quarterly operating data from January 1, 1998 through December 31, 1999:

	Initial Charges	Amounts Used	Accruals at December 31, 1998
		(dollars in millions)	
Consolidation of manufacturing operations	$ 13.2	$ —	$13.2
Business exits	20.7	(9.4)	11.3
Employee separations	102.0	(58.5)	43.5
Total restructuring	135.9	(67.9)	68.0
Asset impairments and other charges	53.9	(53.9)	—
Total	$189.8	$(121.8)	$68.0

[Additional columns below]

[Continued from above table, first column(s) repeated]

	For the Three Months Ended						July 4, 1999 through August 3, 1999
	March 28, 1998	June 28, 1998	September 28, 1998	December 31, 1998	April 3, 1999	July 3, 1999	
			(dollars in millions) (unaudited)				
Revenues:							
Net product revenues	$414.7	$ 373.8	$346.3	$360.5	$373.3	$401.2	$120.9
Foundry revenues	—	—	—	—	—	—	—
Total revenues	414.7	373.8	346.3	360.5	373.3	401.2	120.9
Cost of sales	272.1	273.9	257.8	256.2	268.2	274.4	77.7
Gross profit	142.6	99.9	88.5	104.3	105.1	126.8	43.2
Research and development	19.7	16.7	16.7	14.4	14.0	15.4	4.9
Selling and marketing	25.0	23.3	22.5	21.6	17.9	16.0	5.1
General and administrative	58.9	52.4	49.1	45.3	36.8	40.1	12.5
Restructuring charges	—	189.8	—	—	—	—	—
Total operating expenses	103.6	282.2	88.3	81.3	68.7	71.5	22.5
Operating income (loss)	$ 39.0	$(182.3)	$ .2	$ 23.0	$ 36.4	$ 55.3	$ 20.7

In early 1998, we experienced strong sales and gross profit growth resulting principally from inventory buildups by our distribution customers due to a positive industry outlook. However, as a result of the Asian economic crisis, reduced average selling prices resulting from excess semiconductor manufacturing capacity and adjustments resulting from excess inventory, sales in the second and third quarters of 1998 were lower than expected. Since the fourth quarter of 1998, the industry has demonstrated continued improvement driven by the recovery of most Asian economies, better inventory balances and increasing demand for electronic devices. This positive trend is demonstrated in our sequential quarterly growth in sales and gross profit from the fourth quarter of 1998 through the fourth quarter of 1999. Gross margin from our products (gross profit expressed as a percentage of net product revenues) for the three months ended December 31, 1999 was 31.2%. The decrease in gross margin during the period from August 4, 1999 through October 2, 1999 resulted from inefficiencies during August 1999 as we separated from Motorola and became a stand-alone entity.

Historically, our revenues have been affected by the seasonal trends of the semiconductor and related industries. As a result of these trends, we typically experience lower revenues in the first fiscal quarter, primarily due to customer demand adjustments as a result of holiday seasons around the world. Revenues usually have a seasonal peak in the third quarter. In 1998, we did not experience the typical seasonal peak in the third quarter primarily as a result of the Asian economic crisis. In 1999, our fourth quarter net product revenues were slightly higher than our third quarter net product revenues because of the continuing recovery in the semiconductor market.

Liquidity and Capital Resources

Prior to our recapitalization, Motorola performed cash management on a centralized basis, and its Semiconductor Products Sector processed receivables and payables, payroll and other activities for the Semiconductor Components Group. Most of these systems were not designed to track receivables, liabilities, cash receipts and payments on a division-specific basis. Accordingly, it is not practical to determine assets and liabilities associated with the Semiconductor Components Group prior to our recapitalization. From our August 4, 1999 recapitalization through December 31, 1999, cash flow provided by operating activities was $40.7 million. Net cash provided by financing activities during this period was $181.9 million, resulting

primarily from the issuance of common and preferred stock to an affiliate of Texas Pacific Group and the borrowings incurred in conjunction with our recapitalization, less amounts paid to Motorola as part of our recapitalization.

Capital expenditures were $119.4 million in 1999 ($103.6 million, net of transfers prior to our re-capitalization). Capital expenditures in 2000 are budgeted at $150 million and will be used primarily to improve our assembly and test facilities in low-cost regions and for new information technology systems. Prior to our recapitalization, we were able to limit capital expenditures related to capacity expansions by buying depreciated assets from other divisions of Motorola at their book value. Under our transition agreements with Motorola entered into as part of our recapitalization, we will be able to buy certain depreciated assets from Motorola at discounted prices through the end of 2003.

As of December 31, 1999, we had $800.5 million of indebtedness outstanding under our senior bank facilities (including $60.0 million borrowed under our delayed-draw facility after our recapitalization but excluding unused commitments) and a stockholders' deficit of $247.7 million. As of December 31, 1999, $136.4 million of our $150 million revolving facility was available, reflecting outstanding letters of credit of $13.6 million. Our ability to borrow additional amounts under our delayed-draw facility expired on February 4, 2000. In addition, the credit agreement relating to our senior bank facilities, the indenture relating to our

senior subordinated notes and the terms of our junior subordinated note allow us to incur further additional indebtedness. We are required to begin making principal payments on our senior bank facilities in 2001. Our ability to make payments on and to refinance our indebtedness, including our senior bank facilities, senior subordinated notes and junior subordinated note, and to fund working capital, capital expenditures, research and development efforts and strategic acquisitions will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Further, the credit agreement relating to our senior bank facilities, the indenture relating to our senior subordinated notes and the terms of our junior subordinated note currently do, and other debt instruments we enter into in the future may, impose various restrictions and covenants on us that could limit our ability to respond to market conditions, to provide for unanticipated capital investments or to take advantage of business opportunities.

Our primary future cash needs, both in the short term and in the long term, will continue to be for capital expenditures, debt service, working capital and potential business acquisitions. We believe that currently anticipated costs savings, revenue growth and operating improvements will be sufficient to enable us to service our indebtedness and to fund our other liquidity needs (other than potential business acquisitions) for the next 12 months. As part of our business strategy, we continuously review acquisition opportunities and proposals. We financed our acquisition of Cherry Semiconductor with cash on hand, borrowings of $20 million under our revolving credit facility and borrowings under a new $200 million facility that was added to our senior secured bank facilities. See “Description of Indebtedness.” We expect to finance any other future acquisitions with borrowings under our revolving credit agreement and additional equity and debt financing, to the extent available on attractive terms.

Market Risk

Although a substantial portion of our transactions are denominated in U.S. dollars, we are exposed to foreign currency exchange rate risk due to our operations outside of the U.S. Our strategy is to utilize forward currency exchange contracts to hedge these foreign currency exposures, with the intent of offsetting gains and losses that occur on the underlying exposures with losses and gains on the forward currency exchange contracts. Our exchange rate risk management strategy reduces, but does not eliminate, the short-term impact of foreign currency exchange rate movements. For example, changes in exchange rates may affect the foreign currency sales price of our products and can lead to increases or decreases in sales volume to the extent that the sales price of comparable products of our competitors are less or more than the sales price of our products.

We do not have any exposure to rate changes for our senior subordinated notes or our junior subordinated note. However, we do have interest rate exposure with respect to the $800.5 million outstanding at December 31, 1999 under our senior bank facilities due to their variable pricing. As of December 31, 1999, we

Table of Contents

had one interest rate swap, which became effective in February 2000, to cover the exposure on $200.0 million of the senior bank facilities.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 133, “Accounting for Derivative Instruments and Hedging Activities,” which establishes standards for the accounting and reporting for

derivative instruments, including derivative instruments embedded in other contracts, and hedging activities. This statement generally requires recognition of gains and losses on hedging instruments based on changes in fair value. We are currently evaluating the impact of SFAS No. 133 but do not expect it to be material. As issued, SFAS No. 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of FASB Statement No. 133 — An Amendment of FASB Statement No. 133," which deferred the effective date of SFAS No. 133 until June 15, 2000.

Table of Contents

INDUSTRY

Overview

Semiconductors are basic building blocks used to create an increasing variety of electronic products and systems. Since the invention of the transistor in 1948, continuous improvements in semiconductor process and design technologies have led to smaller, more complex and more reliable devices at a lower cost per function. The availability of low-cost semiconductors together with increased customer demand for sophisticated electronic systems has led to the proliferation of semiconductor devices in diverse end products, an increase in the number of semiconductor devices in individual electronic systems and an increase in semiconductor value as a percentage of the total cost of electronic systems.

The semiconductor industry is comprised of three broad product segments: (1) logic devices (approximately 51% of total industry sales in 1999), which process data and range from complex integrated circuits such as microprocessors and digital signal processors to standard logic products; (2) memory devices (approximately 22% of total industry sales in 1999), which store data; and (3) analog and discrete devices (approximately 27% of total industry sales in 1999), which process electronic signals and control electrical power. Within these categories, semiconductors are classified as either standard components or application-specific components. Standard semiconductors are used by a large group of systems designers for a broad range of applications, while application-specific semiconductors are designed to perform specific functions in specific applications.

The manufacturing of a semiconductor device is a complex process that requires two primary stages: wafer fabrication and assembly and test. The wafer fabrication, or "front-end" process, is the more technologically demanding process in which the circuit patterns of the semiconductor are photolithographically etched on to raw silicon wafers. In the assembly and test, or "back-end" process, these wafers are cut into individual "die," which are then bonded to a substrate, have connectors attached to them and are encapsulated in a package. In the final step, the finished products are tested to ensure they meet their operating specifications. Historically, because the back-end process is less technology intensive (requiring, for example, less stringent clean room standards) these operations were often located in lower-cost facilities in emerging market countries while the front-end process remained near the manufacturer's primary facilities. As these countries' technology industries have matured, the front-end processes have been increasingly relocated in emerging markets.

Historically the growth and profitability of semiconductor companies have tended to fluctuate based on changes in production capacity, demand for end products that use semiconductors and the sector in which these companies compete, with the memory sector being more volatile and the component sector being less volatile. We believe that continuing developments within the electronics industry will help moderate cyclical fluctuations in the semiconductor component business. These developments include the design and development of new, more sophisticated products requiring semiconductor components, better inventory control through just-in-time inventory methodologies and consolidation

within the semiconductor components industry. We also believe that these industry dynamics favor semiconductor companies such as ON Semiconductor™ which are able to provide a broad range of high-quality semiconductor products to manufacturers, enabling these manufacturers to reduce their component costs and streamline their procurement and production processes.

Worldwide semiconductor market revenues were $149.4 billion in 1999, including revenues in our total addressable market of approximately $19.5 billion. Since 1993, total industry revenues have grown at a compound annual growth rate of 11.6% and revenues in our total addressable market have grown at a compound annual growth rate of 8.7%. The industry is cyclical, however, and from 1996 to 1998 industry revenues and revenues in our total addressable market declined from $144.4 billion to $125.6 billion and from $19.7 billion to $16.9 billion, respectively. This was the first three-year downturn in industry history and was driven primarily by reduced average selling prices resulting primarily from excess semiconductor manufacturing capacity and the Asian economic crisis.

Table of Contents

The following table, which shows revenues in the industry and for our total addressable market over the most recent eight calendar quarters, demonstrates the recent rebound in the market:

Quarterly Worldwide Semiconductor Sales

	August 4, 1999 through October 2, 1999	October 3, 1999 through December 31, 1999
	(dollars in millions) (unaudited)	
Revenues:		
Net product revenues	$301.0	$427.8
Foundry revenues	28.0	41.9
Total revenues	329.0	469.7
Cost of sales	240.8	332.5
Gross profit	88.2	137.2
Research and development	6.9	9.4
Selling and marketing	9.5	15.1
General and administrative	32.2	45.1
Restructuring charges	–	3.7
Total operating expenses	48.6	73.3
Operating income (loss)	$ 39.6	$ 63.9

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Three Months Ended					
	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998	March 31, 1999	June 30, 1999
	(dollars in billions)					
Industry	$31.3	$29.6	$30.7	$33.9	$33.5	$33.7
Change from previous three months	(9.3)%	(5.7)%	3.7%	10.4%	(1.2)%	.6%
Total addressable market	$ 4.5	$ 4.2	$ 4.0	$ 4.2	$ 4.3	$ 4.6
Change from previous three months	(7.3)%	(6.7)%	(4.8)%	5.0%	2.4%	7.0%

Our Market

We provide discrete, standard analog and standard logic semiconductors that provide power control, power protection and interfacing functions. Our devices are used in a wide range of networking and computing, wireless communications, consumer electronics, automotive electronics and industrial products. Semiconductor components are often initially designed for a specific application or function and subsequently become standardized components with broad uses. The proliferation of end-market applications for semiconductor components has made them the semiconductor unit volume leader, accounting for approximately 78% of total semiconductor unit volume. According to Dataquest and other industry research firms, a cellular phone contains between 10 and 70 semiconductor component products, a

computer hard drive contains approximately 14 semiconductor component products, an automobile's control unit contains approximately 45 semiconductor component products and a computer printer contains approximately 30 semiconductor component products.

Growing demand for portability and high-speed access to the Internet has driven the rapid development, by telecommunications, network infrastructure and computing companies, of technology that enables more immediate access to more information and entertainment in an increasingly networked society. In addition, a broad range of increasingly sophisticated wireless, digital consumer and automotive products are all controlled by high performance electronic systems. Our discrete, standard analog and standard logic devices provide the critical power control, power protection and interface functions needed to support these electronic systems. The size and performance characteristics of semiconductor components are becoming increasingly important as product designers concentrate on reducing the size, increasing the battery life and improving the performance of their products. In addition, we believe that package miniaturization of components has reduced system manufacturers' incentive to integrate components on to processors and other custom chips rather than buying our components.

Power Control and Protection Functions. Power control and protection are essential to virtually all electronic systems. Our semiconductor components are used in a wide variety of devices including cellular phones and other wireless products, routers, computers, digital consumer products and automobiles for a broad range of power management functions. Before sensitive electronic systems and semiconductors can use the "raw" electricity provided by external power sources, this electricity must be efficiently converted to a usable and regulated input. By the same token, these electronic systems must be able to control higher power outputs, such as when an automotive control box instructs a spark plug to fire or a starter engine to engage. Within an electronic system, the characteristics of this output must be further modified and regulated to meet the requirements of the different components within the system, and sensitive components must be protected from the output of other higher power components. Intelligent power control is also critical to meet consumer demands for long battery lives on increasingly complex and power hungry portable electronic devices. Within many of these devices, minimization of component size is also a critical concern as consumers demand

increasing levels of portability and compactness. Efficient power control and protection is achieved through the use of discrete and standard analog products such as those provided by ON Semiconductor™.

Interface Functions. In order for components within an electronic system to interact with each other and with the outside world, non-electronic inputs must be converted to and from an electronic format and electronic signals generated by individual integrated circuits within a system must be interconnected and routed to other integrated circuits. Our semiconductor components are used in routers, switches, computers and other sophisticated consumer devices to provide high performance interface functions. Although complex integrated circuits, such as microprocessors, ultimately consist of sophisticated architectures of thousands or millions of interfacing functions, these complex integrated circuits still rely on single-purpose components for a number of functions. First, although many of these discrete products provide simple logic functions of the type that could be integrated into a single chip, in many cases it is more cost-effective to continue to use discrete products combined with standard processors or memory devices rather than designing a custom chip. Second, even when application-specific or other new integrated circuits are designed, the complexity of the design process and demanding time-to-market pressures mean these designs are rarely perfect, and discrete devices continue to be used to fix these imperfections. Finally, there are a number of applications, such as high-speed networking and communications devices, that require high power/high performance discrete interface functions that cannot be integrated into a single chip without adversely affecting performance. Interface functions are provided by standard logic products, including our emitter-coupled logic

products, and by standard analog products.

Discrete, Standard Analog and Standard Logic Products. Although our products provide power control, protection and interface functions, industry classifications are typically based on the product family on which specific semiconductors are based. Our market includes discrete, standard analog and standard logic semiconductors. The following table sets forth total industry revenues for the product families in which we participate:

Worldwide Semiconductor Sales in Our Total Addressable Market(1)

	Three Months Ended	
	September 30, 1999	December 31, 1999
	(dollars in billions)	
Industry	$38.1	$44.1
Change from previous three months	13.1%	15.7%
Total addressable market	$ 5.0	$ 5.6
Change from previous three months	9.7%	11.9%

	Historical								Projected			
	1993	1994	1995	1996	1997	1998	1999	CAGR(2)	2000	2001	2002	CAGR(3)
	(dollars in billions)											
Discrete(4)	$ 7.9	$ 9.5	$12.8	$11.9	$12.0	$10.8	$12.2	7.5%	$13.2	$14.3	$15.2	7.3%
Standard Analog(5)	2.1	2.6	3.5	3.2	3.7	3.6	4.5	13.5	5.0	5.7	6.4	13.1
Standard Logic(6)	1.8	3.1	3.5	3.0	3.2	2.5	2.8	7.6	2.9	3.3	3.5	9.9
Total	$11.8	$15.2	$19.8	$18.1	$18.9	$16.9	$19.5	8.7%	$21.1	$23.3	$25.1	9.1%

Information Regarding Our Market Industry Data

In this prospectus, we rely on and refer to information regarding the semiconductor market and our competitors that has been prepared by industry research firms, including Semiconductor Industry Association, World Semiconductor Trade Statistics, the Gartner Group's Dataquest division and Insight-Onsite Research, or compiled from market research reports, analyst reports and other publicly available information. All industry and total addressable market data that are not cited as being from a specified source are from World

Table of Contents

Semiconductor Trade Statistics. This information is generally available, and we have neither sought nor received specific permission from any firm to cite industry information in this prospectus.

All of our market share information presented in this prospectus refers to our total product sales revenues in our total addressable market, which comprises the following specific World Semiconductor Trade Statistics product categories: (1) discrete products (all discrete semiconductors other than sensors, RF and microwave power transistors and optoelectronics); (2) standard analog products (amplifiers, voltage regulators, references and comparators only); and (3) standard logic products (general purpose logic and MOS general purpose logic only). We believe that this information is reliable but have not independently verified it.

Table of Contents

BUSINESS

We are one of the largest independent suppliers of semiconductor components in the world. In 1999, our total sales volume was 19 billion units and we had net product revenues of $1.6 billion. Our products are commonly referred to as semiconductor components and are the core building blocks that provide the power control, power protection and interfacing necessary for almost all electronic systems. The principal end-user markets for our products are networking and computing, wireless communications, consumer electronics, automotive electronics and industrial. Applications for our products in these markets include routers and other networking equipment, cable and other high-speed modems, cellular telephones and other portable electronic devices, digital set-top boxes, DVD players, GPS and other navigation tools and industrial automation and control systems. Our research and development team, which includes approximately 300 people, focuses on the development of new products for use in these and other high-growth applications.

With a portfolio of over 16,000 products, we offer our customers a single source of supply for virtually all their components needs, including the broadest selection of discrete semiconductor products in the industry and an extensive line of standard analog and standard logic products. Our products generally have long market life cycles, averaging 10 to 20 years, with some as long as 30 years. The longevity of these products allows us to use our manufacturing assets for longer periods of time, reducing our capital expenditure requirements relative to semiconductor companies that manufacture complex devices such as microprocessors.

We sell our semiconductors to customers from around the world, including original equipment manufacturers, such as Agilent, Alcatel, Ford, Hewlett-Packard, Lucent, Motorola, Nortel, Nokia and Sony, electronic manufacturing service providers, such as Celestica, SCI and Solectron, and distributors, such as Arrow, Avnet and Veba. Headquartered in Phoenix, Arizona, we employ approximately 13,400 people worldwide, consisting of approximately 10,400 people employed directly and approximately 3,000 people employed through our joint ventures, most of whom are engaged in manufacturing services. We operate manufacturing facilities in Arizona, China, the Czech Republic, Japan, Malaysia, Mexico, the Philippines and Slovakia, directly or through our joint ventures.

As a result of our August 4, 1999 recapitalization, we are an independent company. Prior to giving effect to this offering, an affiliate of Texas Pacific Group owns approximately 91% and Motorola owns approximately 9% of our voting common stock.

On April 3, 2000, we acquired all of the outstanding capital stock of Cherry Semiconductor Corporation for approximately $250 million in cash, which we financed with cash on hand and borrowings of $220 million under our senior secured bank facilities. Cherry Semiconductor, which has one manufacturing facility in Rhode Island and over 900 employees, designs and manufactures analog and mixed signal integrated circuits for the power management and automotive markets, and had revenues for its fiscal year ended February 29, 2000 of approximately $129.1 million. Because Cherry Semiconductor's portfolio of products is complementary to our existing product portfolio, we expect this acquisition to help us better serve customers in key strategic markets and increase our research and development resources. We have established an integration team comprised of both former Cherry employees and our longer-term employees with a mandate to combine the businesses as efficiently and productively as possible. The description of our business in this prospectus does not give effect to the acquisition of Cherry Semiconductor.

Our Strengths

As a pioneer in the industry, we have established strong, long-term relationships with numerous customers that are leaders in their respective markets. Our franchise is built on several specific strengths, including the following:

Leading Market Position. We are one of the largest independent suppliers of semiconductor components in the world. In 1999, our total sales volume was 19 billion units and we had

net product revenues of $1.6 billion. The combination of our broad product portfolio, technological expertise and commitment to the highest level of customer service enables us to attract and maintain long-term customer relationships with leading original equipment manufacturers, electronic manufacturing service providers and distributors. We have maintained long-standing relationships with nearly all of our significant customers, having served 47 of our 50 largest customers for more than ten years.

Table of Contents

Extensive Product Portfolio. Our ability to offer a broad range of products provides our customers single-source purchasing on a cost-effective and timely basis as they seek to reduce the number of suppliers with whom they conduct business. We offer our customers the industry's largest selection of discrete semiconductors and an extensive portfolio of standard analog and standard logic products, which are necessary to complete almost every electronic system design. Our portfolio of products is among the most stable within the semiconductor industry due to its breadth, long product market life cycles and substantial diversity.

Technology Leadership. We use leading edge technologies, such as MOSAIC and BiCMOS, to develop advanced products, such as our emitter-coupled logic components and analog power management products. We have approximately 600 U.S. and foreign patents and pending patent applications. The breadth of our technology resources enables us to develop products for high-growth markets such as networking and computing, wireless communications and consumer electronics, which rely on advanced power management and micropackaging technologies. In 1999, we introduced more than 200 new products. Products introduced from 1997 through 1999 accounted for approximately 13% of our net product revenues in 1999.

Broad and Diverse Customer Base. We sell our products to customers around the world, including original equipment manufacturers, such as Agilent, Alcatel, Ford, Hewlett-Packard, Lucent, Motorola, Nortel Networks, Nokia and Sony, electronic manufacturing service providers, such as Celestica, SCI and Solectron, and distributors, such as Avnet, Arrow and Veba. No single customer accounted for more than 10% of our net product revenues in 1997, 1998 or 1999.

Low-cost Production. We believe that we are among the industry's lowest cost manufacturers. We have located wafer fabrication and assembly and test facilities in low cost regions such as China, the Czech Republic, Malaysia, Mexico, the Philippines and Slovakia. To further reduce production costs we have integrated front-end and back-end operations in the Czech Republic, Malaysia and Mexico and we continue to seek additional manufacturing efficiency at these and other facilities. We expect our recent restructuring to provide annual cost savings of $210 million by the end of 2000, as compared to our cost structure at the beginning of 1998. In addition, we expect to double our production capacity by the end of 2000, as compared to the beginning of 1998, while substantially reducing the number of facilities we operate or on which we rely.

Superior Customer Focus. We are keenly focused on product quality and customer service. We meet our customers' demands for reliable delivery and quick response through our dedicated and experienced sales and marketing organization, comprised of approximately 300 professionals with an average length of service in excess of 10 years. Efficient inventory management, use of just-in-time delivery facilities and Internet-based communications enable us to provide enhanced customer service. We have earned industry recognition for meeting the challenging demands of our diverse customer base, having received a number of supplier awards reflecting our performance in 1999 from customers such as Lucent and Solectron.

Experienced Management Team. We have assembled a strong and experienced management team at both the administrative and the operating levels. Our president and CEO, Steven Hanson, was with Motorola's semiconductor businesses from 1971 until our August 1999 recapitalization. Our management team includes

12 individuals with an average of more than 15 years of service with Motorola and two individuals with a combined total of more than 25 years of service with other semiconductor industry leaders. To align management's incentives with the interests of shareholders, we have granted options to purchase approximately 6.8% (on a fully diluted basis prior to giving effect to this offering) of our common stock to over 420 of our officers and other employees.

Table of Contents

Our Growth Strategy

Our objective is to build on our position as one of the largest independent suppliers of discrete, standard analog and standard logic semiconductor components. As a stand-alone company dedicated to the semiconductor components business, we intend to grow our business by pursuing these key strategies:

Focus on High-Growth Markets. We intend to focus on building our position in markets with high growth potential such as networking and computing, wireless communications and consumer electronics, which accounted for 57% of our net product revenues in 1999, using the following strategies:

(1) According to World Semiconductor Trade Statistics. Due to rounding, some totals are not arithmetically correct sums of their component figures.
(2) Represents the compound annual growth rate from 1993 through 1999.
(3) Represents the projected compound annual growth rate from 2000 through 2002.
(4) Includes the following specific World Semiconductor Trade Statistics product categories: all discrete semiconductors other than sensors, RF and microwave power transistors and optoelectronics.
(5) Includes the following specific World Semiconductor Trade Statistics product categories: amplifiers, voltage regulators, references and comparators only.
(6) Includes the following specific World Semiconductor Trade Statistics product categories: general purpose logic and MOS general purpose logic only.

Deliver Customer Satisfaction. We intend to increase our sales by concentrating on the needs of our customers through the following initiatives:

- Focus on power management and interface functions to achieve increased product revenues from our bipolar discrete, standard analog and emitter-coupled logic products.
- Dedicate field applications engineers to work directly with our customers in identifying system needs and designing improved products that address these needs.
- Aggressively manage our product portfolio in order to address the needs of high-growth markets while continuing to meet our customers' requirements for a broad selection of component products.

Leverage Manufacturing Expertise. We intend to use our manufacturing expertise to increase our manufacturing efficiency, optimize our manufacturing capacity and lower our production costs through the following strategies:

- Focus our dedicated sales force exclusively on our products and customers. Previously, our products were included among the many products sold by the sales force of Motorola's Semiconductor Products Sector.
- Continue to develop and implement innovative methods of serving our customers, such as vendor-managed and just-in-time inventory and our Internet-based customer support system, which allows technical and sales personnel to identify, address and track customer needs in a more responsive and coordinated manner.
- Develop web sites that will serve as interactive design communities allowing our customers' engineers to incorporate our products at early stages in their product design.

Pursue Strategic Acquisitions. We intend to take advantage of our new status as an independent company to pursue strategic acquisitions of complementary technologies and products. Such acquisitions will allow us to benefit from economies of scale in manufacturing, research and development and marketing and to increase our market share in our high-growth potential target markets.

Customers and Applications

We have a broad and diverse customer base that includes original equipment manufacturers, electronic manufacturing service providers and distributors. Our products are ultimately purchased by end users for use in a variety of markets, including networking and computing, wireless communications, consumer electronics, automotive electronics and industrial. As a result, we are less dependent on either specific customers or specific end-use applications than most manufacturers of more specialized and complex integrated circuits.

The following table sets forth our principal end-user markets, the estimated percentage (based in part on information provided by our distributors and electronic manufacturing service providers) of our net product revenues generated from each end-user market during 1999, sample applications for our products and representative original equipment manufacturer customers and end users.

End Markets for Our Products

- Continue to consolidate related front-end and back-end operations to promote inventory, logistics and cycle-time efficiencies and to allow for longer production runs and reduced change-over time.
- Continue to shift our front-end wafer fabrication facilities and back-end assembly and test operations to lower-cost international locations.
- Significantly increase die output in a cost-effective manner by continuing to move production from 4″ to 6″ wafers and increasing the number of die per square inch.
- Reduce the number of new product platforms and process flows, which will allow us to introduce new products in a more cost-effective manner and streamline manufacturing efficiency.

Original Equipment Manufacturers. Direct sales to original equipment manufacturers accounted for approximately 48% of our net product revenues in 1999 and approximately 55% of our net product revenues in 1998. These customers include a variety of companies in the electronics industry, such as Agilent, Alcatel, Cisco, Hewlett-Packard, Lucent, Motorola, Nortel, Philips, Siemens and Sony, and automotive manufacturers, such as DaimlerChrysler, Ford and General Motors. We intend to focus on three types of original equipment manufacturers, multi-nationals, selected regional accounts and target market customers. We expect large multi-nationals and selected regional accounts, which are significant in specific markets, to be our core original equipment manufacturer customers. The target market customers in the communications, power management and broadband markets are original equipment manufacturers that are on the leading edge of specific technologies and provide direction for technology and new product development. We expect overall sales to original equipment manufacturers to continue to decline as a percentage of sales as these customers increasingly purchase component products through distributors or outsource their manufacturing to electronic manufacturing service providers. Distributors and electronic manufacturing service providers are representing a larger share of the market in general, and we expect these customers to represent a larger percentage of our total addressable market in the future. We do not anticipate any significant effect on our overall sales from this shift in our

customer base.

Distributors. Sales to distributors accounted for approximately 44% of our net product revenues in 1999 and approximately 37% of our net product revenues in 1998. Our distributors resell to mid-sized and smaller original equipment manufacturers and to electronic manufacturing service providers and other companies, and we expect larger original equipment manufacturers to become an increasingly important category of distributors' direct customers. Product sales to our three largest distributors, Arrow, Avnet and Veba, accounted in the aggregate for approximately 25% of our net product revenues in 1999. We benefit from our distributors' worldwide presence, logistics capabilities and e-commerce capabilities.

Electronic Manufacturing Service Providers. Direct sales to electronic manufacturing service providers accounted for approximately 8% of our net product revenues in 1999 and approximately 8% of our net product revenues in 1998. Our largest electronic manufacturing service customers are Celestica, Delta Electronics, Nanco Electronics, Solectron and SCI. These customers are manufacturers who typically provide contract manufacturing services for original equipment manufacturers. Originally, these companies were involved primarily in the assembly of printed circuit boards, but they now typically provide design, supply management and manufacturing solutions. Many original equipment manufacturers now outsource a large part of their manufacturing to electronic manufacturing service providers in order to focus on their core competencies. We are pursuing a number of strategies to service this increasingly important marketplace, including the use of the Internet not only for order and payment processing but also to promote more immediate communication among our sales and support staff and these customers.

Products and Technology

We offer our customers the largest selection of discrete semiconductors and an extensive portfolio of standard analog and standard logic products, which are necessary to complete almost any electronic system design (including those for computers, consumer electronics, communications equipment, automotive systems and industrial automation and control systems). Our portfolio of products is among the most stable within the semiconductor industry as a result of its breadth, our long product market life cycles and the substantial diversity of our customers and end users. We believe that our ability to offer a broad range of products provides our customers single-source purchasing on a cost-effective and timely basis, which has become increasingly important as our customers seek to reduce the number of suppliers with whom they conduct business.

Within each of these product lines, we manufacture recently developed products that possess advanced performance characteristics as well as more mature products. Typical market life cycles for our products are generally as follows: between 20 and 30 years for bipolar discrete products, between five and 15 years for MOS gated discrete products, between 20 and 30 years for standard analog products and between 20 and 25 years for standard logic products, although some high-performance products, such as emitter-coupled logic products, have shorter lifespans. Because of the long market life cycles of our products, we continue to generate significant revenues from mature products. Since it takes new products an average of three to five years to

reach full market acceptance, we continue to invest in new products to generate future revenue growth. In 1999, we introduced more than 200 new products, and products introduced from 1997 through 1999 accounted for approximately 13% of our net product revenues in 1999.

The following table provides information regarding our three primary product lines:

	Networking and Computing	Wireless Communications	Consumer Electronics	Automotive Electronics	Industrial
Approximate percentage of our 1999 net product revenues	33%	13%	11%	18%	25%
Sample applications	• Routers and switches • Fiber optic networking products • Automatic test equipment • Cellular base stations and infrastructure • Computer monitors • Disk drives • Ethernet cards and other network controllers • High speed modems (cable, xDSL and ISDN) • PBX telephone systems • PC Motherboards • Network controllers	• Cellular phones (analog and digital) • Pagers • Wireless modems and wireless local area networks	• DVD players • Cable decoders, set-top boxes and satellite receivers • Home security systems • Photocopiers • Scanners • Small household appliances • Smartcards • TVs, VCRs and other audio- visual equipment	• 4 wheel drive controllers • Airbags • Antilock braking systems • Automatic door locks and windows • Automatic transmissions • Automotive entertainment systems • Engine management and ignition systems • Fuel injection systems • GPS and other navigation systems	• Industrial automation and control systems • Lamp ballasts (power systems for fluorescent lights) • Large household appliances • Electric motor controllers • Power supplies for manufacturing equipment • Surge protectors • Thermostats for industrial and consumer applications
Representative original equipment manufacturer customers and end users	ACER Alcatel Cisco Compaq Ericsson Fujitsu Intel Italtel Lucent Motorola NEC Nortel Palm Siemens Tektronix Teradyne	Alcatel Ericsson Motorola NEC Nokia Philips Samsung	Agilent Hewlett-Packard Philips Seagate Sony Toshiba	BMW Bosch DaimlerChrysler Ford General Motors TRW Valeo	Astec Delta Eaton Emerson Electric Honeywell HR Electronics Magnatek Marconi Timex

Discrete Products. We are a leading supplier in the discrete semiconductor market. We produce almost all discrete semiconductors other than sensors, RF and microwave power transistors and optoelectronics. Discrete semiconductors are individual diodes or transistors that perform basic signal conditioning and switching functions in electronic circuits and are used primarily for power control and power protection. Because of the importance of power control and power protection within electronic circuits, discrete products are found in nearly every electronic product, including computers, cellular phones, mass storage devices, televisions, radios, VCRs, DVD players and pagers. Discrete devices are fabricated using two primary process technologies, bipolar and MOS.

Bipolar Discrete Products. Bipolar discrete products continue to be used for power protection functions because of their ability to limit and control current and/or voltage surges that would damage the more sensitive MOS circuits. We manufacture and sell a wide range of bipolar discrete products which in 1999

accounted for approximately 76.5% of our net product revenues from discrete products. Although these products are relatively mature, we expect sales to increase, in part as a result of packaging miniaturization technologies.

MOS Gated Discrete Products. MOS technologies allow for denser, more efficient and more rugged chips and are the prevalent technologies for most modern power control functions. We produce TMOS gated discrete products. TMOS devices are used to convert, switch, shape or condition electricity. We offer a wide range of TMOS power MOSFETs designed for low and medium voltage applications over a wide range of performance characteristics, power handling capabilities and package options. We do not expect our revenues from these products to grow significantly in the next few years.

Standard Analog Products. We are a leading independent supplier in the standard analog market. Standard analog devices are simple analog semiconductors (as opposed to more complex products, such as mixed-signal devices or customized analog products) that are used for both interface and power control and protection functions in electronic systems, such as cellular phones, handheld devices, personal computers and laptops. We are focusing our product development efforts on the miniaturization of our standard analog products through packaging technologies and on developing new amplifiers and comparators that operate at 3 volts and lower. We also introduced the industry's first one volt operational amplifiers in 1998. We produce standard analog products including amplifiers,

voltage regulators and references and comparators using three primary process technologies, CMOS, bipolar and BiCMOS.

CMOS. CMOS technology allows for a denser chip that consumes less power than bipolar technology, and has therefore become the prevalent technology for low-voltage power, battery and thermal management in portable products such as cellular phones, pagers and laptops. We manufacture a wide variety of analog CMOS products, and are focusing new product development on power converters.

Bipolar. Because of their long life spans, many operational amplifiers and voltage regulators continue to be designed using bipolar processes. These devices are used in a wide variety of electronic products ranging from computers to industrial automation and control systems.

BiCMOS. BiCMOS products are designed for very high-power management applications such as the management of alternating current supplies and switch-mode power supplies that can be used to replace traditional transformers. Applications include portable external drives that plug directly into alternating current outlets and power supply units for fluorescent lights. BiCMOS analog products are also used for the distribution and control of power within battery operated systems. For example, cellular phones use these circuits to switch from standby mode to full power as needed, and battery chargers use these circuits to regulate the amount of charging power delivered to the battery and to protect the battery from overcharging.

Standard Logic Products. We are a leading independent supplier in the standard logic semiconductor market. Standard logic devices are simple logic semiconductors as opposed to more complex products, such as microprocessors or application-specific integrated circuits that are used primarily for interfacing functions, such as interconnecting and routing electronic signals within an electronic system. These products are used in a variety of electronic systems, ranging from personal computer systems and consumer applications to specialized products, such as routers and other telecommunications applications, that require high-speed data movement solutions. We produce general purpose standard logic products using two primary process technologies, CMOS and bipolar.

CMOS. As with standard analog products, CMOS technology allows for a denser chip that consumes less power than bipolar technology, and has therefore become the prevalent technology for low power consumption devices used in personal computer systems and portable consumer applications. CMOS logic, in particular 3 volt products, is a growth area in the standard logic market. We have entered into an alliance with Fairchild and Toshiba to ensure that all new standard logic families have the same specifications to promote product standardization.

Bipolar. Bipolar devices typically operate at high speeds, require more power and are more expensive than CMOS devices. Bipolar logic products remain an important technology for high speed, high power applications, and continue to be used in other applications that do not require CMOS solutions. Emitter-

coupled logic bipolar devices are our high performance logic product. Targeted applications include high-speed data communications and high-speed testers used in the communications, high-end workstation and automatic test equipment markets. Because of these performance requirements, emitter-coupled logic products have shorter life-spans than other components we produce and we continue to develop and introduce new products on a regular basis. For example, this year we introduced the world’s fastest logic family operating at 2.5 volts. According to Insight-Onsite Research, our market share for emitter-coupled logic products in 1998 (the most recent year for which data are available) was approximately 90%. Sales of emitter-coupled logic products accounted for over half of our net revenues from sales of logic products in 1999. While sales of

our other standard logic products declined during 1999, net revenues from sales of emitter-coupled logic products increased 44% in 1999 and we expect emitter-coupled logic products to remain one of our most important product families over the next several years.

Sales, Marketing and Distribution

In 1999, original equipment manufacturers, distributors and electronic manufacturing service providers accounted for 48%, 44% and 8% of our net product revenues, respectively. We operate regional sales and marketing organizations in Europe, headquartered in Aylesbury, the United Kingdom, the Americas, headquartered in Phoenix, Arizona, and the Asia/ Pacific region, headquartered in Hong Kong. Each of these regional sales and marketing organizations is supported by logistics organizations that manage regional warehouses. In addition, we maintain dedicated vendor-managed and just-in-time warehouses for the benefit of our large original equipment manufacturers customers. We are currently in the process of transitioning from an electronic data interchange system of communication to one using Internet-based e-commerce technology.

Our dedicated and experienced sales and marketing organization consists of approximately 300 professionals operating out of 39 offices in 22 countries and serving customers in approximately 37 countries. Our sales and marketing organization is grouped according to sales channel and customer type to provide a high degree of customer contact and to meet the different needs of both regional and international original equipment manufacturers, electronic manufacturing service providers and distributors. The average length of service within our sales and marketing organization is in excess of 10 years.

Motorola has agreed to continue to provide us with worldwide shipping and freight services for a period of up to three years following our August 1999 recapitalization using the cost allocation it used previously, which is based on the percentage of Motorola’s overall sales that our sales represented. Because our products are sold in higher volumes than other Motorola products for comparable sales, this allocation may result in better prices than we could obtain from third parties. However, we believe we will be able to replace these services on comparable terms at the expiration of this agreement because of increased efficiencies resulting from a shipping and freight organization dedicated to our products and ongoing factory consolidations.

Manufacturing

We operate our manufacturing facilities either directly or through joint ventures. Three of these are front-end wafer facilities located in Japan, Slovakia and the United States; four are back-end assembly and test facilities located in China, Malaysia and the Philippines; and three are integrated front-end and back-end facilities located in the Czech Republic, Malaysia and Mexico. See “—Joint Ventures.” In addition to these manufacturing and assembly operations, our Terosil facility in Roznov, the Czech Republic, manufactures raw wafers that are used by a number of our facilities. We also use third-party contract manufacturers other than our joint ventures. Our agreements with these contract manufacturers typically require us to forecast product needs and commit to purchase services consistent with these forecasts, and in some cases require longer-term commitments in the early stages of the relationship. As a result of our recapitalization, Motorola-owned facilities are considered third-party contractors.

Our manufacturing strategy is three-fold. First, we plan to reduce the number of front-end and back-end facilities through plant closures and the relocation or outsourcing of the related operations, including consolidating both steps into nearby low-cost facilities where possible, to promote inventory, logistics and cycle-time efficiencies. We currently operate or rely upon 23 active front-end facilities, including our joint

ventures and contract manufacturers. We plan to consolidate our front-end manufacturing into 14 facilities. Five of these facilities will be our facilities, one will be operated by one of our joint ventures and eight will be operated by third-party contract manufacturers. We currently have 27 active back-end assembly facilities, including joint ventures and contract manufacturers, but plan to consolidate these activities into 15 facilities. Four of these facilities will be our facilities, three will be operated by our joint ventures and eight will be operated by third-party contract manufacturers. We expect these consolidations to be complete by the end of 2000. In connection with our recent restructuring, we closed wafer fabrication and assembly and test facilities in the Philippines and Arizona and have outsourced or moved related operations to other facilities in Malaysia, Mexico, the Czech Republic and Japan.

Second, we plan to increase die output in a cost-effective manner by continuing to move production from 4″ to 6″ wafers and increasing the number of die per square inch, which will allow our factory lines to produce substantially more die. We expect that, by the end of 2000, approximately 50% of our manufacturing will have been converted to 6″ wafers.

Third, in order to reduce research and development costs and streamline manufacturing effectiveness, we are in the process of amending our product development criteria to reduce the number of new product platforms from 17 to 12 and to reduce the number of process flows from 50 to 30. Platforms are major wafer processes used for the manufacturing of a variety of products and process flows are variations on these major processes. Research and development activities include investing in small package technology in direct support of our focus on power management and hand-held consumer systems.

Based on these strategies, we expect to double our production capacity by the end of 2000, as compared to the beginning of 1998. We have reduced our original product portfolio from 25,000 in 1997 to approximately 16,000 products by eliminating products with poor sales performance, allowing us to increase efficiencies in the manufacture of our mainstream products and focus on new product development.

We and Motorola have agreed to continue to provide manufacturing services to each other for limited periods of time following our recapitalization. We and Motorola negotiated fixed prices for the services covered by these agreements to approximate each party’s cost of providing the services. We have minimum commitments to purchase manufacturing services from Motorola of approximately $88 million, $51 million, $41 million and $40 million in fiscal years 2000, 2001, 2002 and 2003, respectively. Based on our current budget, we anticipate that we will actually purchase manufacturing services from Motorola of approximately $150 million in 2000. We currently anticipate that Motorola, which has no purchase obligations after 2000, will purchase manufacturing services from us of approximately $47 million in 2000 and that any purchases thereafter will be insignificant. The purchaser of the services has the right to cancel these arrangements upon six months’ written notice. Prior to the termination of these arrangements at the end of 2003, we expect to relocate the operations provided by Motorola to our own facilities, joint ventures or to third-party manufacturers or, in limited circumstances, to terminate the product line. We are currently dependent on Motorola to manufacture our emitter-coupled logic products. We expect to develop limited manufacturing capacity for these products by the end of 2000, but we are likely to remain dependent on Motorola to a significant extent through 2003.

In July 1998, we achieved certification in a universally accepted quality system known as QS9000. This system, mandated by all U.S. automotive customers as a condition of doing business beginning in 2000, provides structure and discipline to ensure smooth and effective operations. The QS9000 certification process is more stringent than the ISO9000 certification process, and QS9000 certification automatically affords us ISO9000 qualification. Promptly following our recapitalization, we received QS9000 (3d edition standards) certification as a stand-alone entity.

The table below sets forth information with respect to the manufacturing facilities we operate either directly or through our joint ventures, and the products produced at these facilities.

Manufacturing Facilities

	Discrete	Standard Analog	Standard Logic
Approximate 1999 net product revenues	$905 million	$329 million	$386 million
Approximate percentage of net product revenues	56%	20%	24%
Approximate number of distinct products sold by ON Semiconductor™	7,700	2,500	6,400
Primary product function	Power control and power protection functions in a broad range of products.	Power control and interfacing functions in portable and high-power applications.	Interfacing functions, such as interconnecting and routing (moving) electronic signals within electronic systems.
Sample applications	Power management for computers, televisions, audio equipment, fluorescent lights, monitors and automotive control systems.	Intelligent power management and battery protection in portable applications such as pagers and portable computers.	Fast routing of signals used in telecommunications and high-end workstations.
Types of product	Bipolar and MOS gated power transistors, small signal transistors, zeners, thyristors, rectifiers.	Amplifiers, voltage references, regulators, comparators and mixed signal.	Bipolar, MOS general purpose logic and emitter- coupled logic.
Representative original equipment manufacturers customers and end users	Delta Ericsson Ford Intel Lucent Motorola Nokia Philips Seagate Siemens Valeo	Alcatel Ericsson Intel Motorola Nokia Philips Sagen Siemens Sony Toshiba	Agilent Cisco Ericsson Fujitsu Hewlett-Packard Lucent Motorola NCR Nortel Tektronix Teradyne 3Com

Our manufacturing processes use many raw materials, including silicon wafers, copper lead frames, mold compound, ceramic packages and various chemicals and gases. We have no agreements with any of our suppliers that impose minimum or continuing supply obligations and we obtain our raw materials and supplies from a large number of sources on a just-in-time basis. From time to time, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. Although we believe that supplies of the raw materials used by us are currently available, shortages could occur in various essential materials due to interruption of supply or increased demand in the industry. Prior to our recapitalization, most of our supplies were purchased jointly with Motorola. We have entered into an agreement with Motorola to provide for the transition of our supply management functions to a stand-alone basis.

Joint Ventures

A portion of our manufacturing activity is conducted through our joint ventures in the Czech Republic, China and Malaysia. In the period from August 4, 1999 through December 31, 1999, purchases from the joint ventures represented $34.8 million of our cost of sales.

In the Czech Republic, we operate two joint ventures, Tesla and Terosil. These joint ventures are publicly traded Czech companies in each of which we directly own a 49.9% equity interest. The remaining shares are publicly traded in the Czech Republic. In addition, Tesla and Terosil have cross-ownership interests in each other resulting in our beneficially owning 58.4% and 62.5% of Tesla and Terosil, respectively. The Tesla joint venture operates an integrated front-end manufacturing and back-end assembly facility. The Terosil joint venture manufactures raw wafers that are used by a number of our facilities. We have committed to purchase all of the output of the Tesla joint venture or, to the extent we do not do so, pay for its fixed and semi-fixed costs of production. We also have fixed minimum commitments for the Terosil joint venture. In the period from August 4, 1999 through December 31, 1999, we purchased the total output of Tesla and 68.8% of the sales of Terosil, which amount exceeded our minimum commitment. These commitments expire in February 2004.

In Leshan, China, we operate one joint venture, Leshan-Phoenix Semiconductor Company Ltd. We beneficially own a majority of the outstanding equity interests of the Leshan joint venture, and the remainder are owned by Leshan Radio Company Ltd. The Leshan joint venture operates a back-end manufacturing facility. We have committed to purchase a percentage of the total output commensurate with our ownership stake, and in the period from August 4, 1999 through December 31, 1999 actually purchased 77.5% of the total sales of Leshan. The Leshan joint venture expires in 2045.

In Seremban, Malaysia, we have a 50% investment, held through Motorola, in Semiconductor Miniatures Products Malaysia Sdn. Bhd., a joint venture with Philips Semiconductors International B.V. Semiconductor Miniatures operates a back-end assembly facility. We have committed to purchase 50% of the total output of this joint venture, and in 1999, under a negotiated arrangement, actually purchased 57% of its total sales. The terms of the joint venture agreement with Philips were recently amended to provide for the formal transfer to us of Motorola’s interest in this joint venture and to provide us with the right to sell our interest to Philips and to provide Philips with the right to purchase our interest, between January 2001 and July 2002. Philips has indicated its intention to exercise its purchase right. The acquisition by Philips will not have a material impact on our financial condition or results of operations.

Research and Development

Our expenditures for research and development in 1997, 1998 and 1999 were $65.7 million, $67.5 million and $50.6 million, respectively. These expenditures represented 3.6%, 4.5% and 3.1% of our net product revenues in 1997, 1998 and 1999, respectively. Of these amounts, $31.1 million, $34.4 million, and $37.3 million, respectively, was spent directly by us, and the remainder related to Motorola expenses that were allocated to us. Products introduced from 1997 through 1999 accounted for 13% of our net product revenues in 1999, and we expect new products to account for an increasing percentage of our revenues in the future.

Our research and development efforts are focused on new product development and improvements in process technology and packaging miniaturization, primarily in analog products and high performance logic products. In the analog arena, we are focusing our development efforts on the miniaturization of our standard analog products through new packaging technologies and power management products. The target market for this research is primarily portable electronic systems. In the high performance logic arena, we are focusing on the development of semiconductors that support high speed digital communication systems, a market that is growing as a result of increasing Internet traffic. These high performance digital logic products are based on the same process platform as our traditional emitter-coupled logic products, which are primarily used in equipment that tests semiconductors and circuit boards. We have also recently begun to focus our research and development efforts on the next generation of analog BiCMOS products for power management and communications applications and on silicon germanium for broadband applications.

New product development is located in Phoenix, Arizona, Toulouse, France, Hong Kong and Sendai, Japan. Process and product development is also conducted at our existing manufacturing facilities, including at our pilot manufacturing line in Phoenix, Arizona. In addition to our in-house research and development efforts, we sponsor university research projects and participate in partnerships with other semiconductor companies.

Backlog

Our trade sales are made primarily pursuant to standard purchase orders that are generally booked up to 26 weeks in advance of delivery. Generally, prices and quantities are fixed at the time of booking, while backlog as of a given date consists of existing orders and estimated orders based on customer forecasts, in each case scheduled to be shipped over the 13-week period following such date. Backlog is influenced by several factors including market demand, pricing and customer order patterns in

reaction to product lead times. Backlog on December 31, 1999 was approximately $400 million.

We sell products to key customers pursuant to contracts that are typically annual fixed-price agreements subject, in some cases, to quarterly negotiations. These contracts allow us to schedule production capacity in advance and allow customers to manage their inventory levels consistent with just-in-time principles while shortening the cycle times required to produce ordered product. However, these contracts are typically amended to reflect changes in prices and customer demands.

Table of Contents

Competition

The semiconductor industry, particularly the market for general purpose semiconductor products like ours, is highly competitive. Although only a few companies compete with us in all of our product lines, we face significant competition within each of our product lines from major international semiconductor companies as well as smaller companies focused on specific market niches. Many of these competitors have substantially greater financial and other resources than we have with which to pursue development, engineering, manufacturing, marketing and distribution of their products and are better able than we are to withstand adverse economic or market conditions. In addition, companies not currently in direct competition with us may introduce competing products in the future. Significant competitors in the discrete market include International Rectifier, Philips, Rohm, Siliconix, ST Microelectronics and Toshiba. Significant competitors in the standard analog markets include Analog Devices, Fairchild, Linear Technology, Maxim Integrated Products, National Semiconductor, ST Microelectronics and Texas Instruments. Significant competitors in the standard logic product market include Fairchild, Hitachi, Philips, Texas Instruments, and Toshiba. The semiconductor components industry has also been undergoing significant restructuring and consolidations that could adversely affect our competitiveness.

Because our components are often building block semiconductors that in some cases can be integrated into more complex integrated circuits, we also face competition from manufacturers of integrated circuits, application-specific integrated circuits and fully customized integrated circuits, as well as customers who develop their own integrated circuit products.

We compete in different product lines to various degrees on the basis of price, quality, technical performance, product features, product system compatibility, customized design, availability, delivery timing and reliability and sales and technical support. Gross margins in the industry vary by geographic region depending on local demand for the products in which semiconductors are used, such as personal computers, industrial and telecommunications equipment, consumer electronics and automotive goods. In regions where there is a strong demand for such products, price pressures may also emerge as competitors attempt to gain a greater market share by lowering prices. Our ability to compete successfully depends on elements both within and outside of our control, including industry and general economic trends.

Patents, Trademarks, Copyrights and Other Intellectual Property Rights

We own rights to a number of patents, trademarks, copyrights, trade secrets, and other intellectual property directly related to and important to our business. Motorola has also granted rights and licenses to other patents, trademarks, copyrights, trade secrets, and other intellectual property necessary for us to manufacture, market, and sell our existing products and products contemplated in our long range plans. Our policy is to protect our products and processes by asserting our intellectual property rights where appropriate and prudent and by obtaining patents, copyrights, and other intellectual property rights used in connection with our business when practicable and appropriate.

Under an intellectual property agreement we and Motorola entered

into as part of our August 1999 recapitalization, Motorola has assigned to us approximately 280 U.S. patents and patent applications, approximately 280 foreign patents and patent applications, rights to over 50 trademarks (not including the Motorola name) previously used in connection with our products, rights in know-how relating to at least 39 semiconductor fabrication processes and rights in specified copyrightable materials. In addition, Motorola has licensed to us on a non-exclusive, royalty-free basis other patent, trademark, copyright and know-how rights used in connection with our existing products and products contemplated in our long range plans. We have perpetual, royalty free, worldwide rights under Motorola's patent portfolio and other intellectual property, existing as of the date of our recapitalization or created in the ensuing five years (the five-year period existing only with respect to patents), as necessary to manufacture, market, and sell our existing and long range plan product lines. Additionally, Motorola has provided us with a limited indemnity umbrella to protect us from some infringement claims by third parties who have granted Motorola licenses as of the date of our recapitalization, which will assist us in developing our own patent position and licensing program. We believe that we have the right to use all Motorola owned technology used in connection with the products we currently offer.

Table of Contents

We have recently commenced marketing our products under the ON Semiconductor™ name. For one year after our recapitalization, we will retain the limited ability to use the Motorola trade name in connection with the sale, distribution and advertisement of some products we offer. If, however, the removal of the Motorola trade name from any of these products would require the product to be requalified by any of our customers, then we may continue to use the Motorola trade name, for up to two years after our recapitalization, to allow us to continue selling the product pending its requalification. In addition, for two years after our recapitalization, we have the ability to utilize the transition statement "formerly a division of Motorola" in connection with the sale, distribution and advertisement of some products we offer. For the first of those two years, in the transition statement we may reproduce the term "Motorola" in the stylized font used by Motorola.

Environmental Matters

Our manufacturing operations are subject to environmental and worker health and safety laws and regulations. These laws and regulations include those relating to the emissions and discharges into the air and water; the management and disposal of hazardous substances; the release of hazardous substances into the environment at or from our facilities and at other sites; and the investigation and remediation of resulting contamination.

Our manufacturing facility in Phoenix, Arizona is located on property that is a "Superfund" site, a property listed on the National Priorities List and subject to clean-up activities under the Comprehensive Environmental Response, Compensation, and Liability Act. Motorola is actively involved in the cleanup of on-site solvent contaminated soil and groundwater and off-site contaminated groundwater pursuant to Consent Decrees with the State of Arizona. Motorola has retained responsibility for this contamination, and has agreed to indemnify us with respect to remediation costs and other costs or liabilities related to this matter.

The manufacturing facilities of the joint ventures in the Czech Republic and Slovakia have ongoing remediation projects to respond to releases of hazardous substances that occurred during the years that these facilities were operated by government-owned entities, prior to the formation of the joint ventures. In each case, these remediation projects consist primarily of monitoring groundwater wells located on-site and off-site with additional action plans developed to respond in the event activity levels are exceeded at each of the respective locations. The governments of the Czech Republic and Slovakia have agreed to indemnify,

subject to specified limitations, the respective joint venture for remediation costs associated with this historical contamination. Based upon the information available, we do not believe that total future remediation costs to us will be material.

We believe that our operations are in material compliance with applicable environmental and health and safety laws and regulations. We do not expect the cost of compliance with existing environmental and health and safety laws and regulations, and liability for currently known environmental conditions, to have a material adverse effect on our business or prospects. It is possible, however, that future developments, including changes in laws and regulations, government policies, customer specification, personnel and physical property conditions, including currently undiscovered contamination, could lead to material costs.

Employees

We employ approximately 13,400 people worldwide, consisting of approximately 10,400 people employed directly and approximately 3,000 people employed through our joint ventures, most of whom are engaged in manufacturing services. We do not currently have any collective bargaining arrangements with our employees, except for those arrangements, such as works councils, that are obligatory for all employees or all employers in a particular industry under applicable foreign law. Of the total number of employees employed directly by us, approximately 9,200 were engaged in manufacturing and information services, over 400 were engaged in our sales and marketing organization and in customer service, approximately 500 were engaged in administration and approximately 300 were engaged in research and development.

Our total employee reductions in connection with our recent restructuring, including those in connection with facility closures, have been approximately 3,000. Included in the employee reductions effected to date are

approximately 1,200 positions not directly involved in the manufacturing process, such as those in sales, marketing, quality assurance, customer service, product engineering and research and development.

Properties

In the United States, our corporate headquarters as well as manufacturing, research and development and warehouse operations are located in approximately 1,500,000 square feet of space in properties that we own in Phoenix, Arizona. We also lease from Motorola approximately 100,000 square feet in Phoenix, Mesa, Tempe and Chandler, Arizona that is used for research and development, warehouse and office facilities. We have entered into lease and office sharing agreements with Motorola for approximately 80,000 square feet of space used for sales offices and warehouses in locations such as Huntsville, Alabama, Calabasas, Irvine, San Diego and Sunnyvale in California, Denver, Colorado, Wallingford, Connecticut, Clearwater, Florida, Lawrenceville, Georgia, Schaumburg, Illinois, Carmel and Kokomo, Indiana, Woburn, Massachusetts, Columbia, Maryland, Northville, Michigan, Minnetonka, Minnesota, Raleigh, North Carolina, Fairfield, New Jersey, Fairport and Hauppauge in New York, Beaverton, Oregon, Colmar and Horsham in Pennsylvania, Houston and Plano in Texas, Bellevue, Washington, and Brookfield, Wisconsin. Lease terms for the sales offices are for one year from July 31, 1999, and the other leases range between one year and two years. We have plans to relocate the leased sales offices and other facilities before the end of the lease terms. Prices for the leases have been fixed throughout their terms at amounts intended to approximate the actual historical cost of the covered properties.

As part of our recapitalization, Motorola has conveyed to us the surface rights to a portion of the land located at our Phoenix facility, excluding the subsurface rights, and conveyed buildings located at the Phoenix facility. These buildings do not include

any treatment facilities relating to Motorola's environmental clean-up operations at the Phoenix facility. We have executed a Declaration of Covenants, Easements and Restrictions with Motorola providing access easements for the parties and granting to us options to purchase or to lease the subsurface rights of the land.

We own our manufacturing facilities in Japan, Malaysia, Mexico, the Philippines and Slovakia. These facilities are primarily manufacturing operations, but also include office facilities and warehouse space. We own 770,000 square feet of manufacturing, warehouse and office space in Japan, Malaysia, the Philippines and Slovakia and own a 254,000 square foot manufacturing and office complex in Guadalajara, Mexico. Recently, we entered into an agreement to move our production operations in Hong Kong to a new facility that will open in 2001.

In connection with our joint ventures, we also own manufacturing, warehouse and office space in Seremban, Malaysia, Leshan, China, Slovakia and the Czech Republic.

We have also entered into lease and office sharing agreements for approximately 67,000 square feet of space for research and development, warehouses, logistics centers and sales offices in locations including Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Korea, Malaysia, Philippines, Puerto Rico, Spain, Sweden, Switzerland, Taiwan, Thailand and the United Kingdom. Most of these properties are currently leased from Motorola. Lease terms for the sales offices are for one year from July 31, 1999, and the other leases range between one year and three years. We have plans to relocate the leased sales offices and other facilities before the end of their terms. Motorola will also lease space at our Phoenix facility and in the Czech Republic for a period of up to two years. In general, prices for these leases have been fixed throughout their term at amounts intended to approximate the actual historical cost of the covered properties.

We believe that our facilities around the world, whether owned or leased, are well-maintained. Our manufacturing facilities contain sufficient productive capacity to meet our needs for the foreseeable future.

Legal Proceedings

From time to time we are involved in legal proceedings arising in the ordinary course of business. We believe that none of these proceedings should have, individually or in the aggregate, a material adverse effect on our business or our prospects.

Table of Contents

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information with respect to the persons who currently serve as executive officers and members of our Board of Directors. Each of our directors will hold office until the next annual meeting of shareholders or until his successor has been elected and qualified.

Location	Products	Employees	Size
		(approximate)	(sq. ft.)
Integrated Facilities:			
Roznov, Czech Republic (Tesla joint venture)	discrete	1,500	321,000
Seremban, Malaysia	discrete	1,100	90,000

Guadalajara, Mexico	discrete	1,900	254,000
Front-end Facilities:			
Phoenix, Arizona	discrete	340	40,000
Aizu, Japan	discrete	600	256,000
Piestany, Slovakia	standard logic	200	915,000
Back-end Facilities:			
Leshan, China (Leshan joint venture)	discrete	800	264,000
Seremban, Malaysia (joint venture with Philips)	discrete	900	514,000
Seremban, Malaysia	discrete	3,100	239,000
Carmona, Philippines	standard logic and standard analog	800	180,000
Other Facilities:			
Roznov, Czech Republic (Terosil joint venture)	raw wafers	280	69,000

Curtis J. Crawford. Mr. Crawford was elected Chairman of our Board of Directors in September 1999. Since 1998, Mr. Crawford has served and continues to serve as President, Chief Executive Officer and Chairman of the Board of Directors of Zilog, Inc. From 1997 to 1998, Mr. Crawford was Group President of the Microelectronics Group and President of the Intellectual Property division of Lucent Technologies, a successor to some AT&T businesses. From 1995 to 1997, he was President of the Microelectronics Group. From 1993 to 1995, Mr. Crawford was President of AT&T Microelectronics, a business unit of AT&T Corporation. From 1991 to 1993, he held the position of Vice President and Co-Chief Executive Officer of AT&T Microelectronics. From 1988 to 1991, he held the position of Vice President, Sales, Service and Support for AT&T Computer Systems. Prior thereto, he served in various sales, marketing and executive management positions at various divisions of IBM. Mr. Crawford currently serves as a member of the Board of

Table of Contents

Trustees of DePaul University and as a member of the Board of Directors of ITT Industries, Inc. and E.I. du Pont de Nemours.

Steven P. Hanson. Mr. Hanson served as the Senior Vice President and General Manager of Motorola's Semiconductor Components Group from June 1997. He became our President and a member of our Board of Directors in August 1999 and our Chief Executive Officer in January 2000. Mr. Hanson has held several executive and management positions, including Corporate Vice President, since he joined Motorola in 1971.

James Thorburn. Prior to assuming the position of Senior Vice President and Chief Operating Officer in August 1999, Mr. Thorburn was the Chief Financial Officer of Zilog, a position he had held since May 1998. Prior to his tenure at Zilog, Mr. Thorburn spent 17 years at National Semiconductor, most recently as Vice President of Operations Finance.

William George. For two years prior to assuming the position of Senior Vice President and Chief Manufacturing and Technology Officer in August 1999, Mr. George held several executive and management positions, including directing investment and operation strategy for Motorola's worldwide manufacturing operations, since he joined Motorola in 1968.

Dario Sacomani. Mr. Sacomani served as the Vice President and Director of Finance of Motorola's Semiconductor Components Group from July 1997 until he assumed the position of Senior Vice President and Chief Financial Officer in August 1999. Mr. Sacomani has held several executive and management positions, including Vice President and Financial Controller for the European Semiconductor Group of Motorola, since he joined Motorola in 1980.

Michael Rohleder. For two years prior to assuming the position of Senior Vice President and Director of Sales and Marketing in September 1999, Mr. Rohleder was President and Chief Executive Officer of Wyle Electronics, a member of the VEBA Electronics Group. Prior to his tenure at Wyle, Mr. Rohleder served as Chief Executive Officer of Insight Electronics, also a member of the VEBA electronics group, for a period of seven years.

Samuel Anderson. Prior to assuming the position of Vice President and Director of Strategic Business Development, Mr. Anderson served as Director of Operations for the Mixed Signal Logic Business Unit at Motorola. Mr. Anderson has held various positions during his 13-year tenure at Motorola, including Director of Business Alliances and Technology Acquisitions and Director of New Product Development in the Analog Division.

Alistair Banham. Prior to assuming the position of Vice President and General Manager, Europe, Middle East and Africa in August 1999, Mr. Banham served as General Manager of Motorola's Semiconductor Components Group for Europe, the Middle East and Africa beginning in April 1999. Mr. Banham has managed various foreign aspects of Motorola's semiconductor products business, including leadership of the European Motorola Segment Sales and Engineering Applications Team, since he joined Motorola in 1989.

Leon Humble. Prior to assuming the position of Vice President and General Manager, MOS Gated Business Unit in August 1999, Mr. Humble served as Director of Manufacturing Restructuring and Separation Programs for Motorola's Semiconductor Components Group. Mr. Humble has held several management positions, including Product Line Manager for CMOS Products Division, since he joined Motorola in 1968.

Collette T. Hunt. Prior to assuming the position of Vice President and General Manager of Bipolar Discrete Business Unit in August 1999, Ms. Hunt served as Vice President of Motorola's Semiconductor Products Sector beginning in 1994 and as Director of Product Operations of the Semiconductor Components Group beginning in 1998. Ms. Hunt has held various executive and managerial positions, including positions on the board of directors of Motorola's joint venture operations in Malaysia and China, since she joined Motorola in 1984.

Henry Leung. Prior to assuming the position of Vice President and General Manager, Asia Pacific in August 1999, Mr. Leung served as the director in the Asia Pacific Region for Motorola's Semiconductor Components Group beginning in 1994. Mr. Leung has held several positions, including Business Director of

---

Table of Contents

Motorola's Semiconductor Component Group (Discrete Products) for the Asia Pacific Region, since he joined Motorola in 1976.

Sandra Lowe. Prior to assuming the position of Vice President and General Manager of Logic Business Unit in August 1999, Ms. Lowe served as the Director of Quality and Continuous Improvement for Motorola's Semiconductor Components Group beginning in November 1997. Ms. Lowe has held several positions, including General Manager of the Motorola Test Equipment Business Unit in the Space Systems Technology Group, since she joined Motorola in 1993.

Ralph Quinsey. From 1997 until he assumed the position of Vice President and General Manager of Analog Business Unit in August 1999, Mr. Quinsey served as Vice President and General Manager of Motorola's Semiconductor Products Sector Wireless Subscriber Systems Group. Prior to that time, Mr. Quinsey served as General Manager for the Logic and Analog Integrated Circuits Mixed Signal Communications Products Division of Motorola. Mr. Quinsey has held several management positions since he joined Motorola in 1979.

James Stoeckmann. Prior to assuming the position of Vice President and Director of Human Resources in August 1999, Mr. Stoeckmann served as the Director of Human Resources for Motorola's Semiconductor Components Group beginning in November 1998. Mr. Stoeckmann has held several

positions, including Human Resources Director for SCG Worldwide Manufacturing, since he joined Motorola in 1984.

Chandramohan Subramaniam. Prior to assuming the position of Vice President and Director of Internal Manufacturing in August 1999, Mr. Subramaniam held several director and management positions, including Director of Asia Manufacturing, General Manager Seremban and Director of Quality and Continuous Improvement, after joining Motorola in 1984.

David Bonderman. Mr. Bonderman became a director in August 1999. Mr. Bonderman is a Managing Partner of Texas Pacific Group. Prior to forming Texas Pacific Group in 1992, Mr. Bonderman was chief operating officer and chief investment officer of Keystone Inc., a private investment firm, from 1983 to August 1992. Mr. Bonderman serves on the Boards of Directors of the following public companies: Continental Airlines, Inc., Bell & Howell Company, Beringer Wine Estates, Inc., Denbury Resources Inc., Oxford Health Plans, Inc., Washington Mutual, Inc., Ryanair, Ltd., Paradyne Networks, Co-Star Inc., and Ducati Motor Holdings S.p.A. Mr. Bonderman also serves in general partner advisory board roles for Newbridge Investment Partners, L.P., Newbridge Asia II, L.P., Newbridge Latin America, L.P. and Aqua International, L.P.

Richard W. Boyce. Mr. Boyce became a director in September 1999. Mr. Boyce has been a partner of Texas Pacific Group since January 2000. From 1997 through January 2000, Mr. Boyce was President of SRB, Inc., a consulting firm that advises various companies controlled by Texas Pacific Group. Prior to founding SRB, Inc. in 1997, he served as Senior Vice President of Operations for Pepsi-Cola North America from 1996 to 1997 and its Chief Financial Officer from 1994 to 1996. From 1992 to 1994, Mr. Boyce served as Senior Vice President — Strategic Planning for PepsiCo. Prior to joining PepsiCo, Mr. Boyce was a director at the management consulting firm of Bain & Company, where he was employed from 1980 to 1992. Mr. Boyce also serves on the Boards of Directors of J. Crew Group, Inc., Del Monte Foods Company and Del Monte Corporation.

Justin T. Chang. Mr. Chang became a director in August 1999. Mr. Chang is a Partner of Texas Pacific Group, where he has been employed since 1993. Mr. Chang currently serves on the Board of Directors of MVX.com, Inc.

William A. Franke. Mr. Franke became a director in December 1999. Mr. Franke is currently the managing partner of Newbridge Latin America, L.P., an investment partnership specializing in Latin American companies and has served in this position since 1996. Mr. Franke also serves as the President, CEO and Chairman of the Board of Directors of America West Holdings Corp. and its subsidiary, America West Airlines, Inc., and has served as Chairman since 1992. He is also the President and owner of Franke & Company and has served in this position since 1987. In addition to being a director of the Company,

---

Table of Contents

Mr. Franke serves on the Boards of Directors of America West Holdings Corporation, Beringer Wine Estates, Inc., Phelps Dodge Corporation, Central Newspapers, Inc. and AerFi Group. plc.

Jerome N. Gregoire. Mr. Gregoire became a director in February 2000. Mr. Gregoire is currently a member of the Directors' Institute for Information Technology and a special consultant to the Executive Leadership Team practice of Cambridge Technology Partners. From July 1996 until November 1999, Mr. Gregoire was the Senior Vice President and Chief Information Officer of Dell Computer Corporation. Prior to joining Dell, Mr. Gregoire spent 10 years with PepsiCo, Inc., most recently as Vice President of Information Systems for Pepsi-Cola Company. Mr. Gregoire also serves on the Board of Directors of Bike.Com.

Albert Hugo-Martinez. Mr. Hugo-Martinez became a director in February 2000. He is the President of Hugo-Martinez and Associates. Mr. Hugo-Martinez served as President, Chief Executive Officer and Director of GGTI, Corp. from 1996 until 1999 and President and Chief Executive Officer of Applied Micro Circuits Corp. from 1987 to 1996. Prior to that time, Mr. Hugo-Martinez served as Executive Vice President and Chief Operating Officer of Burr-Brown Research. Mr. Hugo-Martinez began his career at Motorola, where he served for fourteen years in a variety of positions, including Standard Linear Operations Manager and Military Products Operations Manager. Mr. Hugo-Martinez also serves on the Boards of Directors of Microchip, Inc. and Ramtron, Inc.

David M. Stanton. Mr. Stanton became a director in August 1999. Mr. Stanton is a founding partner of Francisco Partners, an investment partnership specializing in private equity investments in technology companies. From 1994 until August 1999, Mr. Stanton was a partner of Texas Pacific Group. Prior to joining Texas Pacific Group, Mr. Stanton was a venture capitalist with Trinity Ventures, where he specialized in information technology, software and telecommunications investing. Mr. Stanton currently serves as a director of Denbury Resources Inc., GlobeSpan, Inc., Paradyne Networks and several privately held companies.

Board Committees

Executive Committee. The Board of Directors has established an executive committee consisting of Messrs. Crawford, Hanson and Boyce. The executive committee meets or takes written action when the Board of Directors is not otherwise meeting and has the level of authority delegated to it from time to time by the Board of Directors, except that it cannot take any action not permitted under Delaware law to be delegated to a committee.

Audit Committee. The Board of Directors has established an audit committee consisting of Messrs. Chang, Franke and Gregoire. The audit committee reviews with our independent accountants the scope and timing of their audit services and any other services that they are asked to perform, the independent accountants' report on our financial statements following completion of their audit and our policies and procedures with respect to internal accounting and financial controls. In addition, the audit committee makes annual recommendations to our Board of Directors for the appointment of independent accountants for the upcoming year.

Compensation Committee. The Board of Directors has established a compensation committee consisting of Messrs. Boyce, Hugo-Martinez and Stanton. The compensation committee determines, approves and reports to the Board of Directors on all elements of compensation for our officers, including targeted total cash compensation and long-term equity-based incentives.

Classes and Terms of Directors

The Board of Directors is divided into three classes, as nearly equal in number as possible, with each director serving a three-year term and one class being elected at each year's annual meeting of stockholders. Messrs. Boyce, Crawford and Stanton are in the class of directors whose term expires at the 2000 annual meeting of stockholders. Messrs. Bonderman, Chang and Franke are in the class of directors whose term expires at the annual meeting of stockholders to be held in 2001. Messrs. Gregoire, Hanson and Hugo-Martinez are in the class of directors whose term expires at the 2002 annual meeting of stockholders. At each

Table of Contents

annual meeting of our stockholders, successors to the class of directors whose term expires at such meeting will be elected to

serve for three-year terms and until their successors are elected and qualified.

Director Compensation

The Chairman of the Board of Directors will receive a quarterly payment of $25,000. Each director who is neither employed by us nor affiliated with Texas Pacific Group will receive an annual cash retainer of $20,000, an annual stock option grant having a value of $20,000 and a meeting fee, in respect of all Board of Directors and committee meetings attended on a single day, of $2,500. For further information, see “Relationships and Related Transactions.”

Executive Compensation

The following table sets forth the compensation paid or payable by us and Motorola in respect of fiscal year 1999 to our five most highly compensated executives.

Name	Age	Position
Curtis J. Crawford	52	Chairman of the Board of Directors
Steven P. Hanson	52	President and Chief Executive Officer, Director
James Thorburn	44	Senior Vice President and Chief Operating Officer
William George	57	Senior Vice President and Chief Manufacturing and Technology Officer
Dario Sacomani	43	Senior Vice President and Chief Financial Officer
Michael Rohleder	43	Senior Vice President and Director of Sales and Marketing
Samuel Anderson	42	Vice President and Director of Strategic Business Development
Alistair Banham	44	Vice President and General Manager, Europe, Middle East and Africa
Leon Humble	61	Vice President and General Manager of MOS Gated Business Unit
Collette T. Hunt	47	Vice President and General Manager of Bipolar Discrete Business Unit
Henry Leung	46	Vice President and General Manager, Asia Pacific
Sandra Lowe	55	Vice President and General Manager of Logic Business Unit
Ralph Quinsey	44	Vice President and General Manager of Analog Business Unit
James Stoeckmann	44	Vice President and Director of Human Resources
Chandramohan Subramaniam	44	Vice President and Director of Internal Manufacturing
David Bonderman	56	Director
Richard W. Boyce	45	Director
Justin T. Chang	32	Director
William A. Franke	62	Director
Jerome N. Gregoire	48	Director
Albert Hugo-Martinez	54	Director
David M. Stanton	37	Director

	Annual Compensation			Long-Term Compensation	
Name and Principal Position	Salary	Bonus	Other Annual Compensation	Securities Underlying Options	All Other Cash Compensation
Steven P. Hanson President and Chief Executive Officer(1)	$339,744(2)	$276,533(3)		800,000	$759,611(4)
James Thorburn Senior Vice President and Chief Operating Officer(5)	125,711	93,996(3)	$27,200(6)	500,000	270,000(7)
William George Senior Vice President and Chief Manufacturing and Technology Officer	276,978(2)	155,197(3)		433,333	421,500(4)
Dario Sacomani Senior Vice President and Chief Financial Officer	230,263(2)	155,484(3)		433,333	666,690(4)
Michael Rohleder Senior Vice President and Director of Sales and Marketing(5)	112,179	439,979(3)		466,667	29,955(4)

Employment Agreements/Change in Control Agreements

We have entered into employment agreements with each of the named executives. The following summaries of the material provisions of the employment agreements do not purport to be complete and are qualified in their entirety by reference to such agreements.

Table of Contents

The agreements with Messrs. Hanson, George and Sacomani each provide for an employment term of three years ending on August 4, 2002. The agreements provide an annual base salary of $375,000, $300,000 and $250,000, respectively, and an annual bonus up to 100% of the base salary based on achievement of annual performance objectives. Messrs. Hanson, George and Sacomani will each be entitled to a one-time special bonus of $150,000 to be paid on the first anniversary of his employment, provided the respective executive is employed on such date. The agreements with Messrs. Thorburn and Rohleder each provide for an employment term of three years ending on August 2,

2002 and September 1, 2002, respectively, and for an annual base salary of $300,000 and $350,000, respectively. Mr. Thorburn is eligible to receive an annual bonus of up to 100% of his base salary based on achievement of annual performance objectives, and has received a one-time consultation fee of $270,000. Mr. Rohleder is eligible to receive an annual bonus of up to 200% of his base salary based on achievement of annual performance objectives, provided that, during the first year of his employment term, Mr. Rohleder is guaranteed to receive an annual bonus at least equal to 100% of his base salary, regardless of whether any performance objectives are achieved. Messrs. Thorburn and Rohleder also have been provided certain relocation benefits under their agreements. We have adopted certain annual bonus plans in order to implement the annual bonus arrangements described in this paragraph.

Messrs. Hanson, Thorburn George, Sacomani and Rohleder have been granted options under the 1999 Founders Stock Option Plan (described below) to purchase 800,000, 500,000, 433,333, 433,333 and 466,667 shares, respectively, of our common stock, which become exercisable generally on a semi-annual basis over a four-year period. The executives' outstanding options will become immediately exercisable upon a change in control (as defined in the executives' agreements), and with respect to Messrs. Hanson, Sacomani and George, each such executive's outstanding option will become immediately exercisable if such executive's employment is terminated by us without cause (as defined in their respective agreements) or by the executive for good reason. Good reason is defined in each employment agreement and includes a voluntary resignation by the executive within one year after a change in control (as defined). The executives have also been provided a car allowance of up to $1,200 per month.

Under the terms of each of their respective agreements, if the executive's employment is terminated without cause (as defined in the applicable employment agreement), such executive will be entitled to a lump sum payment equal to the product of (A) either (i) three, if the date of termination of employment is on or before September 1, 2001, or (ii) two, if the date of termination of employment is after September 1, 2001 and prior to the expiration of the employment term; and (B) the sum of (i) the highest rate of the executive's annualized base salary in effect at any time up to and including the date of termination and (ii) the annual bonus earned by such executive in the year immediately preceding his date of termination. In addition, if the executive's employment is terminated without cause within two years after a change in control (as defined in the applicable employment agreement), he will be entitled to continuation of medical benefits provided generally to other of our executives for the greater of two years from the date of termination or the expiration of the term of employment under the agreement. Under the agreements with Messrs. Hanson, George and Sacomani, the executives will be entitled to the foregoing severance payments and, in the event of a change of control, continuation of medical coverage if they resign for good reason (as defined in their respective employment agreements).

Each executive is also subject to customary non-solicitation of employees and confidentiality provisions.

We have provided Mr. Thorburn with a non-recourse loan in the amount of approximately $227,900 for the purposes of exercising stock options granted by his former employer. Mr. Thorburn has pledged the stock received upon the exercise of such options to us as security for the loan. The loan accrues interest at a rate of 5.54% per annum and the entire principal amount and accrued interest is repayable upon Mr. Thorburn's sale of the stock.

1999 Founders Stock Option Plan

We have adopted our 1999 Founders Stock Option Plan to provide our key employees, directors and consultants with the opportunity to purchase our common stock. We have reserved 11,576,666 shares of our common stock for issuance under the option plan. The option plan is administered by our Board of Directors

or a committee thereof, which is authorized to, among other things, select the key employees, directors and consultants who will receive grants and determine the exercise price (which may be equal to, less than or greater than the fair market value per share at the date of grant) and vesting schedule of the options. Prior to the existence of a public market (as defined in the plan) for our common stock, fair market value is determined by the Board in good faith, and following the existence of a public market for the common stock, fair market value will be based on the closing price for our shares on the exchange on which the shares are listed. Prior to February 15, 2000, the Board of Directors had approved the grant of options to purchase an aggregate of 10,051,333 shares of our common stock to some of our directors and a total of over 420 employees (including Messrs. Hanson, Thorburn, George, Sacomani and Rohleder) at an exercise price of $1.50 per share. The Board of Directors has subsequently approved the grant of options relating to the remaining shares reserved for issuance under the plan at an exercise price equal to the initial public offering price. Generally the options initially issued under the plan will vest in six-month intervals over a period of four years, with approximately 8% becoming immediately vested and exercisable on the grant date, provided that the option holder remains employed with us during this period. All outstanding options will vest automatically upon a change of control (as defined in the plan) other than an initial public offering, provided the option holder is employed with us on the date of the change in control. Upon the termination of an option holder's employment, all unvested options will immediately terminate and vested options will generally remain exercisable for a period of 90 days after date of termination (one year in the case of death or disability).

2000 Stock Incentive Plan

We have adopted our 2000 Stock Incentive Plan to provide key employees, directors and consultants with various equity-based incentives, including incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock and certain other performance-based awards, in order to create an incentive for such persons and to more closely align such persons' interests with those of our shareholders. We have reserved 3,000,000 shares of common stock under this plan. This plan is administered by our Board of Directors or a committee thereof, which is authorized to determine, among other things, the key employees, directors or consultants who will receive awards under the plan, the amount and type of award, exercise price or performance criteria, if applicable, and the vesting schedule. Under the take ownership portion of the plan, subject to local law requirements, our Board of Directors intends to grant an option to purchase shares of our common stock at the initial public offering price (or the price on the date regulatory approval is received in the case of certain foreign employees) to every eligible employee, which will become exercisable two years from the date of grant. No person is permitted to receive an award in excess of 500,000 shares during any fiscal year under this plan.

The following table sets forth information regarding grants of options to purchase our common stock to the named executive officers in fiscal 1999.

(1) Mr. Hanson was appointed Chief Executive Officer effective January 21, 2000.

(2) Represents the combined salary earned by Messrs. Hanson, George and Sacomani at both Motorola and SCG Holding during fiscal year 1999.

(3) Includes a performance-based bonus for fiscal year 1999 based on our performance during this period, paid in 2000. (See "— Employment Agreements/ Change in Control Agreements" below). Also includes, in the case of Messrs. Hanson, George and Sacomani, annual bonus earned in 1999 and payable by Motorola in 2000.

(4) Represents relocation expenses in the case of Messrs. Hanson, Sacomani and Rohleder of $257,111, $379,590 and $29,955, and, in the case of Messrs. Hanson, George and Sacomani, a special bonus in connection with the recapitalization of $502,500, $421,500 and $287,100, respectively.

(5) Messrs. Thorburn and Rohleder were not employed with Motorola in 1999 and commenced employment with SCG Holding on August 2, 1999 and September 1, 1999, respectively.

(6) Represents reimbursement of housing expenses of $20,000 and travel expenses of $7,200 pursuant to the terms of Mr. Thorburn's employment agreement.

(7) Represents a one-time consulting fee to Mr. Thorburn.

Option Grants in 1999

Name	Number of Shares Underlying Options Granted	Percent of Total Options Granted to Employees in 1999	Exercise Price Per Share(1)	Expiration Date(2)	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term	
					5%	10%
Steven P. Hanson President and Chief Executive Officer	800,000	7.9%	$1.50	9/9/2009	$754,673	$1,912,491
James Thorburn Senior Vice President and Chief Operating Officer	500,000	4.9	1.50	9/9/2009	471,670	1,195,306
William George Senior Vice President and Chief Manufacturing and Technology Officer	433,333	4.3	1.50	9/9/2009	408,781	1,035,932
Dario Sacomani Senior Vice President and Chief Financial Officer	433,333	4.3	1.50	9/9/2009	408,781	1,035,932
Michael Rohleder Senior Vice President and Director of Sales and Marketing	466,667	4.6	1.50	9/9/2009	440,226	1,115,619

The following table sets forth, on an aggregate basis, certain information with respect to the value of unexercised options held by the named executive officers at the end of fiscal 1999. No options were exercised by the named executive officers in fiscal 1999.

(1) Due to the lack of a public market for our common stock, the exercise price for the options was established by our Board of Directors in an amount equal to the valuation of our common stock in connection with our August 4, 1999 recapitalization.

(2) Options were granted on September 9, 1999 and vest in six-month intervals over a four-year period with approximately 8% being vested and exercisable on the date of grant.

2000 Employee Stock Purchase Plan

We have adopted the 2000 Employee Stock Purchase Plan, to be effective upon the consummation of this offering, in order to encourage our employees to become shareholders of our company and to align their

Table of Contents

interests with those of our other shareholders. We have reserved 1,500,000 shares of common stock under the purchase plan. The purchase plan will be administered by our Board of Directors. Subject to local law requirements, the purchase plan will provide each of our full-time employees with the opportunity to have up to ten percent of pay deducted from each paycheck and applied toward the purchase of shares of our common stock. The purchase price for the common stock will be equal to 85% of the fair market value of a share of our common stock, as determined under the plan. Employees may not purchase more than $25,000 worth of common stock in any calendar year under the purchase plan.

Retirement Plan

Our retirement plan covers eligible employees within the United States, including the named executive officers. The retirement plan provides for monthly pension benefits pursuant to a formula based on an employee's years of service, compensation level (calculated as final average earnings for the five years of highest pay during the last ten years of employment) and the Social Security retirement benefit payable at age 65. The earliest date on which eligible employees may receive pension benefits for retirement is after age 55 with at least five years of service or at age 60 with at least one year of service. Normal retirement under the pension plan is after age 65. Benefits are reduced if pension payments begin before age 65.

The following table shows the estimated annual benefits payable under the current Retirement Plan for employees who are eligible under the criteria stated above assuming a life annuity benefit:

Name	Number of Shares Underlying Unexercised Options at December 31, 1999 Exercisable/Unexercisable
Steven P. Hanson President and Chief Executive Officer	67,200/732,800
James Thorburn Senior Vice President and Chief Operating Officer	42,000/458,000
William George Senior Vice President and Chief Manufacturing and Technology Officer	36,400/396,933
Dario Sacomani Senior Vice President and Chief Financial Officer	36,400/396,933
Michael Rohleder Senior Vice President and Director of Sales and Marketing	39,200/427,467

As of December 31, 1999, Mr. Hanson, Mr. Thorburn, Mr. George, Mr. Sacomani and Mr. Rohleder had approximately 28 years, 7 months, 31 years, 19 years and 6 months of service, respectively, and the annual compensation covered by the pension plan for each of these officers is $160,000.

Deferred Compensation

Our Deferred Compensation Plan was adopted in December 1999 and allows key employees to defer up to 25% of their base compensation and up to 100% of their annual incentive compensation up to a maximum of $250,000 per year. The plan is set up to be a funded plan under which participants may elect to receive their deferred amounts, plus any earnings or less any losses thereon, upon retirement or at some other date which must be at least four calendar years after the date of deferral. Participants also will receive their account balances upon their termination of employment and upon a limited number of other events. Earnings and losses are based on certain investment options that may be offered under the plan from time to time. Upon a change in control event, as defined in the plan, we will pay the participants' account balances directly to participants within 30 days of such event.

Table of Contents

PRINCIPAL STOCKHOLDERS

Our certificate of incorporation, as amended to date, authorizes the issuance of capital stock consisting of 300,000,000 shares of common stock, and 100,000 shares of preferred stock which may be issued in multiple series, the terms, provisions and the preferences of which may be designated from time to time by our Board of Directors.

The following table sets forth information as of April 1, 2000 regarding the beneficial ownership of our common stock and Series A Cumulative Preferred Stock, as determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, with respect to:

	Years of Service				
Remuneration	15	20	25	30	35
$100,000	$25,973	$31,116	$33,173	$33,173	$33,173
125,000	33,152	39,545	42,102	42,102	42,102
150,000	40,331	47,973	51,031	51,031	51,031
175,000	43,202	51,345	54,602	54,602	54,602
200,000	43,202	51,345	54,602	54,602	54,602

Except as otherwise noted, the persons named in the table have sole voting and investment power with respect to all shares shown

as beneficially owned by them.

- each person known by us to be the beneficial owner of more than 5% of any class of voting securities;
- each of our directors and named executive officers; and
- all directors and executive officers, as a group.

Name and Address of Beneficial Owner	Common Stock		Series A Cumulative Preferred Stock	
	Number of Shares(1)	Percentage(1)	Number of Shares	Percentage
TPG Advisors II, Inc. 201 Main Street, Suite 2420 Fort Worth, TX 76102	124,999,433(2)	91.5%	1,500	71.8%
Motorola, Inc. 1303 East Algonquin Road Schaumburg, IL 60196	11,667,233	8.5	590	28.2
Curtis J. Crawford	200,000(3)	*	—	—
Steven P. Hanson	133,600(3)	*	—	—
James Thorburn	83,500(3)	*	—	—
William George	72,367(3)	*	—	—
Dario Sacomani	72,367(3)	*	—	—
Michael Rohleder	77,933(3)	*	—	—
David Bonderman	—(4)	—	—	—
Richard W. Boyce	410,000(3)	*	—	—
Justin T. Chang	—	—	—	—
William A. Franke	—(5)	—	—	—
Jerome N. Gregoire	—	—	—	—
Albert Hugo-Martinez	—	—	—	—
David M. Stanton	—	—	—	—
All directors and executive officers as a group (22 persons)	1,199,023(3)	*	—	—

Table of Contents

Shareholders Agreement

We, Motorola and TPG Semiconductor Holdings, LLC have entered into a Shareholders Agreement relating to registration rights, transfers of common stock and preferred stock (together, the “SCG Stock”) and other matters. The Shareholders Agreement terminates upon the earlier to occur of (1) TPG Semiconductor Holdings owning less than 35% of the outstanding shares of common stock or (2) an underwritten initial public offering of SCG Stock; provided that registration rights terminate with respect to a class of SCG Stock at such time (at least three years after the date of the Shareholders Agreement) as Motorola shall be legally permitted to sell all shares of such class of SCG Stock then held by Motorola without registration under the Securities Act. Upon consummation of this offering, therefore, the Shareholders Agreement (other than the registration rights provisions thereof) will terminate. Pursuant to the Shareholders Agreement, Motorola and certain permitted transferees have “piggyback” registration rights on a proportional basis with respect to the same class of SCG Stock in any public offering of SCG Stock. We pay the registration expenses of any registration including, without limitation, SEC and NASD filing fees and the fees and expenses of our counsel.

Texas Pacific Group

Texas Pacific Group was founded by David Bonderman, James G. Coulter and William S. Price, III in 1993 to pursue public and private investment opportunities through a variety of methods, including leveraged buyouts, recapitalizations, joint ventures, restructurings and strategic public securities investments. The principals of Texas Pacific Group manage TPG Partners, L.P., TPG Partners II, L.P., TPG Partners III, L.P. and T^3 Partners, L.P., all Delaware limited partnerships, which, with affiliated partnerships, have aggregate committed capital of more than $7.0 billion.

The investment in SCG Holding is one of the largest investments of Texas Pacific Group to date and was its sixth investment in the technology and telecommunications area. Texas Pacific Group’s other investments in technology and telecommunications companies include Paradyne Corporation, GlobeSpan, GT Com, Landis & Gyr Communications,

Zilog, Zhone Technologies, Advanced Telcom Group, Star One AG and Gemplus.

Texas Pacific Group's portfolio companies also include America West Airlines, Bally International, Belden & Blake, Beringer Wine Estates, Del Monte Foods, Denbury Resources, Ducati Motorcycle Holdings, Genesis ElderCare, J. Crew, Magellan Health Services, Oxford Health Plans, Punch Taverns, Virgin Entertainment and Vivra. In addition, Texas Pacific Group principals led the $9 billion reorganization of Continental Airlines in 1993.

Table of Contents

RELATIONSHIPS AND RELATED TRANSACTIONS

In connection with our recapitalization, Motorola has made bonus payments to Messrs. Hanson, George and Sacomani in the approximate amounts of $502,500, $421,500 and $287,100, respectively.

In connection with our recapitalization, we paid Texas Pacific Group a financial advisory fee in the amount of $25 million. We have agreed to pay Texas Pacific Group annually a management fee of not more than $2 million. In connection with our acquisition of Cherry Semiconductor Corporation, we have agreed to pay Texas Pacific Group an advisory fee of $2 million in lieu of any management fee otherwise payable in 2000. Three of our directors, David Bonderman, Richard Boyce and Justin Chang, are also Texas Pacific Group partners.

In connection with our recapitalization, Motorola has assigned, licensed and sublicensed to us intellectual property in connection with the products we plan to offer (including a limited use of the Motorola trade name for one year and a transition statement, "formerly a division of Motorola," for an additional year thereafter), has agreed to continue providing us information technology, human resources, supply management, logistics and finance services for agreed periods of time while we determine the most cost-effective means to obtain such services, has agreed to continue providing manufacturing and assembly services to us and to continue using similar services we provide to them, has agreed to continue selling to us depreciated equipment to support our capacity expansion and has leased real estate to us. Motorola provides some of these services on more favorable terms than we would expect to obtain from independent sources.

In connection with our recapitalization, we paid the Chairman of our Board of Directors, Curtis J. Crawford, a consulting fee of $100,000 and granted Mr. Crawford an option to purchase 200,000 shares of common stock. One of our directors, Richard W. Boyce, was paid consulting fees of approximately $1,625,000 relating to our recapitalization and other matters, and Mr. Boyce was granted an option to purchase 410,000 shares of common stock. Messrs. Crawford's and Boyce's options are at an exercise price of $1.50 per share, are fully exercisable upon grant, have a ten-year term and are otherwise governed by the 1999 Founders Stock Option Plan.

Table of Contents

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 300,000,000 shares of common stock, $.01 par value, and 100,000 shares of preferred stock, $.01 par value, which may be issued in multiple series, the terms, provisions and the preferences of which may be designated from time to time by our board of directors. The following description of our capital stock is subject to and qualified in its entirety by our certificate of incorporation and bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and by the provisions of applicable Delaware law.

Common Stock

As of February 15, 2000, there were 136,666,666 shares of common stock outstanding that were held of record by two stockholders. There will be 166,666,666 shares of common stock outstanding, assuming no exercise of the underwriters' over-allotment option and assuming no exercise after February 15, 2000 of outstanding options, after giving effect to the sale of the shares of common stock offered to the public.

Subject to preferences that may be applicable to our Series A Cumulative Preferred Stock and any other series of preferred stock outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at times and in amounts as the board may determine from time to time. See "Dividend Policy." The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Upon the liquidation, dissolution or winding up of SCG Holding, the holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The common stock has no preemptive or conversion rights and is not subject to redemption. All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock to be issued upon completion of this offering will be fully paid and nonassessable.

Preferred Stock

As of December 31, 1999, there were 2,090 shares of Series A Cumulative Preferred Stock outstanding that were held of record by two stockholders. The preferred stock accumulates dividends at the rate of 12% per annum, payable quarterly. Dividends compound to the extent not paid. The preferred stock has an original liquidation value of $100,000 per share. We are required to redeem any outstanding shares of the preferred stock on August 4, 2012 at a price equal to such liquidation value plus all accumulated dividends that have been applied to increase liquidation value. Shares of the preferred stock may be redeemed at our option, in whole or in part, for this total value plus accrued dividends not included therein. Optional redemption of the preferred stock is subject to, and expressly conditioned upon, limitations under our senior subordinated notes and our senior bank facilities and other documents relating to our indebtedness. We intend to redeem all outstanding shares of the preferred stock upon consummation of this offering.

The board of directors also has the authority, without action by the stockholders, to designate and issue preferred stock in one or more additional series and to designate the rights, preferences and privileges of each series, which may be greater than the rights of the common stock. It is not possible to state the actual effect of the issuance of any additional series of preferred stock upon the rights of holders of the common stock until the board of directors determines the specific rights of the holders of such series. However, the effects might include, among other things:

* Less than 1% of the total voting power of the outstanding shares of Common Stock.

(1) Calculated excluding all shares issuable pursuant to options or warrants except, as to each person, the shares issuable to such person pursuant to options or warrants immediately exercisable or exercisable within 60 days from February 15, 2000.

(2) TPG Advisors II, Inc. indirectly controls TPG Semiconductor Holdings, LLC, which directly owns the common stock and preferred stock listed in the table above. It is expected that TPG Semiconductor Holdings LLC will distribute all of such preferred stock to its members prior to the consummation of this offering. See "—Texas Pacific Group."

(3) All shares listed are issuable on exercise of options.

(4) Excludes shares listed above as beneficially owned by TPG Advisors II, Inc., which may be deemed an affiliate of Mr. Bonderman.

(5) Mr. Franke is the beneficial owner of a minority equity interest in TPG Semiconductor Holdings, LLC.

Options

At the date hereof, options to purchase a total of 11,576,666 shares of common stock were outstanding under our 1999 Founders Stock Option Plan and up to 3,000,000 additional shares of common stock may be

issued upon exercise of options that may be granted in the future under our 2000 Stock Incentive Plan. See "Management—1999 Founders Stock Option Plan" and "Management—2000 Stock Incentive Plan."

Registration Rights

Under a Shareholders Agreement among SCG Holding, Motorola and an affiliate of Texas Pacific Group, Motorola and affiliates of Texas Pacific Group are entitled to registration of shares of our common stock and preferred stock that they own. See "Principal Stockholders — Shareholders Agreement."

Anti-Takeover Effects of Our Certificate of Incorporation and Bylaws

Some provisions of our certificate of incorporation and bylaws could make the following more difficult:

- restricting dividends on the common stock;
- diluting the voting power of the common stock;
- impairing the liquidation rights of the common stock; or
- delaying or preventing a change in control of SCG Holding without further action by the stockholders.

These provisions, summarized below, are intended to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board. We believe that the benefits of increased protection give us the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us and outweigh the disadvantages of discouraging such proposals because negotiation of such proposals could result in an improvement of their terms.

Election and Removal of Directors. Our Board of Directors is divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders. This system of electing and removing directors may discourage a third party from making a tender offer or otherwise attempting to obtain control of us because it generally makes it more difficult for stockholders to replace a majority of the directors.

Stockholder Meetings. Under our bylaws, only the Board of Directors or the Chairman of the Board may call special meetings of stockholders.

Requirements for Advance Notification of Stockholder Nominations and Proposals. Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than

nominations made by or at the direction of the Board of Directors or a committee of the Board of Directors.

Elimination of Shareholder Action by Written Consent. Our certificate of incorporation requires shareholder action to be taken only at a general meeting of shareholders and does not permit shareholders to act by written consent.

Undesignated Preferred Stock. The authorization of undesignated preferred stock makes it possible for the Board of Directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of us.

Amendment of Charter Provisions. The amendment of any of the above provisions would require approval by holders of at least 66 2/3% of the outstanding common stock.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Harris Trust Company of California.

Nasdaq Listing

We have filed an application for our common stock to be quoted on the Nasdaq National Market under the trading symbol "ONNN."

Table of Contents

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock. Therefore, future sales of substantial amounts of our common stock in the public market could adversely affect market prices prevailing from time to time. Furthermore, because only a limited number of shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, sales of substantial amounts of our common stock in the public market after the restrictions lapse could adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering, we will have 166,666,666 shares of common stock outstanding, assuming no exercise of outstanding options. Of these shares, the 30,000,000 shares sold in this offering will be freely transferable without restriction or registration under the Securities Act, except for any shares purchased by one of our existing "affiliates," as that term is defined in Rule 144 under the Securities Act. The remaining 136,666,666 shares of common stock outstanding are "restricted shares" as defined in Rule 144.
Restricted shares and shares held by our affiliates may be sold in the public market only if registered or if they qualify for an exemption from registration under the Securities Act.

In addition, 11,576,666 shares of our common stock are subject to outstanding employee stock options and will be registered under the Securities Act. Shares acquired pursuant to the exercise of these stock options by employees who are not our affiliates will be freely transferable without restriction or registration under the Securities Act. Shares acquired through the exercise of options by our affiliates may be sold in the public market only

if registered or pursuant to an applicable exemption under the Securities Act.

Lock-Up Agreements

SCG Holding, our directors and executive officers, affiliates of Texas Pacific Group and Motorola have each agreed not to offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, for a period of 180 days after the date of this prospectus, without the prior written consent of Morgan Stanley & Co. Incorporated, subject to limited exceptions. Morgan Stanley & Co. Incorporated, however, may in its sole discretion, at any time without notice, release all or any portion of the shares subject to lock-up agreements.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after this offering, a person, or persons whose shares are aggregated, who has beneficially owned restricted shares for at least one year, is entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of our then-outstanding shares of common stock or the average weekly trading volume of our common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice of the sale on Form 144. Sales under Rule 144 are also subject to manner of sale provisions, notice requirements and the availability of current public information about us. Any person who is not, and for three months has not been, an affiliate of ours and who has owned restricted shares for at least two years would be entitled to sell such shares under Rule 144(k) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements.

Table of Contents

DESCRIPTION OF INDEBTEDNESS

Senior Bank Facilities

The description set forth below is qualified in its entirety by reference to agreements setting forth the principal terms and conditions of our senior bank facilities.

Pursuant to a credit agreement that was entered into as part of our August 1999 recapitalization among Semiconductor Components Industries, LLC, as borrower, SCG Holding Corporation, as guarantor, the lenders named therein, The Chase Manhattan Bank as administrative agent, collateral agent and syndication agent, and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., as co-documentation agents, a syndicate of banks and other financial institutions provided us senior secured credit facilities of up to $1,025.0 million. The credit agreement was amended on April 3, 2000 in connection with our acquisition of Cherry Semiconductor Corporation to provide an additional term facility of $200 million. The credit agreement, as amended, provides for (1) a $200.0 million senior secured tranche A term loan ($125.5 million of which we borrowed and $5.9 million of which we intend to prepay using a portion of the proceeds of this offering) that fully amortizes by August 4, 2005, (2) a $325.0 million senior secured tranche B term loan ($15.2 million of which we intend to prepay using a portion of the proceeds of this offering) that fully amortizes by August 4, 2006, (3) a $350.0 million senior secured tranche C term loan ($16.3 million of which we intend to prepay using a portion of the proceeds of this offering) that fully amortizes by August 4, 2007, (4) a $200.0 million senior secured tranche D term loan ($9.3 million of which we intend to prepay using a portion of the

proceeds of this offering) that fully amortizes by August 4, 2007 and (5) a $150.0 million senior secured revolving credit facility that matures on the earlier of (a) August 4, 2005 and (b) the date of the repayment in full of the tranche A loan.

The senior bank facilities initially bear interest (subject to performance-based step downs applicable to the tranche A loan and the revolving facility) at a rate equal to (1) in the case of the tranche A loan and the revolving facility, LIBOR plus 3.00% or, at our option, an alternate base rate (as defined in the credit agreement) plus 2.00%; (2) in the case of the tranche B loan, LIBOR plus 3.50% or, at our option, the alternate base rate plus 2.50%; (3) in the case of the tranche C loan, LIBOR plus 3.75% or, at our option, the alternate base rate plus 2.75%; and (4) in the case of the tranche D loan, LIBOR plus 3.00% or, at our option, the alternate base rate plus 2.00%.

In addition to paying interest on outstanding principal under the senior bank facilities, we are required to pay a commitment fee to the lenders in respect of unutilized commitments at a rate equal to .50% per annum.

The senior bank term facilities will amortize in quarterly amounts based upon the annual amounts shown below. These amounts do not give effect to the prepayments we intend to make using a portion of the proceeds of this offering, which will be applied ratably to the tranche A, tranche B, tranche C and tranche D term loans and will reduce subsequent repayment obligations ratably within each tranche.

- acquisition of us by means of a tender offer;
- acquisition of us by means of a proxy contest or otherwise; or
- removal of our incumbent officers and directors.

Table of Contents

The obligations of Semiconductor Components under the senior bank facilities are unconditionally and irrevocably guaranteed by SCG Holding and each of its existing and subsequently acquired or organized domestic subsidiaries. In addition, the senior bank facilities are secured by first priority or equivalent security interests in substantially all tangible and intangible assets of SCG Holding and each of its existing and subsequently acquired or organized domestic subsidiaries, including all the capital stock of, or other equity interests in, Semiconductor Components and each other direct or indirect subsidiary of SCG Holding (except, in the case of voting stock of a foreign subsidiary, not more than 65% of such voting stock is required to be pledged).

We are generally required to prepay borrowings under the senior bank facilities with (1) 100% of the proceeds we receive from non-ordinary course assets sales, (2) 50% of our excess cash flow (as defined in the credit agreement) and (3) 100% of the proceeds we receive from the issuance of debt obligations other than debt obligations permitted under the credit agreement. With respect to any prepayment of the tranche B, tranche C or tranche D loan within two years after our recapitalization, except with respect to prepayments out of excess cash flow, we will pay a premium of (1) 2% of the principal amount being prepaid during the first year and (2) 1% of the principal amount being prepaid during the second year. The credit agreement also contains a number of

covenants that restrict our ability, among other things, to dispose of assets, incur additional indebtedness, incur guarantee obligations, make restricted payments and pay dividends, create liens on assets, make investments, loans or advances, make acquisitions, engage in mergers or consolidations, make capital expenditures, enter into sale and leaseback transactions and engage in various transactions with subsidiaries and affiliates. In addition, we are required to comply with specified financial ratios and tests, including minimum fixed charge coverage and interest coverage ratios and maximum leverage ratios. The credit agreement contains customary events of default.

Senior Subordinated Notes

As part of our recapitalization, we and Semiconductor Components issued $400 million aggregate principal amount of senior subordinated notes, which bear interest at a rate of 12% per annum, payable in cash semi-annually, and mature on August 1, 2009. The senior subordinated notes are subordinated in right of payment to loans under our senior bank facilities and senior in right of payment to our junior subordinated note. We intend to redeem senior subordinated notes in an aggregate principal amount of $140 million using a portion of the proceeds of this offering.

The obligations of Semiconductor Components, and our obligations, under the senior subordinated notes are unconditionally and irrevocably guaranteed by each of our existing and subsequently acquired domestic subsidiaries. In addition, any existing or future foreign subsidiary that guarantees other indebtedness of us or our domestic subsidiaries will also be required to guarantee the senior subordinated notes, if the aggregate principal amount of all such indebtedness guaranteed by all foreign subsidiaries exceeds $25 million.

Holders of our senior subordinated notes will have the right to require us to repurchase their notes upon a change of control (as defined in the indenture relating to the senior subordinated notes). The indenture contains a number of covenants that restrict our ability, among other things, to dispose of assets, incur additional indebtedness, incur guarantee obligations, repay other indebtedness, make restricted payments and pay dividends, make investments, loans or advances, make acquisitions and engage in mergers and consolidations. The indenture contains customary events of default.

Junior Subordinated Note

As part of our recapitalization, Semiconductor Components issued a junior subordinated note to Motorola in the amount of $91 million, which bears interest at a rate of 10% per annum, payable semi-annually in kind. Interest may be paid by Semiconductor Components in cash after the fifth anniversary of the issue date if, after giving effect to the payment of interest on any interest payment date, we would be in compliance with our obligations under the senior bank facilities and the indenture relating to the senior subordinated notes. The junior subordinated note matures on the twelfth anniversary of the issue date and ranks subordinate in right of payment to our senior subordinated notes and the loans under the senior bank facilities and *pari passu* in right of payment with, among other things, unsecured trade debt.

Table of Contents

UNDERWRITERS

Under the terms and subject to the conditions contained in an underwriting agreement dated the date hereof, the underwriters named below, for whom Morgan Stanley & Co. Incorporated, Chase Securities Inc., Lehman Brothers Inc., FleetBoston Robertson Stephens Inc. and Salomon Smith Barney Inc. are acting

as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares of our common stock indicated below:

Calendar Year	Tranche A Facility	Tranche B Facility	Tranche C Facility	Tranche D Facility
		(dollars in thousands)		
2000	$ —	$ —	$ —	$ —
2001	9,412.5	1,625	1,750	1,000
2002	21,962.5	3,250	3,500	2,000
2003	28,237.5	3,250	3,500	2,000
2004	40,787.5	3,250	3,500	2,000
2005	25,100.0	157,625	3,500	2,000
2006	—	156,000	168,000	96,000
2007	—	—	166,250	95,000
Total	$ 125,500	$325,000	$350,000	$200,000

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of our common stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of our common stock offered hereby, other than those covered by the over-allotment option described below, if any such shares are taken.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of
$ a
share under the public offering price. Any underwriter may allow, and such dealers may reallow, a concession not in excess of
$ a
share to other underwriters or to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representative.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 4,500,000 additional shares of common stock at the public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise such option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by us in this offering. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such underwriter’s name in the preceding table bears to the total number of shares of common stock set forth next to the names of the underwriters in the preceding table.

The underwriters have informed us that each principal underwriter in this offering may, subject to the approval of Morgan Stanley & Co. Incorporated, sell to discretionary accounts over which such principal underwriter exercises discretionary authority. The underwriters have further informed us that they estimate that such sales will not exceed in the aggregate five percent of the total number of shares of common stock offered by them.

Table of Contents

We have filed an application for our common stock to be quoted on the Nasdaq National Market under the trading symbol “ONNN.”

SCG Holding, our directors and executive officers, TPG Advisors II, Inc. and Motorola have each agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, he, she or it will not, during the period ending 180 days after the date of this prospectus:

Name	Number of Shares
Morgan Stanley & Co. Incorporated	
Chase Securities Inc.	
Lehman Brothers Inc.	
FleetBoston Robertson Stephens Inc.	
Salomon Smith Barney Inc.	
Total	30,000,000

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

The restrictions described in the previous paragraph do not apply to:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

In order to facilitate this offering, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may over-allot in connection with this offering, creating a short position in the common stock for their own account. In addition, to cover any over-allotments or to stabilize the price of the common stock, the underwriters may bid for, and purchase, shares of common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in this offering, if the syndicate repurchases previously distributed common stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities, any may end any of these activities at any time.

From time to time, certain of the underwriters have provided, and may continue to provide, investment banking services to us. Chase Securities Inc. and Lehman Brothers Inc. were initial purchasers in the offering of our senior subordinated notes. The Chase Manhattan Bank, an affiliate of Chase Securities Inc., and certain affiliates of Lehman Brothers Inc. will receive proceeds from this offering as repayment of loans under our senior bank facilities.

Table of Contents

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

Directed Share Program

At our request, certain of the underwriters have reserved for sale up to 2,500,000 shares, which may be offered for sale at the

initial public offering price to selected directors, officers, employees or persons otherwise associated with ON Semiconductor™ or Texas Pacific Group who have advised us of their desire to purchase the shares. The number of shares of common stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with the sales of reserved shares.

Pricing of this Offering

Prior to this offering, there has been no public market for the common stock. The initial public offering price will be determined by negotiations between us and the representatives. Among the factors to be considered in determining the initial public offering price are our future prospects and those of the semiconductor industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to ours.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Cleary, Gottlieb, Steen & Hamilton, New York, New York. Certain legal matters will be passed upon for the underwriters by Cravath, Swaine & Moore, New York, New York.

EXPERTS

The consolidated financial statements of SCG Holding Corporation and its subsidiaries as of December 31, 1999 and for the period from August 4, 1999 to December 31, 1999 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The combined balance sheet as of December 31, 1998 and the combined statements of revenues less direct and allocated expenses before taxes for each of the years in the two-year period ended December 31, 1998 and for the period from January 1, 1999 through August 3, 1999 of the Semiconductor Components Group of Motorola, Inc. have been included herein in reliance upon the report of KPMG LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act. This prospectus does not contain all of the information included in the registration statement. We have filed agreements and other documents as exhibits to the registration statement. Statements regarding these agreements and other documents are qualified by reference to the actual documents.

You may read and copy the registration statement, including the exhibits thereto, and any reports, statements or other information that we file at the SEC’s public reference room in Washington, D.C. You can request copies of these documents, upon payment of a duplicating fee, by writing the SEC. Please call the

SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our SEC filings will also be available to the public on the SEC Internet site *(http://www.sec.gov)*.

You should rely only on the information provided in this prospectus. No person has been authorized to provide you with different information. Neither Motorola nor any of its subsidiaries, nor Texas Pacific Group nor any of its affiliates is responsible for, or is making any representation to you concerning, our future performance or the accuracy or completeness of this prospectus.

The information in this prospectus is accurate as of the date on the front cover. You should not assume that the information contained in this prospectus is accurate as of any other date.

Table of Contents

GLOSSARY

- the sale of the shares to the underwriters;
- the issuance by us of shares of common stock upon the exercise of certain securities of which the underwriters have been advised in writing;
- the granting of stock options or restricted stock units or the sale of stock pursuant to our existing employee benefit plans;
- transactions by any person other than us relating to shares of common stock or other securities acquired in open market or other transactions after the completion of this offering;
- the issuances by us of shares of common stock in connection with any acquisition of or merger with another company or the acquisition of assets, provided that each recipient of common stock agrees that these shares shall remain subject to the lock-up restrictions for the remainder of the period for which we are bound; or
- certain other transfers and dispositions, provided that the recipient remains subject to the lock-up restrictions for the remainder of the period for which we are bound.

Table of Contents

Analog Products	Products that operate on non-digital signals.
BiCMOS	A hybrid of CMOS and bipolar technologies.
Bipolar	A manufacturing process that uses two opposite electrical poles to build semiconductors.
CMOS	(Complementary Metal Oxide Semiconductor), a type of MOS used in a wide range of digital applications.
Die	A piece of a semiconductor wafer containing the circuitry of a single chip.
Digital Products	Products that operate on digital signals, where electronic signals are treated as either “one” or “zero.”
Diode	An electronic device that allows current to flow in only one direction.
Discrete Product	Individual diodes or transistors that perform basic signal conditioning and switching functions in electronic circuits.
MOSAIC	(Motorola Self-Aligned Integrated Circuit) A high performance bipolar technology used to manufacture emitter-coupled logic products.
MOS	(Metal Oxide Semiconductor), a wafer process technology.
MOSFET	(Metal Oxide Semiconductor Field Effect Transistor) A semiconductor with an electronic switch. A MOSFET operates at mid-range voltages.
Package	A protective case that surrounds the die, consisting of a plastic housing and a lead frame.
Semiconductor	A material with electrical conducting properties in between those of metals and insulators. (Metals always conduct and insulators never conduct, but semiconductors sometimes conduct.) This is the building block of all integrated circuits and diode devices.
Silicon germanium	A material used to substitute for silicon in semiconductor manufacturing that has superior performance results.
SmartMOS	A specialized form of BiCMOS for power management applications.
Standard Analog Products	Simple analog semiconductors (as opposed to more complex products, such as mixed-signal devices or customized analog products) that are used for both interface, power control and power protection functions in electronic systems.

INDEX TO FINANCIAL STATEMENTS

Standard Logic Products	Simple logic semiconductors (as opposed to more complex products, such as microprocessors or application-specific integrated circuits) that are used primarily for interfacing functions, such as interconnecting and routing electronic signals within an electronic system.
TMOS	(T-structure MOS).
Transistor	An individual circuit that can amplify or switch electric current.
Wafer	Round, flat piece of silicon that is the base material in the semiconductor manufacturing process.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders

of SCG Holding Corporation

In our opinion, the accompanying consolidated balance sheet as of December 31, 1999 and the related consolidated statements of operations and comprehensive income, of stockholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of SCG Holding Corporation and its subsidiaries at December 31, 1999, and the results of their operations and their cash flows for the period from August 4, 1999 through December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP

Phoenix, Arizona

February 17, 2000

SCG HOLDING CORPORATION AND SUBSIDIARIES

(D/B/A ON SEMICONDUCTOR)

CONSOLIDATED BALANCE SHEET

	Page
SCG Holding Corporation and Subsidiaries Financial Statements:	
Report of Independent Accountants	F-2
Consolidated Balance Sheet as of December 31, 1999	F-3
Consolidated Statement of Operations and Comprehensive Income for the period from August 4, 1999 through December 31, 1999	F-4
Consolidated Statement of Stockholders' Equity (Deficit) for the period from August 4, 1999 through December 31, 1999	F-5
Consolidated Statement of Cash Flows from the period from August 4, 1999 through December 31, 1999	F-6
Notes to Consolidated Financial Statements	F-7
Semiconductor Components Group of Motorola, Inc. Financial Statements:	
Independent Auditors' Report	F-24
Combined Balance Sheet as of December 31, 1998	F-25
Combined Statements of Revenues Less Direct and Allocated Expenses Before Taxes for each of the years in the two-year period ended December 31, 1998 and the period from January 1, 1999 through August 3, 1999	F-26
Notes to Combined Financial Statements	F-27

See accompanying notes to consolidated financial statements.

Table of Contents

SCG HOLDING CORPORATION AND SUBSIDIARIES

(D/B/A ON SEMICONDUCTOR)

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

	December 31, 1999
	(in millions, except share data)
Assets	
Cash and cash equivalents	$ 126.8
Receivables, net (including $24.7 million due from Motorola)	249.7
Inventories	206.2
Other current assets	26.0
Deferred income taxes	28.4
Total current assets	637.1
Property, plant and equipment, net	569.7
Deferred income taxes	289.0
Investments in joint ventures	40.4
Other assets	80.6
Total assets	$1,616.8
Liabilities, Minority Interests, Redeemable Preferred Stock and Stockholders' Equity (Deficit)	
Accounts payable (including $13.8 million payable to Motorola)	$ 122.5
Accrued expenses (including $8.2 million payable to Motorola)	142.8
Income taxes payable	31.9
Accrued interest	30.1
Total current liabilities	327.3
Long-term debt (including $94.8 million payable to Motorola)	1,295.3
Other long-term liabilities	12.2
Total liabilities	1,634.8
Commitments and contingencies (See Note 12)	—
Minority interests in consolidated subsidiaries	10.1
Redeemable preferred stock ($.01 par value, 100,000 shares authorized, 2,090 shares issued and outstanding; 12% annual dividend rate; liquidation value — $209.0 million plus $10.6 million of accrued dividends)	219.6
Common stock ($.01 par value, 300,000,000 shares authorized, 136,666,666 shares issued and outstanding)	1.4
Additional paid-in capital	204.2
Accumulated other comprehensive income	2.7
Accumulated deficit	(456.0)
Total stockholders' equity (deficit)	(247.7)
Total liabilities, minority interests, redeemable preferred stock and stockholders' equity (deficit)	$1,616.8

See accompanying notes to consolidated financial statements.

Table of Contents

SCG HOLDING CORPORATION AND SUBSIDIARIES

(D/B/A ON SEMICONDUCTOR)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	August 4, 1999 through December 31, 1999
	(in millions, except per share data)
Revenues:	
Net product revenues (including $61.5 million from Motorola)	$728.8
Foundry revenues to Motorola	69.9
Total revenues	798.7
Cost of sales	573.3
Gross profit	225.4
Operating Expenses:	
Research and development	16.3
Selling and marketing	24.6
General and administrative	77.3
Restructuring charges	3.7
Total operating expenses	121.9
Operating Income	103.5
Other income (expenses), net:	
Interest expense	(55.9)
Equity in earnings of joint ventures	1.4
Other income (expenses), net	(54.5)
Income before income taxes and minority interests	49.0
Provision for income taxes	(18.1)
Minority interests	(1.1)
Net income	29.8
Less: Redeemable preferred stock dividends	(10.6)
Net income available for common stock	$ 19.2
Comprehensive income:	
Net income	$ 29.8
Foreign currency translation adjustments	2.7
Comprehensive income	$ 32.5
Earnings per share:	
Basic	$ .14
Diluted	$ .13
Weighted average shares outstanding:	
Basic	136.7
Diluted	144.6

See accompanying notes to consolidated financial statements.

Table of Contents

SCG HOLDING CORPORATION AND SUBSIDIARIES

(D/B/A ON SEMICONDUCTOR)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Common Stock (Shares)	Common Stock	Additional Paid In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
			(in millions, except share data)			
Shares issued in connection with Recapitalization (See Note 1)	136,666,666	$1.4	$203.6	$ –	$(474.6)	$(269.6)
Redeemable preferred stock dividends	–	–	–	–	(10.6)	(10.6)
Options granted in connection with the recapitalization (See Note 9)	–	–	.6	–	(.6)	–
Comprehensive income:						

Net income	–	–	–	–	29.8	29.8
Foreign currency translation adjustments	–	–	–	2.7	–	2.7
Comprehensive income	–	–	–	2.7	29.8	32.5
Balances at December 31, 1999	136,666,666	$1.4	$204.2	$2.7	$(456.0)	$(247.7)

See accompanying notes to consolidated financial statements.

Table of Contents

SCG HOLDING CORPORATION AND SUBSIDIARIES

(D/B/A ON SEMICONDUCTOR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Background and Basis of Presentation

SCG Holding Corporation, together with its wholly- and majority-owned subsidiaries (the "Company"), is one of the largest independent suppliers of semiconductor components in the world. Formerly known as the Semiconductor Components Group of the Semiconductor Products Sector of Motorola, Inc., the Company was a wholly-owned subsidiary of Motorola, Inc. prior to its August 4, 1999 recapitalization. The Company held, and continues to hold, through direct and indirect subsidiaries, substantially all of the assets and operations of the Semiconductor Components Group of Motorola's Semiconductor Products Sector. The Company recently began marketing its products under its new trade name, ON Semiconductor™.

On August 4, 1999, the Company was recapitalized and certain related transactions were effected (the "Recapitalization") pursuant to an agreement among SCG Holding Corporation, its subsidiary, Semiconductor Components Industries, LLC, Motorola and affiliates of Texas Pacific Group. As a result of the Recapitalization, an affiliate of Texas Pacific Group owns approximately 91% and Motorola owns approximately 9% of the outstanding common stock of the Company. In addition, as part of these transactions, Texas Pacific Group received 1,500 shares and Motorola received 590 shares of the Company's mandatorily redeemable preferred stock with a liquidation value of $209 million plus accrued and unpaid dividends. Motorola also received a $91 million junior subordinated note issued by Semiconductor Components Industries, LLC, a wholly-owned subsidiary of the Company. Cash payments to Motorola in connection with the Recapitalization were financed through equity investments by affiliates of Texas Pacific Group totaling $337.5 million, borrowings totaling $740.5 million under the Company's $875 million senior bank facilities and the issuance of $400 million of 12% senior subordinated notes due August 2009. Because Texas Pacific Group's affiliate did not acquire substantially all of the Company's common stock, the basis of the Company's assets and liabilities for financial reporting purposes was not impacted by the Recapitalization.

The accompanying consolidated financial statements include information as of December 31, 1999 and for the period from August 4, 1999 (the date of the Recapitalization) through December 31, 1999.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying financial statements include the accounts of the Company, its wholly-owned subsidiaries and the majority-owned subsidiaries that it controls. An investment in a majority-owned joint venture that the Company does not control as well as an investment in a 50%-owned joint venture are accounted for on the equity method. All material intercompany accounts and transactions have been eliminated.

Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated over useful lives of 30-40 years for buildings and 3-20 years for machinery and equipment using accelerated and straight-line methods.

Table of Contents

Expenditures for maintenance and repairs are charged to operations in the year in which the expense is incurred.

Impairment of Long-Lived Assets

The Company reviews the carrying value of property, plant and equipment for impairment by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized for the amount by which the carrying value exceeds the fair value of assets. The fair value is determined based on the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved.

Debt Issuance Costs

In connection with the Recapitalization, the Company incurred $52.9 million in costs relating to the establishment of its senior bank facilities and the issuance of its senior subordinated notes. These costs have been capitalized and are being amortized on a straightline basis over the terms of the underlying agreements. Other assets at December 31, 1999 includes $50.2 million of unamortized debt issuance costs.

Revenue Recognition

Revenues from the sale of semiconductor products and the provision of foundry services are recognized when products are shipped. Provisions for estimated returns and allowances are also recorded at that time.

Research and Development Costs

Research and development costs are expensed as incurred.

Stock-Based Compensation

The Company measures compensation expense relating to employee stock awards in accordance with Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees.” The Company measures compensation expense relating to non-employee stock awards in accordance with Statement of Financial Accounting Standards No. 123 “Accounting for Stock Based Compensation” (“SFAS 123”).

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for deferred tax assets that are not expected to be recovered from future operations.

Foreign Currencies

The Company’s foreign subsidiaries utilize the U.S. dollar as their functional currency, except for subsidiaries in Japan and Western Europe where the local currency is used. For foreign subsidiaries which use the U.S. dollar as the functional currency, the net effects of gains and losses from foreign currency transactions and from the translation of foreign currency financial statements into U.S. dollars are included in current

Table of Contents

operations. The net translation gains and losses for subsidiaries using the local currency as the functional currency are included as a component of accumulated other comprehensive income.

Earnings per Common Share

Basic earnings per share are computed by dividing net income available for common stock (net income less dividends accrued on the Company’s redeemable preferred stock) by the weighted average number of common shares outstanding during the period. Diluted earnings per share incorporates the incremental shares issuable upon the assumed exercise of stock options. The number of incremental shares from the assumed exercise of stock options is calculated by applying the treasury stock method. The weighted average number of shares consists of the following (in millions):

	August 4, 1999 through December 31, 1999
	(in millions)
Cash flows from operating activities:	
Net income	$ 29.8
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	61.9
Amortization of debt issuance costs	2.7
Provision for doubtful accounts	2.0
Loss on disposals of property, plant and equipment	.7
Non-cash interest on junior subordinated note payable to Motorola	3.8
Minority interests in earnings of consolidated subsidiaries	1.1

Undistributed earnings of unconsolidated joint ventures	(1.4)
Deferred income taxes	(17.6)
Changes in assets and liabilities:	
Receivables	(238.4)
Inventories	10.5
Other assets	(2.0)
Accounts payable	84.1
Accrued expenses	39.9
Income taxes payable	31.8
Accrued interest	30.1
Other long-term liabilities	1.7
Net cash provided by operating activities	40.7
Cash flows from investing activities:	
Purchase of property, plant and equipment	(64.0)
Investment in joint ventures	(4.9)
Loan to unconsolidated joint venture	(28.3)
Proceeds from sales of property, plant and equipment	1.8
Net cash used in investing activities	(95.4)
Cash flows from financing activities (See Note 1):	
Proceeds from issuance of common stock to an affiliate of Texas Pacific Group	187.5
Proceeds from issuance of redeemable preferred stock to an affiliate of Texas Pacific Group	150.0
Proceeds from borrowings under senior credit facilities	800.5
Proceeds from issuance of senior subordinated notes	400.0
Payment of debt issuance costs	(52.6)
Repayment of joint venture debt	(44.8)
Net cash payments to Motorola in connection with Recapitalization	(1,258.7)
Net cash provided by financing activities	181.9
Effect of exchange rate changes on cash and cash equivalents	(.4)
Net increase in cash and cash equivalents	126.8
Cash and cash equivalents, beginning of period	—
Cash and cash equivalents, end of period	$ 126.8

Stock Splits

In connection with the Recapitalization, the Company issued 100,000 shares of its $.01 par value common stock. The Company's Board of Directors subsequently approved a 2,049-for-1 stock split effected in the form of a stock dividend. On February 17, 2000, the Company's Board of Directors approved a 2-for-3 reverse stock split. Historical stockholders' equity (deficit), share and per share amounts have been retroactively restated to reflect these stock splits as of August 4, 1999. The par value of common stock has not been changed as a result of these transactions.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which establishes standards for the accounting and reporting for derivative instruments, including derivative instruments embedded in other contracts, and hedging activities. This statement generally requires recognition of gains and losses on hedging instruments based on changes in fair value. The Company is currently evaluating the impact of adopting SFAS 133 but does not expect it to be material. As issued, SFAS 133 was effective for the first quarter of fiscal years beginning after June 15, 1999. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of FASB Statement No. 133 — An Amendment of FASB Statement No. 133," which deferred the effective date of SFAS No. 133 so that it is now effective for all fiscal quarters of all fiscal years beginning after June 15, 2000.

Note 3: Balance Sheet Information

Balance sheet information as of December 31, 1999 follows (in millions):

Weighted average shares	136.7
Dilutive effect of stock options	7.9
Weighted average shares outstanding	144.6

Note 4: Investments in Joint Ventures

The Company has interests in joint ventures which are accounted for using the equity method. The investment in each joint venture approximates the Company's underlying equity interest of each joint venture. Investments in these joint ventures totaled $40.4 million at December 31, 1999, while the related earnings totaled $1.4 million for the period from August 4, 1999 through December 31, 1999. Summarized financial information for the joint ventures is as follows (in millions):

Receivables:	
Accounts Receivable	$ 251.7
Less allowance for doubtful accounts	(2.0)
	$ 249.7
Inventories:	
Raw materials	$ 25.6
Work in process	103.8
Finished goods	76.8
	206.2
Property, plant and equipment, net:	
Land	$ 12.0
Buildings	257.9
Machinery and equipment	1,287.3
Total property, plant and equipment	1,557.2
Less accumulated depreciation	(987.5)
	$ 569.7

	Leshan-Phoenix Semiconductor Ltd.	Semiconductor Miniature Products Malaysia	Total
Country location	China	Malaysia	
Percentage ownership	51%	50%	
As of December 31, 1999			

Table of Contents

In connection with the Recapitalization, the Company loaned Leshan-Phoenix Semiconductor Ltd. ("Leshan") $28.3 million to refinance third-party non-recourse loans. The Company's loan to Leshan bears interest at 10.5% payable quarterly and is included in other assets in the consolidated balance sheet.

Note 5: Restructuring Charges

In June 1998, Motorola recorded a charge to cover restructuring costs related to the consolidation of manufacturing operations, the exit of non-strategic or poorly performing businesses and a reduction in worldwide employment by 20,000 employees. Asset impairment and other charges were also recorded for the write-down of assets which became impaired as a result of current business conditions or business portfolio decisions. The Company's charges related to these actions totaled $189.8 million and consisted of $13.2 million relating to the consolidation of manufacturing operations in Arizona and the Philippines, $20.7 million for costs relating to the exit of certain businesses, $102.0 million for separation costs associated with the planned reductions of 3,900 employees and $53.9 million for asset impairments that were charged directly against property, plant and equipment.

As of the date of the Recapitalization, the Company had spent $92.8 million in connection with the related restructuring actions including $3.8 million for the consolidation of manufacturing operations, $15.8 million for business exits and $73.2 million for employee separations costs relating to approximately 3,000 employees. In connection with the Recapitalization, Motorola agreed to retain the remaining employee separation reserve of $28.8 million to cover approximately 900 employees who were to remain employees of and be released by Motorola. At August 4, 1999, the Company had remaining reserves of $9.4 million relating to the consolidation of manufacturing operations and $4.9 million for business exits for a total restructuring reserve of $14.3 million.

During the period from August 4, 1999 through December 31, 1999, the Company spent approximately $.9 million in connection with restructuring actions relating to the consolidation of manufacturing operations. In December 1999, the Company completed a detailed evaluation of the costs to be incurred to complete the remaining restructuring actions. Based on this evaluation, the Company released $7.4 million of its remaining 1998 restructuring reserve to income as a credit to restructuring charges in the consolidated statement of operations and comprehensive income. The Company's remaining restructuring reserve relating to the 1998 restructuring totaled $6.0 million at December 31, 1999.

In December 1999, the Company recorded a restructuring charge of $11.1 million, including $3.5 million to cover separation costs relating to approximately 150 employees at a manufacturing facility in Mesa, Arizona that was closed in December as well as $7.6 million to cover equipment write-downs at that facility and other non-cash business exit costs that were charged directly against the related assets.

A summary of activity in the Company's restructuring reserves from August 4, 1999 through December 31, 1999 is as follows (in millions):

Current assets	$16.2	$ 15.0	$ 31.2
Noncurrent assets	61.1	109.0	170.1
Total assets	$77.3	$124.0	$201.3
Current liabilities	$11.1	$ 37.8	$ 48.9
Noncurrent liabilities	28.3	45.1	73.4
Venture equity	37.9	41.1	79.0
Total liabilities and equity	$77.3	$124.0	$201.3
August 4, 1999 through December 31, 1999			
Net sales	$16.3	$ 37.0	$ 53.3
Gross profit	2.2	7.6	9.8
Net income (loss)	(.8)	3.6	2.8

Table of Contents

Restructuring charges during the period from August 4, 1999 through December 31, 1999 are summarized as follows (in millions):

Balance, August 4, 1999.	$14.3
Plus: December 1999 employee separation charge	3.5
Less: Payments charged against the reserve	(.9)
Less: Reserve released to income	(7.4)
Balance, December 31, 1999.	$ 9.5

Note 6: Long-Term Debt

Long-term debt at December 31, 1999 consisted of the following (dollars in millions):

Reserve released to income	$(7.4)
December 1999 restructuring charge (including non-cash portion)	11.1
Total	$ 3.7

Borrowings under Tranche A, B and C facilities amortize within six, seven and eight years, respectively. The Tranche A facility includes a delayed-draw facility of $134.5 million of which $60.0 million had been borrowed as of December 31, 1999. The Company's ability to borrow under the delayed-draw facility expired February 4, 2000. Although no amounts are outstanding under the Company's revolving bank facility as of December 31, 1999, the amount available has been reduced by $13.6 million for letters of credit issued on behalf of the Company. The Company is obligated to pay a fee for unutilized commitments at a rate of .50% per annum. Prepayment of borrowings under the Tranche B and C facilities require a premium of 2% of the principal amount prepaid prior to August 4, 2000 and 1% of the principal amount prepaid during the period from August 4, 2000 to August 4, 2001.

Borrowings under the senior bank facilities bear interest, payable quarterly, at rates selected by the Company based on LIBOR or the alternate base rate defined in the related agreement plus a spread as follows:

	Amount of Facility	Interest Rate at December 31, 1999	Balance
Senior Bank Facilities:			
Tranche A	$200.0	8.927%	$ 125.5
Tranche B	325.0	9.313%	325.0
Tranche C	350.0	9.563%	350.0
Revolver	150.0	—	—
			800.5
12% Senior Subordinated Notes due 2009			400.0
10% Junior Subordinated Note Payable to Motorola due 2011 (including accrued interest of $3.8)			94.8
			$1,295.3

Except as discussed below, the senior subordinated notes may not be redeemed prior to August 1, 2004. Redemption prices range from 106% of the principal amount if redeemed in 2004 to 100% if redeemed in 2008 or thereafter. Up to 35% of the aggregate principal amount of the senior subordinated notes may be redeemed

Table of Contents

prior to August 4, 2002 with the net cash proceeds of a public equity offering at a redemption price equal to 112% of the principal amount redeemed.

The senior bank facilities as well as the senior subordinated notes contain various covenants and restrictions, including restrictions on the payment of dividends under certain circumstances, and require that substantially all of the Company's assets be pledged as collateral.

Annual maturities of long-term debt are as follows (in millions):

	LIBOR	Alternate Base Rate
Tranche A	+3.0%	+2.0%
Tranche B	+3.5%	+2.5%
Tranche C	+3.75%	+2.75%
Revolver	+3.0%	+2.0%

The Company and one of its domestic subsidiaries (collectively, the "Issuers") issued the senior subordinated notes due 2009. The Company's other domestic subsidiaries (collectively, the "Guarantor Subsidiaries") have jointly and severally, irrevocably and unconditionally guaranteed the Issuers' obligations under the senior subordinated notes. The Guarantor Subsidiaries are holding companies whose net assets consist primarily of investments in the Company's joint ventures in China, Malaysia and the Czech Republic as well as nominal equity interests in certain of the Company's foreign subsidiaries. The joint ventures and foreign subsidiaries (collectively, the "Non-Guarantor Subsidiaries") themselves are not guarantors of the senior subordinated notes.

Table of Contents

Condensed consolidating financial information for the Issuers, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries as of December 31, 1999 and for the period from August 4, 1999 through December 31, 1999 is as follows (in millions):

Year ending December 31:	
2000	$ —
2001	18.4
2002	41.8
2003	51.8
2004	37.3
Thereafter	1,146.0
	$1,295.3

Table of Contents

In connection with the Recapitalization, the Company refinanced third-party non-recourse loans of the majority-owned joint ventures located in the Czech Republic totaling $44.8 million with intercompany loans.

Note 7: Income Taxes

Geographic sources of income before taxes and minority interests for the period from August 4, 1999 through December 31, 1999 were as follows (in millions):

	Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Receivables	$ 251.9	$ —	$ 6.5	$ (8.7)	$ 249.7
Inventories	198.4	—	7.8	—	206.2
Other current assets	177.7	—	9.4	(5.9)	181.2
Total current assets	628.0		23.7	(14.6)	637.1
Property, plant and equipment, net	505.3	—	64.4	—	569.7
Deferred income taxes	289.0	—	—	—	289.0
Investments and other assets	183.0	52.9	1.7	(116.6)	121.0
Total assets	$1,605.3	$52.9	$89.8	$(131.2)	$1,616.8
Accounts payable	$ 126.3	$ .6	$ 4.6	$ (9.0)	$ 122.5
Accrued expenses	199.6	—	5.4	(.2)	204.8
Total current liabilities	325.9	.6	10.0	(9.2)	327.3
Long-term debt and other	1,307.5	—	54.7	(54.7)	1,307.5
Total liabilities	1,633.4	.6	64.7	(63.9)	1,634.8
Minority interests	—	—	—	10.1	10.1
Redeemable preferred stock	219.6	—	—	—	219.6
Stockholders' equity (deficit)	(247.7)	52.3	25.1	(77.4)	(247.7)
Liabilities, minority interests, redeemable preferred stock and stockholders' equity (deficit)	$1,605.3	$52.9	$89.8	$(131.2)	$1,616.8
Revenues	$ 796.9	$ —	$26.6	$ (24.8)	$ 798.7
Cost of sales	578.9	—	19.2	(24.8)	573.3
Gross profit	218.0	—	7.4	—	225.4
General and administrative	75.2	—	2.1	—	77.3
Other operating expenses	44.6	—	—	—	44.6
Total operating expenses	119.8	—	2.1	—	121.9
Operating income	98.2	—	5.3	—	103.5
Interest expense	(53.8)	—	(2.1)	—	(55.9)
Equity earnings	2.5	1.8	—	(2.9)	1.4
Income before taxes and minority interests	46.9	1.8	3.2	(2.9)	49.0
Provision for income taxes	(17.1)	(.7)	(.3)	—	(18.1)
Minority interests	—	—	—	(1.1)	(1.1)
Net income	$ 29.8	$ 1.1	$ 2.9	$ (4.0)	$ 29.8

The provision for income taxes for the period from August 4, 1999 through December 31, 1999 was as follows (in millions):

United States	$10.8
Foreign	38.2
	$49.0

A reconciliation of the U.S. federal statutory income tax rate to the Company's effective income tax rate for the period from August 4, 1999 through December 31, 1999 is as follows:

Current	
Federal	$ 12.3
State and local	1.7
Foreign	21.7
	35.7
Deferred	
Federal	(7.9)
State and local	(1.1)
Foreign	(8.6)

	(17.6)
	$ 18.1

Table of Contents

Deferred tax assets (liabilities) at December 31, 1999 were as follows (in millions):

U.S. federal statutory rate	35.0%
Increase (decrease) resulting from:	
State and local taxes, net of federal tax benefit	1.1
Foreign withholding taxes	1.4
Foreign rate differential	(2.6)
Other	2.1
	37.0%

Realization of deferred tax assets is dependent upon generating sufficient taxable income in the future. Based on the Company's history of profitable operations, management has concluded that it is more likely than not that the Company will ultimately realize the full benefit of its deferred tax assets. Accordingly, the Company has not provided a valuation allowance for its net deferred tax assets.

Income taxes have not been provided on the Company's share ($52.0 million) of undistributed earnings of foreign manufacturing interests over which we have sufficient influence to control the distribution of such earnings and have determined that such earnings have been reinvested indefinitely. These earnings could become subject to additional tax if they were remitted as dividends, if foreign earnings were lent to any of the Company's U.S. entities, or if the Company sells its stock in the subsidiaries. It is estimated that repatriation of these foreign earnings would generate additional foreign tax withholdings of $2.9 million and federal income tax, net of foreign tax credits, of $9.2 million.

Note 8: Redeemable Preferred Stock

In connection with the Recapitalization, the Company issued 2,090 shares of its 12% mandatorily redeemable preferred stock with an original liquidation value of $209 million. Dividends on the preferred stock are payable quarterly and compound to the extent not paid. The Company will be required to redeem all of the shares of the preferred stock on the thirteenth anniversary of the issue date at a price equal to the liquidation value plus all accumulated dividends that have been applied to increase the liquidation value. Shares of the preferred stock may be redeemed, in whole or in part, at the option of the Company.

Optional redemption of the preferred stock is subject to, and expressly conditioned upon, limitations under the Company's senior subordinated notes, its senior bank facilities and other documents relating to the Company's indebtedness. The Company may also be required to offer to repurchase shares of the preferred stock in other circumstances, including the occurrence of a change of control of the Company, in each case subject to the terms of the senior subordinated notes, senior bank facilities and other documents relating to the Company's indebtedness. Holders of the preferred stock will not have any voting rights, except with respect to specified actions that might adversely affect the holders and except for such rights as are provided under applicable law.

Note 9: Stock Options

1999 Founders Stock Option Plan

The Company has adopted the SCG Holding Corporation 1999 Founders Stock Option Plan, an incentive plan for key employees, directors and consultants. A total of 11,576,666 shares of the Company's

Table of Contents

common stock have been reserved for issuance under the plan. The plan is administered by the Board of Directors or a committee thereof, which is authorized to, among other things, select the key employees, directors and consultants who will receive grants and determine the exercise price and vesting schedule of the options. Prior to the existence of a public market for the Company's common stock, (as defined in the plan) fair market value is determined by the Board of Directors. Following the existence of a public market for the Company's common stock, fair market value will be based on the closing price for the shares on the exchange on which the shares are listed.

As of December 31, 1999, options to purchase 10,101,333 shares of the Company's common stock have been granted at an exercise price of $1.50 per share. Generally, the options vest over a period of four years, with approximately 8% becoming immediately vested and exercisable on the grant date. All outstanding options will vest automatically upon a change of control (as defined in the plan) other than an initial public offering, provided the option holder is employed by the Company on the date of the change in control. Upon the termination of an option holder's employment, all unvested options will immediately terminate and vested options will generally remain exercisable for a period of 90 days after date of termination (one year in the case of death or disability). Prior to the existence of a public market for the Company's common stock, if an employee's employment terminates, the Company generally has the right to purchase vested options from that employee at a price equal to the excess of the fair market value per share of the common stock over the exercise price per share specified in the option. In addition, any shares acquired prior to the existence of a public market will generally be subject to the Company's call right, as well as customary drag-along and tag-along rights.

As permitted by Statement of Financial Accounting Standards No. 123 "Accounting for Stock Based Compensation" ("SFAS 123"), the Company measures compensation expense in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Had the Company determined compensation expense in accordance with SFAS No. 123, the Company's net income for the period from August 4, 1999 through December 31, 1999 would have been reduced to the pro-forma amount indicated below (in millions):

	December 31, 1999
Tax-deductible goodwill	$297.6
Reserves and accruals	16.8
Inventories	7.3
Other	5.3
Deferred tax assets	327.0
Depreciation	(9.6)
Deferred tax liabilities	(9.6)
	$317.4

The per share weighted-average fair value of the stock options granted under the plan for the period from August 4, 1999 through December 31, 1999 was $.39 based on the date of the grant using an appropriate option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 0%; a risk free interest rate of 5.94%; and an expected life of 5 years.

The Company paid its Chairman a consulting fee of $100,000 and granted him an option to purchase 200,000 shares of common stock for services rendered in connection with the Recapitalization. The Company also granted one of its directors an option to purchase 410,000 shares of common stock for services rendered in connection with the Recapitalization. The options, which have an exercise price of $1.50 per share, were recorded as a charge to accumulated deficit at their estimated fair value of $600,000.

2000 Stock Incentive Plan

On February 17, 2000, the Company adopted the 2000 Stock Incentive Plan to provide key employees, directors and consultants with various equity-based incentives as described in the plan. The Company reserved 3.0 million shares of common stock for grants under this plan. The plan is administered by the Board of Directors or committee thereof, which is authorized to determine, among other things, the key employees, directors or consultants who will receive awards under the plan, the amount and type of award, exercise price or performance criteria, if applicable, and vesting schedule. Under the “Take Ownership” portion of the plan,

Table of Contents

the Board of Directors intends, subject to local legal requirements, to grant an option to purchase shares of common stock to every employee at the market price of the Company’s stock on the date of the grant. Under this portion of the plan, options will become exercisable from the grant date.

2000 Employee Stock Purchase Plan

On February 17, 2000, the Company also adopted the 2000 Employee Stock Purchase Plan to become effective upon completion of the Company’s initial public offering. The Company reserved 1.5 million shares of common stock under this plan. Subject to local legal requirements, each of the Company’s full-time employees will have the opportunity to have up to 10% of their payroll applied towards the purchase of shares of the Company’s common stock at a price equivalent to 85% of the fair market value of such shares as determined under the plan. Employees will be limited to annual purchases of $25,000 under this plan.

Note 10: Financial Instruments

As a multinational business, the Company’s transactions are denominated in a variety of currencies. The Company uses forward foreign currency contracts to reduce its overall exposure to the effects of currency fluctuations on its results of operations and cash flows. The Company’s policy prohibits speculation on financial instruments, trading in currencies for which there are no underlying exposures, or entering into trades for any currency to intentionally increase the underlying exposure.

The Company’s foreign exchange management strategy requires

that each foreign operation provide a forecast of their foreign currency exposures. The Company then aggregates the forecasts and enters into net hedge contracts in order to create an offset to the underlying exposures. Losses or gains on the underlying cash flows or investments offset gains or losses on the financial instruments. The Company primarily hedges existing assets and liabilities and cash flows associated with transactions currently on its balance sheet.

At December 31, 1999, the Company had net outstanding foreign exchange contracts with a notional amount of $128 million. Most of the hedge contracts, which are obtained through Motorola, mature within three months with the longest maturity extending six months. Management believes that these financial instruments should not subject the Company to undue risk due to foreign exchange movements because gains and losses on these contracts should offset losses and gains on the assets, liabilities and transactions being hedged. The following schedule shows the five largest net foreign exchange hedge positions in U.S. dollars at fair market value as of December 31, 1999 (in millions):

As reported	$29.8
Pro-forma	29.5

The Company is exposed to credit-related losses if counterparties to financial instruments fail to perform their obligations. Motorola is the counterparty for all of the Company's foreign exchange contracts, and no credit-related losses are anticipated.

At December 31, 1999, the Company had an interest rate swap which becomes effective in February 2000. This transaction, required by the credit agreement relating to the senior bank facilities, is a floating-to-fixed rate swap based on LIBOR with quarterly rate resets. The notional principal amount of this swap is $200 million and is used solely as the basis for which the payment streams are calculated and exchanged. The notional amount is not a measure of the exposure to the Company through the use of the swap. The interest

rate swap matures in relationship to its existing long-term debt and has a final expiration date of November 2004. The purpose of the interest rate swap was to essentially modify the interest rate characteristics of a portion of the Company's debt from floating to fixed rate. Amounts to be paid or received under the contract are recorded as an adjustment to interest expense. The Company is subject to market risk as interest rates fluctuate and impact the interest payments due on the notional principal amount. The fair value of the interest rate swap is determined based on the difference between the contract rate of interest and the rates currently quoted for contracts of similar terms and maturities. The market value of the contract at December 31, 1999 was not significant.

At December 31, 1999, the Company had no outstanding commodity derivatives, currency swaps or options relating to either its debt instruments or investments. The Company does not have any derivatives to hedge the value of its equity investments in affiliated companies.

Note 11: Fair Value of Financial Instruments

For certain of the Company's financial instruments,

including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The carrying amounts and fair values of the Company's other financial instruments as of December 31, 1999 were as follows (in millions):

	Carrying amount	Fair value
Long-term debt	$1,295.3	$1,321.0
Forward foreign exchange contracts	7.4	7.0
Redeemable preferred stock	219.6	248.0

The Company's existing leases do not contain significant restrictive provisions; however, certain leases contain renewal options and provisions for payment by the Company of real estate taxes, insurance and maintenance costs. Total rent expense for the period from August 4, 1999 through December 31, 1999 was $7.0 million.

Table of Contents

	Buy (Sell)
Japanese Yen	$(94.0)
Mexico Peso	47.0
British Pound	(24.0)
Euro	(19.0)
Malaysian Ringgit	(18.0)

Note 12: Commitments and Contingencies

Leases

The following is a schedule by year of future minimum lease obligations under noncancelable operating leases as of December 31, 1999 (in millions):

Legal Matters

The Company is currently involved in a variety of legal matters that arose in the normal course of business. Based on information currently available, management does not believe that the ultimate resolution of these matters will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

On December 6, 1999, International Rectifier filed an action against the Company in the United States District Court for the Central District of California alleging that our power-MOS products infringed eight of their patents. These power-MOS products were previously manufactured by Motorola under a license from International Rectifier that expired on December 31, 1999. The Company has not yet been served with process in this litigation and is engaged in good faith discussions with International Rectifier regarding a number of different aspects of our continuing business relationship, including development of a new license agreement. In the event that the Company is unable to reach such agreements on acceptable terms and International Rectifier pursues the pending litigation, the Company could be adversely affected by the imposition of an injunction, the award of damages or both.

Note 13: Employee Benefit Plans

Pension Plans

The Company has a noncontributory pension plan that covers most U.S. employees after one year of service. The benefit formula is dependent upon employee earnings and years of service. The Company's policy is to fund the plan in accordance with the requirements and regulations of the Internal Revenue Code. Benefits under the pension plan are valued based upon the projected unit credit cost method.

Certain of the Company's foreign subsidiaries provide retirement plans for substantially all of their employees. The plans conform to local practice in terms of providing minimum benefits mandated by law, collective agreements or customary practice. Benefits under all foreign pension plans are also valued using the projected unit credit cost method.

The following is a summary of the status of the pension plans and the net periodic pension cost as of December 31, 1999 and for the period from August 4, 1999 through December 31, 1999 (dollars in millions):

Year ending December 31:	
2000	$ 9.4
2001	6.1
2002	2.7
2003	1.8
2004	4.1
Thereafter	1.5
	$25.6

Table of Contents

	U.S. Pension Plan	Foreign Pension Plans	Total
Change in Benefit Obligation:			
Benefit obligation at August 4, 1999	$ 74.8	$30.2	$105.0
Service cost	2.5	1.1	3.6
Interest cost	2.4	.8	3.2
Plan curtailment	(12.6)	—	(12.6)
Actuarial gain (loss)	—	—	—
Benefits paid	—	(.1)	(.1)
Translation gain	—	2.3	2.3
Benefit obligation at December 31, 1999	$ 67.1	$34.3	$101.4

In November 1999, the Company's U.S. pension plan was amended so that benefit accruals under the plan will be discontinued effective December 31, 2004 for those employees whose combined age and years of service (in complete years) equaled or exceeded 65 at August 4, 1999. Benefit accruals under the plan for all other employees will be discontinued effective December 31, 2000. Employees will be entitled to redirect their vested account balances into the Company's defined contribution plan described below or an annuity contract or to receive a lump-sum distribution.

This plan curtailment resulted in a reduction in the plan's benefit obligation of $12.6 million. After recognition of the related unrecognized prior service cost and other charges, the Company recognized a net curtailment gain of $.5 million during the period from August 4, 1999 through December 31,

1999.

Table of Contents

SCG HOLDING CORPORATION AND SUBSIDIARIES

(D/B/A ON SEMICONDUCTOR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Defined Contribution Plans

The Company has a deferred compensation plan for all eligible U.S. employees established under the provisions of Section 401(k) of the Internal Revenue Code. Eligible employees may contribute a percentage of their salary subject to certain limitations. For the period from August 4, 1999 through December 31, 1999, there were no Company matching contributions to the plan, however, U.S. employees were eligible for a profit sharing contribution. Effective January 1, 2000, the Company will match 100% of the first 4% of the employee contribution, and 50% of the next 4% of the employee contribution, as defined in the plan. Participants are at all times fully vested in their contributions and the Company's contributions. The Company recognized $1.3 million expense for the profit sharing feature of the plan for the period from August 4, 1999 through December 31, 1999.

Certain foreign subsidiaries have defined contribution plans in which eligible employees participate. The Company recognized compensation expense of $.4 million relating to these plans during the period from August 4, 1999 through December 31, 1999.

Note 14: Supplemental Disclosure of Cash Flow Information

The Company's non-cash financing activities and cash payments for interest and income taxes were as follows for the period from August 4, 1999 through December 31, 1999 (in millions):

	U.S. Pension Plan	Foreign Pension Plans	Total
Change in Plan Assets:			
Fair value at August 4, 1999.	$ 60.5	$ 13.4	$ 73.9
Actual return on plan assets	1.3	.3	1.6
Employer contributions	—	3.4	3.4
Benefits paid	—	(.1)	(.1)
Translation gain	—	1.3	1.3
Fair value at December 31, 1999.	$ 61.8	$ 18.3	$ 80.1
Balances as of December 31, 1999:			
Pension benefit obligation	$(67.1)	$(34.3)	$(101.4)
Fair value of plan assets	61.8	18.4	80.2
Funded status	(5.3)	(15.9)	(21.2)
Unrecognized net actuarial loss	—	.3	.3
Unrecognized prior service cost	2.8	6.1	8.9
Accrued benefit cost	$ (2.5)	$ (9.5)	$ (12.0)
Assumptions as of December 31, 1999:			
Discount rate	6.80%	6.22%	
Expected return on assets	8.50%	5.15%	
Rate of compensation increase	5.00%	7.91%	
Components of net periodic pension cost:			
Service cost	$ 2.5	$ 1.0	$ 3.5
Interest cost	2.4	.8	3.2
Expected return on assets	(2.4)	(.5)	(2.9)
Amortization of prior service cost	.5	.2	.7
Net periodic pension cost	3.0	1.5	4.5
Curtailment gain	(.5)	—	(.5)
Translation gain	—	—	—
Net pension cost	$ 2.5	$ 1.5	$ 4.0

Note 15: Related Party Transactions

In connection with the Recapitalization, the Company paid Texas Pacific Group a financial advisory fee in the amount of $25.0 million. The Company has also agreed to pay Texas Pacific Group an annual management fee of up to $2.0 million. Management fees payable to Texas Pacific Group for the period from August 4, 1999 through December 31, 1999 totaled $.8 million and are included in general and administrative expense.

In connection with the Recapitalization, Motorola has assigned, licensed and sublicensed to the Company intellectual property in connection with the products the Company plans to offer (including a limited use of the Motorola trade name for one year and a transition statement, “formerly a division of Motorola,” for an additional year thereafter). In addition, Motorola has agreed to continue providing information technology, human resources, supply management, logistics and finance services for agreed upon periods of time while the Company determines the most cost-effective means to obtain such services. Motorola has also agreed to continue providing manufacturing and assembly services, to continue using similar services the Company provides to them, to continue selling to the Company depreciated equipment to support the Company’s capacity expansion and to lease real estate to the Company.

The manufacturing and assembly services that the Company and Motorola have agreed to continue to provide to each other are at prices intended to approximate each party’s cost of providing the services and are fixed throughout the term of the agreements. Each party has committed to minimum purchases under these agreements. Subject to the Company’s right to cancel upon six months’ written notice, the Company has

minimum commitments to purchase manufacturing services from Motorola of approximately $88 million, $51 million, $41 million and $40 million in fiscal years 2000, 2001, 2002 and 2003, respectively. Subject to its right to cancel upon six months’ written notice, Motorola has minimum commitments to purchase manufacturing services from the Company of approximately $47 million in fiscal year 2000 and has no purchase obligations thereafter.

Related party activity between the Company and Motorola the period from August 4, 1999 through December 31, 1999 follows (in millions):

Non-cash financing activities:	
Issuance of common stock to Motorola	$17.5
Issuance of redeemable preferred stock to Motorola	59.0
Issuance of junior subordinated note to Motorola	91.0
Cash paid for:	
Interest	20.7
Income taxes	5.9

Note 16: Segment Information

The Company operates in one industry segment and is engaged in the design, development, manufacture and marketing of a wide variety of semiconductor components for the semiconductor industry and original equipment manufacturers. The Company operates in various geographic locations. Sales to unaffiliated customers have little correlation with the location of manufacture. It is, therefore, not meaningful to present operating profit by geographic location. The Company conducts a substantial portion of its operations outside of the United States and is subject to risks associated with non-U.S. operations, such as political risks, currency controls and

fluctuations, tariffs, import controls and air transportation.

Property, plant and equipment by geographic location as of December 31, 1999 is summarized as follows (in millions):

Purchases of manufacturing services from Motorola	$101.3
Cost of other services, rent and equipment purchased from Motorola	21.2

Total revenues to unaffiliated customers by geographic location, including local sales and exports made by operations within each area, for the period from August 4, 1999 through December 31, 1999 are summarized as follows (in millions):

The Americas (primarily the U.S. and Mexico)	$221.4
Asia/ Pacific	159.7
Europe	89.0
Japan	99.6
	$569.7

During the period from August 4, 1999 through December 31, 1999, sales to Motorola and another customer accounted for approximately 16% and 10%, respectively of the Company’s total revenue.

Table of Contents

SCG HOLDING CORPORATION AND SUBSIDIARIES

(D/B/A ON SEMICONDUCTOR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

INDEPENDENT AUDITORS’ REPORT

The Board of Directors

Motorola, Inc.:

We have audited the accompanying combined balance sheet of the Semiconductor Components Group of Motorola, Inc. (“the Company” or “the Business”) as of December 31, 1998 and the accompanying combined statements of revenues less direct and allocated expenses before taxes for the period from January 1, 1999 through August 3, 1999 and each of the years in the two-year period ended December 31, 1998. These combined statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these combined statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying combined statements were prepared to comply with the rules and regulations of the Securities and Exchange Commission and on the basis of presentation as described in Note 1. The accompanying combined statements present the combined assets, liabilities and business equity and the related combined revenues less direct and allocated expenses before taxes of the Business, and are not intended to be a complete

presentation of the Business' financial position, results of operations or cash flows. The results of operations before taxes are not necessarily indicative of the results of operations before taxes that would be recorded by the Company on a stand-alone basis.

In our opinion, the accompanying combined statements present fairly, in all material respects, the combined assets, liabilities and business equity of the Business as of December 1998 and its combined revenues less direct and allocated expenses before taxes for the period from January 1, 1999 through August 3, 1999 and each of the years in the two-year period ended December 31, 1998, on the basis described in Note 1, in conformity with generally accepted accounting principles.

The Americas (primarily the U.S. and Mexico)	$375.4
Asia/ Pacific	183.6
Europe	144.9
Japan	94.8
	$798.7

Phoenix, Arizona

January 7, 2000

Table of Contents

SEMICONDUCTOR COMPONENTS GROUP OF

MOTOROLA, INC.

COMBINED BALANCE SHEET

KPMG LLP

See accompanying notes to combined financial statements.

Table of Contents

SEMICONDUCTOR COMPONENTS GROUP OF

MOTOROLA, INC.

COMBINED STATEMENTS OF REVENUES LESS DIRECT AND

ALLOCATED EXPENSES BEFORE TAXES

	December 31, 1998
	(in millions)
Assets	
Current assets:	
Inventories	$209.5
Other	23.0
Total current assets	232.5
Property, plant and equipment, net	568.9
Other assets	39.3
Total assets	$840.7

Liabilities and Business Equity	
Current liabilities:	
Accounts payable	$ 12.5
Accrued expenses	98.9
Total current liabilities	111.4
Non-current liabilities	48.3
Commitments and contingencies	
Business equity	681.0
Total liabilities and business equity	$840.7

See accompanying notes to combined financial statements.

Table of Contents

SEMICONDUCTOR COMPONENTS GROUP OF

MOTOROLA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

(1) Basis of Presentation

The Semiconductor Components Group ("SCG" or "the Business") is defined as the discrete and integrated circuits standard products of the Semiconductor Products Sector ("SPS") of Motorola, Inc. ("Motorola"), including Power BiPolar, Rectifiers, Thyristors, Zeners, TMOS, Analog, ECL, Small Signal and Logic Products. Manufacturing operations for the Business are primarily conducted in plants in Guadalajara, Mexico, Carmona, Philippines, Seremban, Malaysia (2 Plants), Phoenix, Arizona, United States and Aizu, Japan (collectively referred to as "SCG plants"). Certain manufacturing operations related to SCG products are also performed at other SPS plants. Similarly, certain SCG plants perform manufacturing operations related to other SPS product lines. SCG also has investments in various joint ventures which are accounted for on the equity method.

The accompanying combined balance sheet does not include Motorola's or SPS's sector assets or liabilities not specifically identifiable to SCG. Motorola performs cash management on a centralized basis and SPS processes receivables and certain payables, payroll and other activity for SCG. Most of these systems are not designed to track receivables, liabilities and cash receipts and payments on a business specific basis. Accordingly, it is not practical to determine certain assets and liabilities associated with the business; therefore, such assets and liabilities cannot be included in the accompanying combined balance sheets. Given these constraints, certain supplemental cash flow information is presented in lieu of a statement of cash flows. (See Note 8.) Assets and liabilities not specifically identifiable to the Business include:

	Years Ended December 31,		Period from January 1, 1999 through August 3, 1999
	1997	1998	
		(in millions)	
Revenues:			
Net sales — trade	$1,815.3	$1,495.3	$895.4
Direct and allocated costs and expenses:			
Cost of sales	1,112.3	1,060.0	620.3
Research and development	65.7	67.5	34.3
Selling and marketing	110.7	92.4	39.0
General and administrative	243.1	205.7	89.4
Restructuring and other charges	—	189.8	—
Operating costs and expenses	1,531.8	1,615.4	783.0
	283.5	(120.1)	112.4
Other income (expenses):			
Equity in earnings from joint ventures	(.3)	5.7	2.4
Interest expense	(11.7)	(19.8)	(9.1)
Minority interest in earnings of consolidated entities	(1.5)	(2.1)	(.9)
Other expenses, net	(13.5)	(16.2)	(7.6)
Revenues less direct and allocated expenses before taxes	$ 270.0	$ (136.3)	$104.8

The combined statements of revenues less direct and allocated expenses before taxes include all revenues and costs attributable to the Business including an allocation of the costs of shared facilities and overhead of Motorola and SPS. In addition, certain costs incurred at SCG plants for the benefit of other SPS product lines are allocated from SCG to the other SPS divisions.

All of the allocations and estimates in the combined statements of revenues less direct and allocated expenses before taxes are based on assumptions that management believes are reasonable under the circumstances. However, these allocations and estimates are not necessarily indicative of the costs that would have resulted if the Business had been operated on a stand-alone basis.

Transactions between the Business and other Motorola and SPS operations have been identified in the combined statements as transactions between related parties to the extent practicable (See Note 2).

(2) Summary of Significant Accounting Policies

(a) Basis of Combination

All significant intercompany balances and transactions within the Business have been eliminated.

Table of Contents

(b) Revenue Recognition

Revenues from the sale of SCG semiconductor products is generally recognized when shipped, with a provision for estimated returns and allowances recorded at the time of shipment.

(c) Related Party Transactions

SCG manufactures products for other sectors of Motorola. Sales of these products are treated as external sales and are reflected in the accompanying combined statements of revenues less direct and allocated expenses before taxes with the related cost of sales. These sales totaled $76.1 million for the period from January 1, 1999 through August 3, 1999, $126.9 million and $105.7 million for the years ended December 31, 1997 and 1998, respectively.

SCG also manufactures products, at cost, for other SPS divisions and these other divisions also manufacture products for SCG. The gross amounts charged to/from SCG for these products are summarized as follows:

(A) Cash, cash equivalents and investments. Activity in SCG cash balances is recorded through the business equity account.

(B) Trade accounts receivable and related allowances for bad debts and product returns. Trade receivable balances are maintained by customer, not by the Business. Estimated allowances for product returns are reflected in SCG net sales. Accounts receivable related to SCG are allocated through the business equity account.

(C) Accounts payable related to trade purchases that are made centrally by SPS in the United States. Such purchases related to SCG are allocated to SCG through the business equity account.

(D) Certain accrued liabilities for allocated corporate costs and environmental and pension costs which are allocated to SCG through the business equity account.

A portion of manufacturing costs transferred from other SPS divisions to SCG are capitalized into inventory at worldwide standard cost and are recorded as cost of sales as related product sales are recognized. Variations between worldwide standard cost and the actual costs transferred from other SPS divisions are considered period costs and are immediately charged to operations.

Where it is possible to specifically identify other operating costs with the activities of SCG or other SPS product lines, these amounts have been charged or credited directly to SCG or SPS product lines without allocation or apportionment. Although a number of different approaches are used to allocate shared or common costs, there is usually a predominant basis for each expense category. Accordingly, research and development costs have been allocated from SPS based predominately on dedicated spending. Research and development from Motorola is first allocated to SPS and then allocated 20% to SCG as SCG is one of five divisions within SPS. Selling and marketing expenses from SPS have been allocated 20% to SCG and general and administrative expenses from Motorola and SPS have been allocated 20% to SCG. Prior to changing to this allocation structure in July, 1997, allocations to SCG for research and development, selling and marketing, and general and administrative expenses were based on budgeted sales volume. This change had an insignificant impact on the amount of the allocated costs.

Table of Contents

Total amounts allocated to SCG for research and development, selling and marketing, and general and administrative expenses were as follows:

	Years Ended December 31,		January 1, 1999 through August 3, 1999
	1997	1998	
		(in millions)	
Manufacturing services performed by other SPS divisions on behalf of SCG	$310.5	$266.8	$125.5
Manufacturing services performed by SCG and transferred at actual production costs to other SPS divisions	$177.4	$162.3	$ 91.0

These cost allocations are included in the accompanying combined statements of revenues less direct and allocated expenses before taxes but are not necessarily indicative of the costs that would be incurred by the Business on a stand-alone basis.

(d) Inventories

Inventories are stated at the lower of worldwide standard cost, which approximates actual cost on a first-in, first-out basis, or market. The main components of inventories are as follows:

	Years Ended December 31,		January 1, 1999 through August 3, 1999
	1997	1998	
		(in millions)	
Research and development	$ 34.6	$ 33.1	$13.3

Selling and marketing	$ 4.3	$ 3.7	$ 2.2
General and administrative	$117.0	$115.2	$50.0

(e) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Many of these assets are directly related to SCG and are included without apportionment. SCG also shares certain property, plant, and equipment with other SPS product lines. These shared assets have been allocated to SCG based on sales volume for buildings, land, and other general assets and units of production for machinery and equipment.

Depreciation is computed over the following estimated useful lives predominately on the straightline method:

	December 31, 1998
	(in millions)
Raw materials	$ 20.0
Work in process	110.9
Finished goods	78.6
Total Inventories	$209.5

SCG has adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of*, which requires recognition of impairment of long-lived assets whenever events or changes in circumstances indicate the carrying value of such assets exceeds the future undiscounted cash flows attributable to such assets. During 1998, SCG incurred restructuring and other charges which included impairment writedowns of $53.9 million related to machinery and equipment (see Note 9).

Table of Contents

Buildings	30-40 years
Machinery and equipment	3-8 years

(f) Interest Expense

Motorola had net interest expense on a consolidated basis for all periods presented. These amounts have been allocated to SPS and in turn to SCG in the amount of approximately $7.5 million for the period from January 1, 1999 through August 3, 1999 and $11.0 million and $18.0 million for the years ended December 31, 1997 and 1998, respectively, primarily on the basis of net assets. SCG management believes this allocation is reasonable, but it is not necessarily indicative of the cost that would have been incurred if the Business had been operated on a stand-alone basis.

(g) Currencies and Foreign Currency Instruments

SCG's functional currency for all foreign operations is the U.S. dollar, except for Japan and Europe which is the local currency. Accordingly, the net effect of gains and losses from translation of foreign currency financial statements into U.S. dollars is included in current operations. The net translation gains and losses for Japan and Europe are not significant and are included as a component of business equity. Gains and losses

resulting from foreign currency transactions are included in current operations and were not significant for 1997, 1998 or the period from January 1, 1999 through August 3, 1999.

(h) Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Accrued Expenses

The components of accrued expenses are as follows:

	December 31, 1998
	(in millions)
Land	$ 13.0
Buildings	440.5
Machinery and equipment	1,220.8
Total property, plant and equipment	1,674.3
Less accumulated depreciation	1,105.4
	$ 568.9

Table of Contents

SEMICONDUCTOR COMPONENTS GROUP OF

MOTOROLA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

(4) Employee Benefit Plans

Employees of SCG participate in several Motorola retirement, employee benefit, and incentive plans. These include (1) a profit sharing plan, (2) a stock bonus plan, (3) a salary deferral 401(k) plan and (4) pension and healthcare benefit plans. Motorola also has a stock option plan under which key employees of SCG may be granted nonqualified or incentive stock options to purchase shares of Motorola common stock. Certain key employees and certain management of SCG also participate in various incentive arrangements based on individual performance and Motorola/ SPS/SCG profitability. The costs of these programs were allocated from Motorola to SPS and then to SCG on the basis of payroll costs and headcount and are not necessarily indicative of the costs that would be incurred on a stand-alone basis.

SCG employees in foreign countries participate in a retirement plan within the country. In each case, the plan meets local and legal requirements of that particular country and is based on defined years of service. Each country’s plan is unfunded and is accrued for in the accompanying combined balance sheets based on actuarially determined amounts.

(5) Contingencies

Motorola is currently a defendant in certain legal actions relating to SCG. In the opinion of management, the outcome of such litigation will not have a material adverse effect on the business equity, operations or liquidity of SCG.

Motorola is also involved in certain administrative and judicial proceedings related to certain environmental matters at SCG locations. Based on information currently available, management believes that the costs of these matters are not likely to have a material adverse effect on business equity, operations or liquidity of SCG.

(6) Business Equity

Business equity represents Motorola's ownership interest in the recorded net assets of SCG. All cash transactions, accounts receivable, accounts payable in the United States, other allocations and intercompany transactions are reflected in this amount. A summary of activity is as follows:

	December 31, 1998
	(in millions)
Payroll and employee related accruals	$ 7.7
Restructuring charges	68.0
Other accruals	23.2
Total accrued expenses	$98.9

(7) Industry and Geographic Information

The Business operates in one industry segment and is engaged in the design, development, manufacture and marketing of a wide variety of semiconductor products for the semiconductor industry and original equipment manufacturers. SCG operates in various geographic locations. In the information that follows, sales include local sales and exports made by operations within each area. To control costs, a substantial portion of SCG's products are transported between various SCG and SPS facilities in the process of being manufactured

and sold. Accordingly, it is not meaningful to present interlocation transfers between SCG facilities on a stand alone basis. Sales to unaffiliated customers have little correlation with the location of manufacture. It is, therefore, not meaningful to present operating profit by geographical location.

SCG conducts a substantial portion of its operations outside of the United States and is subject to risks associated with non-U.S. operations, such as political risks, currency controls and fluctuations, tariffs, import controls and air transportation.

Property, plant and equipment by geographic location is summarized as follows:

	Years Ended December 31,		January 1, 1999 through August 3, 1999
	1997	1998	
		(in millions)	
Balance at beginning of period	$ 746.1	$ 866.4	$681.0
Revenues less direct and allocated expenses before taxes	270.0	(136.3)	104.8
Net intercompany activity	(149.7)	(49.1)	(83.9)
Balance at end of period	$ 866.4	$ 681.0	$701.9

Sales to unaffiliated customers by geographic location is summarized as follows:

	December 31, 1998
	(in millions)
United States	$210.4
Malaysia	102.7
Czech Republic	48.1
Philippines	40.1
Japan	31.3
Mexico	30.3
Other foreign countries	106.0
Total	$568.9

As discussed in Note 2, sales to other sectors of Motorola are treated as sales to unaffiliated customers.

Table of Contents

SEMICONDUCTOR COMPONENTS GROUP OF

MOTOROLA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

(8) Supplemental Cash Flow Information

As described in Note 1, Motorola's cash management system is not designed to track centralized cash and related financing transactions to the specific cash requirements of the Business. In addition, SPS's transaction systems are not designed to track receivables and certain liabilities and cash receipts and payments on a business specific basis. Given these constraints, the following data are presented to facilitate analysis of key components of cash flow activity:

	Years Ended December 31,		January 1, 1999 through August 3, 1999
	1997	1998	
	(in millions)		
United States	$ 804.4	$ 636.4	$374.0
Germany	107.7	108.0	61.2
Hong Kong	117.1	107.4	78.0
Japan	188.7	127.4	76.7
Singapore	137.6	98.2	75.1
Taiwan	81.9	71.0	33.9
Other foreign countries	377.9	346.9	196.5
Total	$1,815.3	$1,495.3	$895.4

	Years Ended December 31,		January 1, 1999 through August 3, 1999
	1997	1998	
	(in millions)		
Operating activities:			
Revenues less direct and allocated expenses before taxes	$ 270.0	$(136.3)	$104.8
Depreciation	134.7	133.9	77.4
Impairment write down on property, plant and equipment	—	53.9	—
(Increase) decrease in inventories	(95.6)	30.4	(27.5)
Decrease in other current assets	(3.7)	(4.4)	2.2
Increase in other assets	(19.9)	.7	(12.2)
Increase (decrease) in accounts payable and accrued expenses	12.5	84.4	(23.6)
Increase (decrease) in non-current liabilities	33.6	6.4	2.4
Cash flow from operating activities, excluding Motorola financing and taxes	331.6	169.0	123.5
Investing activities:			
Capital expenditures, net of transfers	(181.9)	(119.9)	(39.6)
Net financing provided to Motorola*	$ 149.7	$ 49.1	$ 83.9

(9) Restructuring and Other Charges

In June 1998, Motorola recorded a charge to cover restructuring costs related to the consolidation of manufacturing operations, the exit of non-strategic or poorly performing businesses and a reduction in worldwide employment by 20,000 employees. Asset impairment and other charges were also recorded for the writedown of assets which had become impaired as a result of current business conditions or business portfolio decisions. Motorola recorded its charge in the following restructuring categories:

Consolidation of Manufacturing Operations

Consolidation of manufacturing operations relates to the closing of production and distribution facilities and selling or disposing of the machinery and equipment that was no longer needed and, in some cases, scrapping excess assets that had no net realizable value. The buildings associated with these production facilities, in many cases were sold to outside parties. Also included in this restructuring category were costs related to shutting down or reducing the capacity of certain production lines. In most cases, older facilities with older technologies or non-strategic products were closed. Machinery and equipment write downs related to equipment that would no longer be utilized comprised the majority of these costs. These assets have been

deemed to be held for use until such time as they are removed from service and, therefore, no longer utilized in manufacturing products. An assessment was made as to whether or not there was an asset impairment related to the valuation of these assets in determining what the amount of the write down included in the restructuring charge should be for this machinery and equipment. This assessment utilized the anticipated future undiscounted cash flows generated by the equipment as well as its ultimate value upon disposition.

The charges in this restructuring category do not include any costs related to the abandonment or sub-lease of facilities, moving expenses, inventory disposals or write downs, or litigation or environmental obligations.

As part of the consolidation of manufacturing operations, certain SPS facilities in North Carolina, California, Arizona and the Philippines are being closed as planned. SPS is consolidating its production facilities into fewer integrated factories to achieve economies of scale and improved efficiencies and to capitalize on new technologies that should reduce operating costs.

Business Exits

Business exit costs include costs associated with shutting down businesses that did not fit with Motorola's new strategy. In many cases, these businesses used older technologies that produced non-strategic products. The long-term growth and margins associated with these businesses were not in line with Motorola's expectations given the level of investment and returns. Included in these business exit costs were the costs of terminating technology agreements and selling or liquidating interests in joint ventures that did not fit with the new strategy of Motorola. Similar to consolidation of manufacturing operations, the charges in this restructuring category did not include any costs related to the abandonment or sublease of

facilities, moving expenses, inventory disposals or write downs, or litigation or environmental obligations.

Employee Separations

Employee separation costs represent the costs of involuntary severance benefits for the 20,000 positions identified as subject to severance under the restructuring plan and special voluntary termination benefits offered beginning in the third quarter of 1998. The special voluntary termination benefits provided for one week of pay for each year of service between years 1-10, two weeks of pay for each year of service between years 11-19, and three weeks of pay for each year of service for year 20 and greater. The majority of employees who accepted special voluntary termination benefits did so by the end of the year, although severance payments were not completed by that time. The majority of the special voluntary termination benefits expired at the end of the fourth quarter of 1998.

As of December 31, 1998, approximately 13,800 employees have separated from Motorola through a combination of voluntary and involuntary severance programs. Of the 13,800 separated employees, approximately 8,200 were direct employees and 5,600 were indirect employees. Direct employees are primarily non-supervisory production employees, and indirect employees are primarily non-production employees and production managers.

Asset Impairments and Other Charges

As a result of current and projected business conditions, Motorola wrote down operating assets that became impaired. The majority of the assets written down were used manufacturing equipment and machinery.

The amount of impairment charge for the assets written down was based upon an estimate of the future cash flows expected from the use of the assets, as well as upon their eventual disposition. These undiscounted cash flows were then compared to the net book value of the equipment, and impairment was determined based

on that comparison. Cash flows were determined at the facility level for certain production facilities based upon anticipated sales value of the products to be produced and the costs of producing the products at those facilities. In cases in which sufficient cash flows were not going to be generated by the equipment at those facilities, the assets were written down to their estimated fair value. These estimated fair values were based upon what the assets could be sold for in a transaction with an unrelated third party. Since the majority of these assets were machinery and equipment, Motorola was able to utilize current market prices for comparable equipment in the marketplace in assessing what would be the fair value upon sale of the equipment.

Building writedowns were based on marketability factors of the building in the particular location.

Assets held for use continue to be depreciated based on an evaluation of their remaining useful lives and their ultimate values upon disposition. There were no assets held for sale at December 31, 1998 nor were any impaired assets disposed of prior to that date.

SCG's Restructuring Charge

SCG's charges related to these actions were $189.8 million of which $53.9 million represented asset impairments charged directly against machinery and equipment. SCG's employment reductions will total approximately 3,900 of which approximately 3,000 (1,800 direct employees and 1,200 indirect employees) had separated from SCG as of August 3, 1999.

At December 31, 1998, $68.0 million of restructuring accruals remain outstanding. The following table displays a rollforward to December 31, 1998 of the accruals established during the second quarter of 1998:

* The difference between cash flow from operating activities and investing activities does not necessarily represent the cash flows of the Business, or the timing of such cash flows, had it operated on a stand-alone basis.

SCG's remaining accrual at December 31, 1998 of $13.2 million for the consolidation of manufacturing operations represents the finalization of the plant closings in Arizona and the Philippines. Within the business exits category, the remaining accrual of $11.3 million at December 31, 1998 relates to costs of exiting two unprofitable product lines. SCG's remaining accrual of $43.5 million at December 31, 1998 for employee separations relates to the completion of severance payments in Japan, Asia, the U.K. and Arizona.

SCG's total amount used of $121.8 million through December 31, 1998 reflects approximately $63.6 million in cash payments and $58.2 million in write-offs. The remaining $68.0 million accrual balance at December 31, 1998 is expected to be liquidated via cash payments.

Table of Contents

At August 3, 1999, $43.1 million of restructuring accruals remain outstanding. The following table displays a rollforward from December 31, 1998 to August 3, 1999, of the accruals established during the second quarter of 1998:

	Initial Charges	Amounts Used	Accruals at December 31, 1998
		(in millions)	
Consolidation of manufacturing operations	$ 13.2	$ —	$13.2
Business exits	20.7	9.4	11.3
Employee separations	102.0	58.5	43.5
Total restructuring	135.9	67.9	68.0
Asset impairments and other charges	53.9	53.9	—
Total	$189.8	$121.8	$68.0

SCG's remaining accrual at August 3, 1999 of $9.4 million for the consolidation of manufacturing operations represents the finalization of the plant closings in Arizona and the Philippines. Within the business exits category, the remaining accrual of $4.9 million at August 3, 1999 relates to costs of exiting two unprofitable product lines. SCG's remaining accrual of $28.8 million at August 3, 1999 for employee separations relates to the completion of severance payments in Japan, Asia, the U.K. and Arizona. Motorola retained the employee separation accrual of $28.8 million as of August 3, 1999, to cover approximately 900 employees who

will remain employees of, and be released by Motorola.

SCG's total 1999 amount used of $24.9 million through August 3, 1999 reflects cash payments. The remaining $43.1 million accrual balance at August 3, 1999 is expected to be liquidated via cash payments.

(10) Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments," requires that the Business disclose estimated fair values for its financial instruments. The carrying amount of accounts payable and accrued liabilities is assumed to be the fair value because of the short-term maturity of these instruments.

(11) Investments in Unconsolidated Joint Ventures

SCG participates in joint ventures in China and Malaysia. The joint ventures have been accounted for using the equity method. The investment in each joint venture approximates the underlying equity interest of such joint venture. Investments in these joint ventures totaled $30.3 million at December 31, 1998 and are included in other assets in the accompanying combined balance sheet. Earnings from these joint ventures totaled $2.4 million for the period from January 1, 1999 through August 3, 1999 and $(.3) million and $5.7 million for the years ended December 31, 1997, and 1998, respectively.

	Accruals at December 31, 1998	1999 Amounts Used	Accruals at August 3, 1999
		(in millions)	
Consolidation of manufacturing operations	$13.2	$ 3.8	$ 9.4
Business exits	11.3	6.4	4.9
Employee separations	43.5	14.7	28.8
Total restructuring	68.0	24.9	43.1
Asset impairments and other charges	—	—	—
Total	$68.0	$24.9	$43.1

(12) Business Transaction

On May 11, 1999, affiliates of the Texas Pacific Group entered into an agreement with Motorola, providing for a recapitalization of the Business and certain related transactions, after which affiliates of Texas Pacific Group will own approximately 91% and Motorola will own approximately 9% of the outstanding voting stock of the Business. In addition, as part of these transactions, Texas Pacific Group will receive 1,500 shares and Motorola will receive 590 shares of mandatorily redeemable preferred stock of SCG Holding ("SCG Holding Preferred Stock") and Motorola will receive $91 million of junior subordinated notes of SCI LLC (the "Junior Subordinated Notes"). Cash payments to Motorola will be financed through equity investments by affiliates of Texas Pacific Group, borrowings under senior secured bank loan facilities and the issuance of senior subordinated notes due 2009.

In connection with the recapitalization and related transactions, it is anticipated that certain wholly-owned domestic subsidiaries will be established to serve as guarantors of the

senior subordinated notes due

Table of Contents

SEMICONDUCTOR COMPONENTS GROUP OF

MOTOROLA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

2009. Each guarantor will jointly and severally, irrevocably and unconditionally guarantee the obligations of the issuers under the notes. The net assets to be contributed to these guarantor subsidiaries are expected to consist of SCG's equity interests in its unconsolidated joint ventures in China, Malaysia and Eastern Europe, nominal interests in certain foreign subsidiaries and a nominal amount of cash. The joint ventures and foreign subsidiaries themselves are not expected to be guarantors of the notes. The net assets to be contributed to the guarantor subsidiaries approximated $46.8 million at December 31, 1998 and generated related earnings of $2.4 million for the period from January 1, 1999 through August 3, 1999 and $(.3) million and $5.7 million for the years ended December 31, 1997 and 1998, respectively.

Table of Contents

[SCG LOGO]

ON Semiconductor ™

Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. ***Other Expenses of Issuance and Distribution.***

Joint Venture	Leshan-Phoenix Semiconductor Ltd.	Semiconductor Miniature Products Malaysia	Total
			(in millions)
Country Location	China	Malaysia	
SCG Ownership %(Direct)	55%	50%	
For the period from January 1, 1999 through August 3, 1999			
Net sales	$ 15.0	$ 40.7	$ 55.7
Gross profit	$ 5.7	$ 7.3	$ 13.0
Income (loss) from continuing operations	$ 4.4	$ 1.4	$ 5.8
Net income (loss)	$ 4.4	$ 1.4	$ 5.8
As of and for the year ended December 31, 1998			
Current assets	$ 5.4	$ 7.8	$ 13.2
Noncurrent assets	45.9	84.3	130.2
Total assets	$ 51.3	$ 92.1	$143.4
Current liabilities	$ 2.0	$ 4.3	$ 6.3

Noncurrent liabilities	$ 24.5	$ 54.4	$ 78.9
Venture's equity	$ 24.8	$ 33.4	$ 58.2
Net sales	$ 21.5	$ 56.7	$ 78.2
Gross profit	$ 6.5	$ 20.3	$ 26.8
Income (loss) from continuing operations	$ 5.6	$ 5.6	$ 11.2
Net income (loss)	$ 5.6	$ 5.3	$ 10.9
For the year ended December 31, 1997			
Net sales	$ 18.5	$ 57.7	$ 76.2
Gross profit	$ 4.6	$ 8.9	$ 13.5
Income (loss) from continuing operations	$ .7	$ (1.7)	$ (1.0)
Net income (loss)	$ .7	$ (1.4)	$ (.7)

Item 14. *Indemnification of Directors and Officers.*

The Certificate of Incorporation of the registrant provides for the indemnification of all persons, including its directors, whom it may indemnify to the fullest extent permitted by the General Corporation Law of the State of Delaware (the "DGCL"). Section 145 of the DGCL provides as follows:

Securities and Exchange Commission registration fee	$ 163,944
NASD filing fee	30,500
Printing expenses	1,500,000
Legal fees and expenses	350,000
Accounting fees and expenses	300,000
Miscellaneous	155,556
Total	$2,500,000

145 Indemnification of Officers, Directors, Employees and Agents; Insurance —

Table of Contents

(a) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

To the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of

Table of Contents

this section, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Any Indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of this section. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate.

The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person in any such capacity or arising out of such person's status as such whether or not the corporation would have the power to indemnify such person against such liability under this section.

For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this section with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

The registrant also carries liability insurance covering officers and directors.

Item 15. ***Sales of Unregistered Securities***

On July 28, 1999, the registrant sold $400 million aggregate principal amount of its 12% Senior Subordinated Notes due 2009 to Chase Securities Inc., Donaldson, Lufkin & Jenrette Securities Corporation and Lehman Brothers Inc. as initial purchasers. The notes were sold at par, less a commission of 3%. Exemption from registration was claimed under Rule 144A under the Securities Act.

Item 16. ***Exhibits and Financial Statement Schedule.***

(a) Exhibits. A list of exhibits included as part of this Registration Statement is set forth in the Exhibit Index which immediately precedes such exhibits and is hereby incorporated by reference herein.

(b) Financial Statement Schedule. The financial statement schedule required by Regulation S-X and Item II(e) is attached to this registration statement.

Item 17. ***Undertakings.***

(a) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrants' annual reports pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plans annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering

thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions, or otherwise, the registrants have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by any such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, each registrant has duly caused this registration statement to be signed on behalf by the undersigned, thereunto duly authorized, in the City of Phoenix, State of Arizona, on April 7, 2000.

The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

The Court of Chancery is hereby vested with exclusive jurisdiction to hear and determine all actions for advancement of expenses or indemnification brought under this section or under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. The Court of Chancery may summarily determine a corporation's obligation to advance expenses (including attorneys' fees).

SCG HOLDING CORPORATION
By: /s/ STEVE HANSON

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated, on April 7, 2000.

Name: Steve Hanson
Title: President and Chief Executive Officer

Table of Contents

REPORT OF INDEPENDENT ACCOUNTANTS ON

FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of

SCG Holding Corporation

Our audit of the consolidated financial statements referred to in our report dated February 17, 2000 appearing in this Registration Statement on Form S-1 of SCG Holding Corporation also included an audit of the financial statement schedule listed in Item 16(b) of this Registration Statement on Form S-1. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICEWATERHOUSECOOPERS LLP

Phoenix, Arizona

February 17, 2000

Table of Contents

SCG HOLDING CORPORATION AND SUBSIDIARIES

(D/B/A ON SEMICONDUCTOR)

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Signature	Titles	Date
/s/ STEVE HANSON Steve Hanson	President, Chief Executive Officer and Director of the registrant	April 7, 2000
/s/ DARIO SACOMANI Dario Sacomani	Senior Vice President, Chief Financial Officer and Chief Accounting Officer of the registrant	April 7, 2000
/s/ CURTIS J. CRAWFORD* Curtis J. Crawford	Chairman of the Board of Directors of the registrant	April 7, 2000
/s/ DAVID BONDERMAN* David Bonderman	Director of the registrant	April 7, 2000
/s/ RICHARD W. BOYCE* Richard W. Boyce	Director of the registrant	April 7, 2000
/s/ JUSTIN T. CHANG* Justin T. Chang	Director of the registrant	April 7, 2000
/s/ WILLIAM A. FRANKE* William A. Franke	Director of the registrant	April 7, 2000
/s/ JEROME N. GREGOIRE* Jerome N. Gregoire	Director of the registrant	April 7, 2000
/s/ ALBERT HUGO-MARTINEZ* Albert Hugo-Martinez	Director of the registrant	April 7, 2000
/s/ DAVID M. STANTON* David M. Stanton	Director of the registrant	April 7, 2000
*By: /s/ DARIO SACOMANI Dario Sacomani, as Attorney-In-Fact		

Table of Contents

EXHIBIT INDEX

	Balance at August 4, 1999	Charged to costs and expenses	Charged to other accounts	Deductions/ writeoffs	Balance at December 31, 1999
			(in millions)		
Allowance for doubtful accounts	$ —	$2.0	$ —	$ —	$2.0

Table of Contents

1.1	Form of Underwriting Agreement between SCG Holding Corporation and Morgan Stanley & Co. Incorporated*
2.1	Reorganization Agreement, dated as of May 11, 1999, among Motorola, Inc., SCG Holding Corporation and Semiconductor Components Industries LLC.† (incorporated by reference from Exhibit 2.1 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
2.2	Agreement and Plan of Recapitalization and Merger, as amended, dated as of May 11, 1999, among SCG Holding Corporation, Semiconductor Components Industries, LLC, Motorola, Inc., TPG Semiconductor Holdings LLC, and TPG Semiconductor Acquisition Corp.†
2.3	Amendment No. 1 to Agreement and Plan of Recapitalization and Merger, dated as of July 28, 1999, among SCG Holding Corporation, Semiconductor Components Industries, LLC, Motorola, Inc., TPG Semiconductor Holdings LLC, and TPG Semiconductor Acquisition Corp.† (incorporated by reference from Exhibit 2.3 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
3.1	Amended and Restated Certificate of Incorporation of SCG Holding Corporation*
3.2	Amended and Restated Bylaws of SCG Holding Corporation*
4.1	Specimen of share certificate of Common Stock, par value $.01, SCG Holding Corporation*
5.1	Opinion of Cleary, Gottlieb, Steen & Hamilton**
10.1	Amended and Restated Credit Agreement, dated as of April 3, 2000, among SCG Holding Corporation, Semiconductor Components Industries, LLC, The Chase Manhattan Bank, as Administrative Agent, Credit Lyonnais New York Branch as Co-Documentation Agent, DLJ Capital Funding, Inc., as Co-Documentation Agent, Lehman Commercial Paper Inc., as Co-Documentation Agent and Chase Securities Inc., as Arranger and the other financial institutions party thereto*
10.2	Indenture, dated as of August 4, 1999 among SCG Holding Corporation, Semiconductor Components Industries, LLC, the Note Guarantors named therein and State Street Bank and Trust Company, as trustee, relating to the 12% Senior Subordinated Notes due 2009 (incorporated by reference from Exhibit 4.1 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.3	Stock Purchase Agreement dated March 8, 2000 among Semiconductor Components Industries, LLC, SCG Holding Corporation and The Cherry Corporation*
10.4	Amended and Restated Intellectual Property Agreement, dated August 4, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.5 to Registration Statement No. 333-90359 filed with the Commission on January 11, 2000)††
10.5	Transition Services Agreement, dated August 4, 1999, among Motorola, Inc., SCG Holding Corporation, and Semiconductor Components Industries, LLC (incorporated by reference from Exhibit 10.6 Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.6	Employee Matters Agreements, as amended, dated July 30, 1999, among Semiconductor Components Industries, LLC, SCG Holding Corporation and Motorola, Inc. (incorporated by reference from Exhibit 10.7 to Registration Statement No. 333-90359 filed with the Commission on January 11, 2000)
10.7	Motorola Assembly Agreement, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.8 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)††

Table of Contents

10.8	SCG Assembly Agreement, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.9 Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)††
10.9	Motorola Foundry Agreement, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.10 Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)††
10.10	SCG Foundry Agreement, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.11 Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)††
10.11	Equipment Lease and Repurchase Agreement, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.12 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.12	Equipment Passdown Agreement, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.13 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)††
10.13	SCG Holding Corporation 1999 Founders Stock Option Plan (incorporated by reference from Exhibit 10.14 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.14	Lease for 52nd Street property, dated July 31, 1999, among Motorola Inc. as Lessor and Semiconductor Components Industries, LLC, as Lessee (incorporated by reference from Exhibit 10.15 Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.15	Lease for U.S. Locations (Mesa, Chandler, 56th Street and Tempe), dated July 31, 1999, among Semiconductor Components Industries, LLC as Lessor, and Motorola, Inc. as Lessee (incorporated by reference from Exhibit 10.16 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.16	Declaration of Reciprocal Covenants, Easement of Restrictions and Options to Purchase and Lease, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.17 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.17	Employment Agreement, dated as of October 27, 1999, between Semiconductor Components Industries, LLC and Steve Hanson (incorporated by reference from Exhibit 10.18 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.18	Employment Agreement, dated as of September 13, 1999, between Semiconductor Components Industries, LLC and Michael Rohleder (incorporated by reference from Exhibit 10.19 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.19	Employment Agreement, dated as of November 8, 1999, between Semiconductor Components Industries, LLC and James Thorburn (incorporated by reference from Exhibit 10.20 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.20	Employment Agreement, dated as of October 27, 1999, between Semiconductor Components Industries, LLC and William George (incorporated by reference from Exhibit 10.21 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.21	Employment Agreement, dated as of October 27, 1999, between Semiconductor Components Industries, LLC and Dario Sacomani (incorporated by reference from Exhibit 10.22 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.22	Pledge and Security Agreement, dated as of November 8, 1999, between Semiconductor Components Industries, LLC and James Thorburn (incorporated by reference from Exhibit 10.23 to Registration Statement No. 333-90359 filed with the Commission on January 11, 2000)

Table of Contents

10.23	Promissory Note/ Security Interest, dated as of November 8, 1999, from James Thorburn to Semiconductor Components Industries, LLC (incorporated by reference from Exhibit 10.24 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.24	Stock Option Agreement, dated as of November 22, 1999, between SCG Holding Corporation and Steven Hanson (incorporated by reference from Exhibit 10.26 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.25	Stock Option Agreement, dated as of November 22, 1999, between SCG Holding Corporation and Dario Sacomani (incorporated by reference from Exhibit 10.27 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.26	Stock Option Agreement, dated as of November 8, 1999, between SCG Holding Corporation and James Thorburn (incorporated by reference from Exhibit 10.28 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.27	Stock Option Agreement, dated as of November 22, 1999, between SCG Holding Corporation and William George (incorporated by reference from

	Exhibit 10.29 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.28	Stock Option Agreement, dated as of November 22, 1999, between SCG Holding Corporation and Michael Rohleder (incorporated by reference from Exhibit 10.30 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.29	Stock Option Agreement, dated as of November 22, 1999, between SCG Holding Corporation and Richard Boyce (incorporated by reference from Exhibit 10.31 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.30	Stock Option Agreement, dated as of November 22, 1999 between SCG Holding Corporation and Curtis J. Crawford (incorporated by reference from Exhibit 10.32 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.31	On Semiconductor Amended and Restated Executive Deferred Compensation Plan***
10.32	Junior Subordinated Note Due 2011 payable to Motorola, Inc. (incorporated by reference from Exhibit 4.4 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.33(a)	2000 Stock Incentive Plan**
10.33(b)	2000 Stock Incentive Plan—take ownership program grant agreement**
10.33(c)	2000 Stock Incentive Plan—incentive stock option agreement**
10.33(d)	2000 Stock Incentive Plan—non-qualified stock option agreement**
10.34	2000 Employee Stock Purchase Plan**
21.1	List of Significant Subsidiaries (incorporated by reference from Exhibit 21.1 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
23.1	Consent of KPMG LLP, independent accountants*
23.2	Consent of Cleary, Gottlieb, Steen & Hamilton (included in its opinion filed as Exhibit 5.1)*
23.3	Consent of PricewaterhouseCoopers LLP, independent accountants*
24.1	Power of Attorney**
27.1	Financial Data Schedule**

99.1	Stockholders Agreement dated as of August 4, 1999 among SCG Holding Corporation, TPG Semiconductor Holdings, LLC and Motorola, Inc. (incorporated by reference from Exhibit 99.5 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)

EXHIBIT 1.1

30,000,000 Shares Common Stock

SCG HOLDING CORPORATION

FORM OF UNDERWRITING AGREEMENT

[ ], 2000

[ ], 2000

Morgan Stanley & Co. Incorporated
Chase Securities Inc.
Lehman Brothers Inc.
FleetBoston Robertson Stephens Inc.
Salomon Smith Barney Inc.
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Dear Sirs and Mesdames:

SCG HOLDING CORPORATION, a Delaware corporation (the "COMPANY"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "UNDERWRITERS") 30,000,000 shares of its common stock, $0.01 par value per share, (the "FIRM SHARES"). The Company also proposes to issue and sell to the several Underwriters not more than an additional 4,500,000 shares of its common stock, $0.01 par value per share, (the "ADDITIONAL SHARES") if and to the extent that you, as Managers of the offering, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 2 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "SHARES." The shares of common stock, $0.01 par value per share, of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "COMMON STOCK."

The Company has filed with the Securities and Exchange Commission (the "COMMISSION") a registration statement, including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "SECURITIES ACT"), is hereinafter referred to as the "REGISTRATION STATEMENT"; the prospectus in the form first used to confirm sales of Shares is hereinafter referred to as the "PROSPECTUS." If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "RULE 462 REGISTRATION STATEMENT"),

then any reference herein to the term "REGISTRATION STATEMENT" shall be deemed to include such Rule 462 Registration Statement.

As part of the offering contemplated by this Agreement, Salomon Smith Barney Inc. has agreed to reserve out of the Securities set forth opposite its name on the Schedule I to this Agreement, up to 2,500,000 shares, for sale to the Company's employees, officers, and directors and other parties associated (wi)th the Company and Texas Pacific Group (collectively, "PARTICIPANTS"), as set forth in the Prospectus under the heading "Underwriting--Directed Share Program" (the "DIRECTED SHARE PROGRAM"). The Securities to be sold by Salomon Smith Barney Inc. pursuant to the Directed Share Program (the "DIRECTED SHARES") will be sold by Salomon Smith Barney Inc. pursuant to this Agreement at the public offering price. Any Directed Shares not orally confirmed for purchase by any Participants by the end of the business day on which this Agreement is executed will be offered to the public by Salomon Smith Barney Inc. as set forth in the Prospectus.

1. Representations and Warranties. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) (1) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (2) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (3) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(c) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing

would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(d) Each subsidiary of the Company has been duly incorporated or formed, is validly existing as a corporation, limited liability company or similar entity in good standing under the laws of the jurisdiction of its incorporation or formation, as the case may be, has all power and authority necessary to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole; all of the outstanding membership interests, shares of capital stock or other equity interests of each subsidiary of the Company have been duly and validly authorized and issued; are, in the case of capital stock or membership interests of subsidiaries organized under the laws of the United States, fully paid and non-assessable or, in the case of the membership interests of any subsidiary of the Company that is a Delaware limited liability company, are not subject to assessment by such subsidiary of the Company for additional capital contributions; and are owned directly or indirectly by the Company (other than (i) those shares of capital stock of Leshan-Phoenix Semiconductor Co., Ltd. ("LESHAN") that are owned by Leshan Radio Company Ltd. and Motorola (China) Investment Ltd., (ii) shares of capital stock of Tesla Sezam, a.s. ("TESLA") that are owned by Terosil a.s. ("TEROSIL") and others, (iii) shares of capital stock of Terosil that are owned by Tesla and others, [(iv) in the case of Motorola Philippines Inc. ("MPI"), all of the shares thereof the record holder of which is, and will be for an agreed period of time following the consummation of the offering of the Shares, Motorola International Development Corp. ("MICD"), as provided for in the Interim Agreement dated as of [ ] among Motorola, Inc., MIDC, MPI, SCI LLC and the Company,] (v) 60% of the shares of capital stock of Amicus Realty Corporation and (vi) in the case of foreign subsidiaries, directors' qualifying shares or shares required by applicable law to be held by a person other than Semiconductor Components Industries, LLC ("SCI LLC"), the Company or a subsidiary thereof), free and clear of any lien, charge, encumbrance, security interest, restriction upon voting or transfer or any other claim of any third party (other than those (x) imposed pursuant to the Loan Documents (as defined in the Amended and Restated Credit Agreement dated as of April 3, 2000 among SCI LLC, as borrower, the Company, as parent, the lenders named therein, The Chase Manhattan Bank, as administrative agent, collateral agent and syndication agent, [DLJ Capital Funding, Inc., Lehman Commercial Paper Inc. and Credit Lyonnais New York Branch, as co-documentation agents, and Chase Securities Inc., as arranger, as amended] (the "CREDIT AGREEMENT")), (y) in the case of Semiconductor Miniatures Products Malaysia Sdn. Bhd., SCG (SMP Malaysia) Holding Corporation, Motorola Semiconductor Sdn. Bhd. and SCG Malaysia Holding Sdn. Bhd., imposed by applicable law and (z) in the case of Amicus Realty Corporation, imposed by the By-Laws thereof). As of the date hereof, all of the membership interests of SCI LLC are held by the Company. As of the date hereof, Semiconductor Components Industries Puerto Rico, Inc.

and SCG International Development LLC have no operations or assets material to the Company and its subsidiaries, taken as a whole.

(e) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, (1) the Company and its subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction not in the ordinary course of business; (2) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock; and (3) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, except in each case as described in the Prospectus.

(f) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them that is material to the business of the Company and its subsidiaries, in each case free and clear of all liens, encumbrances and defects except (1) such as are described in the Prospectus, (2) such as are imposed pursuant to the Credit Agreement and the other agreements executed in connection therewith or (3) such as would not have a material adverse effect on the value of such property and would not interfere materially with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, in each case except as described in the Prospectus.

(g) The Company and its subsidiaries own or possess, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing that, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole, except in each case as described in the Prospectus.

(h) No material labor dispute with the employees of the Company or any of its subsidiaries exists, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that would have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(i) The Company and its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; and neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(j) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit that, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole [, except in each case as described in the Prospectus.]

(k) The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance, in all material respects, that (1) transactions are executed in accordance with management's general or specific authorizations; (2) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; and (3) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(l) PricewaterhouseCoopers LLP ("PWC") and KPMG LLP ("KPMG") are independent certified public accountants with respect to the Company and its subsidiaries within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants and its interpretations and rulings thereunder; the Unaudited Pro Forma Financial Data contained in the Prospectus have been prepared on a basis consistent with the historical financial statements contained in the Prospectus (except for the pro forma adjustments specified therein), have been properly compiled on the pro forma basis described in the notes thereto and give effect to assumptions made on a reasonable basis as of the date of the Prospectus; and the other historical financial and statistical information and data included in the Prospectus (subject to the explanation of such data as set forth therein) are, in all material respects, fairly presented.

(m) This Agreement has been duly authorized, executed and delivered by the Company.

(n) The authorized capital stock of the Company conforms to the description thereof contained in the Prospectus.

(o) The shares of Common Stock outstanding prior to the issuance of the Shares have been duly authorized and are validly issued, fully paid and non-assessable.

(p) The Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(q) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(r) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement).

(s) There are no legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(t) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, except that no representation is made as to the omission of price range and the numbers of Firm Shares, Additional Shares and Shares and other information derived from the foregoing, to the extent any of the foregoing was omitted from the initial filing of the Registration Statement.

(u) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be

required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(v) Except as would, singly and in the aggregate, not have a material adverse effect on the Company and its subsidiaries, taken as a whole, the Company and its subsidiaries (1) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("ENVIRONMENTAL LAWS"), (2) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (3) are in compliance with all terms and conditions of any such permit, license or approval.

(w) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) that would, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(x) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement, except as described in the Prospectus.

(y) The Company has complied with all provisions of Section 517.075, Florida Statutes relating to doing business with the Government of Cuba or with any person or affiliate located in Cuba.

Furthermore, the Company represents and warrants to Salomon Smith Barney Inc. that (i) the Registration Statement, the Prospectus and any preliminary prospectus comply, and any further amendments or supplements thereof will comply, with any applicable laws or regulations of foreign jurisdictions in which the Prospectus or any preliminary prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program, and that (ii) no authorization, approval, consent, license, order, registration or qualification of or with any government, governmental instrumentality or court, other than such as have been obtained, is necessary under the securities laws and regulations of foreign jurisdictions in which the Directed Shares are offered outside the United States.

2. Agreements to Sell and Purchase. The Company hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Company the respective numbers of Firm Shares set forth in Schedule I hereto opposite its name at $[ ] a share (the "PURCHASE PRICE").

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have a one-time right to purchase, severally and not jointly, up to 4,500,000 Additional Shares at the Purchase Price. If you, on behalf of the Underwriters, elect to exercise such option, Morgan Stanley shall so notify the Company in writing not later than 30 days after the date of this Agreement, which notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Such date may be the same as the Closing Date (as defined below) but not earlier than the later of the Closing Date and one business day after the date of such notice nor later than ten business days after the date of such notice. Should such date be subsequent to the Closing Date, Morgan Stanley shall provide such notice no later than three business days prior to such date. Additional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. If any Additional Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

The Company hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Shares to be sold hereunder, (B) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof, or in the case of an option granted after the date hereof, pursuant to existing employee benefit plans of the Company or any of its subsidiaries, of which the Underwriters have been advised in writing, (C) the granting by the Company of any options to purchase shares of Common Stock or any restricted stock units or the sale by the Company of any shares of Common Stock, in each case pursuant to any existing employee benefit plan or direct stock plan of the Company or any of its subsidiaries, (D) the issuance by the Company of any shares of Common Stock in connection with the acquisition of or merger with or into any other company or the acquisition of any assets, or (E) transfers and dispositions between one or more affiliates of Texas Pacific Group or partners, shareholders or members of any such affiliate, provided, that in the case of any issuance, transfer or disposition pursuant to clause (D) or (E), (i) each recipient of such shares shall agree in writing, for the benefit of

Morgan Stanley on behalf of the Underwriters, that such shares shall remain subject to restrictions identical to those contained in the first sentence of this paragraph for the remainder of the period for which the Company is bound thereunder, and each such recipient shall execute and deliver to Morgan Stanley a duplicate of such writing, and (ii) if a filing by any party to such issuance, transfer or disposition (issuer, transferor, disposer, recipient or transferee) under Section 16(a) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), shall be required in connection with such issuance, transfer or disposition (other than a filing on a Form 5 made after the expiration of the 180-day period referred to above), such party shall provide Morgan Stanley no less than seven days prior notice of such filing (it being understood that no such filing shall be made by any such party if not required to be made under the Exchange Act).

3. Terms of Public Offering. The Company is advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Company is further advised by you that the Shares are to be offered to the public initially at $[ ] a share (the "PUBLIC OFFERING PRICE") and to certain dealers selected by you at a price that represents a concession not in excess of $[ ] a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $[ ] a share, to any Underwriter or to certain other dealers.

4. Payment and Delivery. Payment for the Firm Shares shall be made to the Company in Federal or other funds immediately available at the offices of Cleary, Gottlieb, Steen & Hamilton in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on [ ], 2000, or at such other time on the same or such other date, not later than [ ], 2000, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "CLOSING DATE".

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the notice described in Section 2 or at such other time on the same or on such other date, in any event not later than [ ], 2000, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "OPTION CLOSING DATE".

Certificates for the Firm Shares and Additional Shares shall be in definitive form and registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Shares and Additional Shares shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the

transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

5. Conditions to the Underwriters' Obligations. The obligations of the Company to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than [ ] (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the Company's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement) that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by any of (i) Steve Hanson, President and Chief Executive Officer of the Company, (ii) James Thorburn, Senior Vice President and Chief Operating Officer of the Company or (iii) Dario Sacomani, Senior Vice President and Chief Financial Officer of the Company, to the effect set forth in Section 5(a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date from George H. Cave, General Counsel of the Company, dated the Closing Date, an opinion in a form reasonably acceptable to you.

(d) The Underwriters shall have received on the Closing Date from Cleary, Gottlieb, Steen & Hamilton, special counsel to the Company, dated the Closing Date, an opinion and a letter in forms reasonably acceptable to you.

(e) The Underwriters shall have received on the Closing Date an opinion of Cravath, Swaine & Moore, counsel for the Underwriters, dated the Closing Date, covering the matters referred to in paragraphs (g) and (m) of Annex A hereto. With respect to paragraph (m) of Annex A hereto, Cravath, Swaine & Moore may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified.

(f) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from PWC and KPMG, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus; provided that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(g) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and TPG Advisors II, Inc., Motorola Inc. and the directors and executive officers of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares and other matters related to the issuance of the Additional Shares.

6. Covenants of the Company. In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, three signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to

you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 6(c) below, as many copies of the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request; provided that neither the Company nor any of its subsidiaries shall be obligated to qualify as foreign corporations in any jurisdiction in which it is not so qualified or to file a general consent to service of process in any jurisdiction.

(e) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve-month period ending [March 31, 2001] that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(f) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration

Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 6(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the National Association of Securities Dealers, Inc., (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the Nasdaq National Market, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show and (ix) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 7 entitled "Indemnity and Contribution", and the last paragraph of Section 9 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

(g) In connection with the Directed Share Program, the Company will ensure that the Directed Shares will be restricted to the extent required by the National Association of Securities Dealers, Inc. (the "NASD") or the NASD rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of the effectiveness of the Registration Statement. Salomon Smith Barney Inc. will notify the Company as to which Participants will need to be so restricted. The Company will direct the removal of such transfer restrictions upon the expiration of such period of time.

(h) The Company will pay all fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar

taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program.

Furthermore, the Company covenants with Salomon Smith Barney Inc. that the Company will comply with all applicable securities and other applicable laws, rules and regulations in each foreign jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

7. Indemnity and Contribution. (a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented, if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein; provided, however, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter or any person who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from whom the person asserting any such losses, claims, damages or liabilities purchased Shares, if a copy of the Prospectus (as then amended or supplemented, if the Company shall have furnished any amendments or supplements thereto) was furnished by the Company to such Underwriter but was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of such Shares to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability, unless such failure is the result of noncompliance by the Company with Section 6(a) hereof.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 7(a) or 7(b), such person (the "INDEMNIFIED PARTY") shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by Morgan Stanley, in the case of parties indemnified pursuant to Section 7(a), and by the Company, in the case of parties indemnified pursuant to Section 7(b). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 60 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding. Notwithstanding anything contained herein to the contrary, if indemnity may be sought pursuant to Section 7(g) hereof in respect of such action or proceeding, then in addition to such separate firm for the Indemnified Parties, the Indemnifying Party shall be liable for the reasonable fees and expenses of not more than one separate firm (in addition to any local counsel) for Salomon Smith Barney Inc., the directors, officers, employees and agents of Salomon Smith Barney Inc., and all persons, if any, who control Salomon Smith Barney Inc. within the meaning of

either the Act or the Exchange Act for the defense of any losses, claims, damages and liabilities arising out of the Directed Share Program [indemnifiable under Section 7(g)].

(d) To the extent the indemnification provided for in Section 7(a) or 7(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such Section in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 7(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 7(d)(i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 7(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 7 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 7 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

(g) The Company agrees to indemnify and hold harmless Salomon Smith Barney Inc., the directors, officers, employees and agents of Salomon Smith Barney Inc. and each person who controls Salomon Smith Barney Inc. within the meaning of either the Act or the Exchange Act (the "SALOMON SMITH BARNEY INC. ENTITIES"), from and against any and all losses, claims, damages and liabilities to which they may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim), insofar as such losses, claims damages or liabilities (or actions in respect thereof) (i) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the prospectus wrapper material (the "MATERIAL") prepared by or with the consent of the Company for distribution in foreign jurisdictions in connection with the Directed Share Program attached to the Prospectus or any preliminary prospectus, or arise out of or are based upon the omission or alleged omission to state in the Material a material fact required to be stated therein or necessary to make the statement therein, when considered in conjunction with the Prospectus or any applicable preliminary prospectus, not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of the securities which immediately following the Effective Date of the Registration Statement, were subject to a properly confirmed agreement to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program, provided that, the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of Salomon Smith Barney Inc. specifically for inclusion in the Material.

(h) Salomon Smith Barney Inc. agrees to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either the Act or the Exchange Act to the same extent as the indemnity from the Company to Salomon Smith Barney Inc. provided in Section 7(g)(i) above, but only with reference to information relating to Salomon Smith Barney Inc. furnished to the Company specifically for inclusion in the Material.

8. Termination. This Agreement shall be subject to termination by notice given by you to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the

National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and (b) in the case of any of the events specified in clauses 8(a)(i) through 8(a)(iv), such event, singly or together with any other such event, makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

9. Effectiveness; Defaulting Underwriters. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or the Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 9 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased, and arrangements satisfactory to you and the Company for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. If, on the Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase Additional Shares or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not

relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all documented out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

10. Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

11. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

12. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Very truly yours,

SCG Holding Corporation

by

Name:
Title:

Accepted as of the date hereof

Morgan Stanley & Co. Incorporated

Acting severally on behalf of itself and the several Underwriters named in Schedule I hereto.

by Morgan Stanley & Co. Incorporated

by

Name:
Title:

SCHEDULE I

UNDERWRITER	NUMBER OF FIRM SHARES TO BE PURCHASED
Morgan Stanley & Co. Incorporated	
Chase Securities Inc.	
Lehman Brothers Inc.	
FleetBoston Robertson Stephens Inc.	
Salomon Smith Barney Inc.	
Total	

EXHIBIT A

[Form of Lock-up Agreement]

_____, 2000

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036

Dear Sirs and Mesdames:

The undersigned understands that Morgan Stanley & Co. Incorporated ("MORGAN STANLEY") proposes to enter into an Underwriting Agreement (the "UNDERWRITING AGREEMENT") with SCG Holding Corporation, a Delaware corporation (the "COMPANY"), providing for the public offering (the "PUBLIC OFFERING") by the several Underwriters, including Morgan Stanley (the "UNDERWRITERS"), of [ ] shares (the "SHARES") of the common stock, par value $0.01 per share, of the Company (the "COMMON STOCK").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the final prospectus relating to the Public Offering (the "PROSPECTUS"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the sale of any Shares to the Underwriters pursuant to the Underwriting Agreement, (b) transactions relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Public Offering, (c) transfers of shares of Common Stock or any security convertible into Common Stock as a bona fide gift or gifts, (d) distributions of shares of Common Stock

or any security convertible into Common Stock to limited partners or stockholders of the undersigned or (e) transfers and dispositions between one or more affiliates of Texas Pacific Group or partners, shareholders or members of any such affiliate, provided, that in the case of any transfer, distribution or disposition pursuant to clause (c), (d) or (e), (i) each donee, distributee or disposition recipient shall execute and deliver to Morgan Stanley a duplicate form of this Lock-up Letter and (ii) if a filing by any party (donor, donee, transferor, transferee, disposer or disposition recipient) under Section 16(a) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), shall be required in connection with such transfer, distribution or disposition (other than a filing on a Form 5 made after the expiration of the 180-day period referred to above), such party shall provide Morgan Stanley no less than seven days prior notice of such filing (it being understood that no such filing shall be made by any such party if not required to be made under the Exchange Act). In addition, the undersigned agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the Prospectus, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

(Name)

(Address)

EXHIBIT 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF SCG HOLDING CORPORATION

SCG Holding Corporation (hereinafter referred to as the "Corporation"), organized and existing under and by virtue of the Delaware General Corporation Law, does hereby certify as follows:

1. The Corporation filed its original Certificate of Incorporation (hereinafter referred to as the "Certificate of Incorporation") with the Secretary of State of Delaware on June 18, 1992, and the name of the Corporation at that time was Motorola Energy Systems, Inc.

2. By unanimous written consent of the Board of Directors of the Corporation, a resolution was duly adopted, pursuant to Sections 242 and 245 of the Delaware General Corporation Law, setting forth the Amended and Restated Certificate of Incorporation of the Corporation and declaring said Amended and Restated Certificate of Incorporation of the Corporation advisable. By written consent of the stockholders of the Corporation, a resolution was duly adopted, pursuant to Sections 228, 242 and 245 of the Delaware General Corporation Law, setting forth and approving such Amended and Restated Certificate of Incorporation of the Corporation.

RESOLVED: That the Certificate of Incorporation, as amended to date, be and hereby is amended and restated in its entirety as follows:

FIRST: The name of the corporation is:

SCG Holding Corporation.

SECOND: The registered office of the Corporation is to be located at 1209 Orange Street, in the City of Wilmington, in the County of New Castle, in the State of Delaware. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law.

FOURTH:

(1) The aggregate number of shares which the Corporation shall have authority to issue is 300,100,000 of which 100,000 of said shares shall be par value $0.01 and shall be designated Preferred Stock, and 3,000,000 of said shares shall be par value $0.01 per share and shall be designated Common Stock.

(2) Subject to the limitations and in the manner provided by law, shares of the Preferred Stock may be issued from time to time in series and the Board of Directors of the Corporation (hereinafter referred to as the "Board") is hereby authorized to establish and designate series of the Preferred Stock, to fix the number of shares constituting each series, and to fix the designations and the relative rights, preferences and limitations of the shares of each series and the variations in the relative rights, preferences and limitations as between series, and to increase and to decrease the number of shares constituting each series. Subject to the limitations and in the manner provided by law, the authority of the Board with respect to each series shall include but shall not be limited to the authority to determine the following:

(a) The designation of such series.

(b) The number of shares initially constituting such series.

(c) The increase and the decrease to a number not less than the number of the outstanding shares of such series, of the number of shares constituting such series theretofore fixed.

(d) The rate or rates and the times at which dividends on the shares of such series shall be paid, the form in which such dividends shall be paid or payable (which may include additional shares of capital stock of the Corporation) and whether or not such dividends shall be cumulative and, if such dividends shall be cumulative, the date or dates from and after which they shall accumulate; provided, however, that, if the stated dividends are not paid in full,

the shares of all series of the Preferred Stock ranking pari passu shall share ratably in the payment of dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all dividends were declared and paid in full.

(e) Whether or not the shares of such series shall be redeemable and, if such shares shall be redeemable, the terms and conditions of such redemption, including but not limited to the date or dates upon or after which such shares shall be redeemable and the amount per share that shall be payable upon such redemption, which amount may vary under different conditions and at different redemption dates.

(f) The amount payable on the shares of such series in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation; provided, however, that the holders of such shares shall be entitled to be paid, or to have set apart for payment, not less than $0.01 per share before the holders of shares of the Common Stock or the holders of any other class or series of stock ranking junior to the Preferred Stock as to rights on liquidation shall be entitled to be paid any amount or to have any amount set apart for payment; and provided further, that, if the amounts payable on liquidation are not paid in full, the shares of all series of the Preferred Stock ranking pari passu shall share ratably in any distribution of assets other than by way of dividends in accordance with the sums that would be payable in such distribution if all sums payable were discharged in full. A liquidation, dissolution or winding up of the Corporation, as such terms are used in this paragraph (f), shall not be deemed to be occasioned by or to include any consolidation or merger of the Corporation with or into any other corporation or other entity or corporations or other entities or a sale, lease or conveyance of all or a part of its assets.

(g) Whether or not the shares of such series shall have voting rights, in addition to the voting rights provided by law and, if such shares shall have such voting rights, the terms and conditions thereof, including but not limited to the right of the holders of such shares to vote as a separate class either alone or with the holders of shares of one or more other series of Preferred Stock and the right to have more than one vote per share.

(h) Whether or not a sinking fund shall be provided for the redemption of the shares of such series and, if such a sinking fund shall be provided, the terms and conditions thereof.

(i) Whether or not a purchase fund shall be provided for purchase of the shares of such series, and, if such a purchase fund shall be provided, the terms and conditions thereof.

(j) Whether or not the shares of such series shall have conversion or exchange privileges, and, if such shares shall have conversion or exchange privileges, the terms and conditions of conversion or exchange, including but not limited to any provision for the adjustment of the conversion rate or the conversion price and whether conversion or exchange can be effected solely by the Corporation or the holder.

(k) Any other relative rights, preferences and limitations.

(3) Except as otherwise provided by law or by the resolution or resolutions providing for the issuance of any series of Preferred Stock, the holders of outstanding shares of Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, each holder of record of shares of Common Stock being entitled to one vote for each share of Common Stock standing in such holder's name on the books of the Corporation.

FIFTH: The name and address of the incorporator is as follows:

Deborah J. Burmeister
1303 East Algonquin Road
Schaumburg, Illinois 60196

SIXTH: Unless and except to the extent that the By-Laws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

SEVENTH: In furtherance and not in limitation of the powers conferred by law, the Board is expressly authorized and empowered to adopt, amend and repeal the By-Laws of the Corporation by a majority vote at any regular or special meeting of the Board or by written consent, subject to the power of the stockholders of the Corporation to amend or repeal any By-Law of the Corporation made by the Board. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or the By-Laws of the Corporation (and notwithstanding that a lesser percentage may be specified by law), the provisions of Article II, Sections 1, 2 and 5, Article III, Section 1, and Article VI of the By-Laws of the Corporation may not be amended or repealed, nor may any By-Law provision inconsistent therewith be adopted, by the stockholders of the Corporation, unless such action is approved by the affirmative vote of the holders of not less than sixty-six and two thirds percent (66 2/3%) of the voting power of all of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for purposes of this Article SEVENTH as a single class.

EIGHTH: The Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Amended and Restated Certificate of

Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article EIGHTH.

Notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or the By-Laws of the Corporation (and notwithstanding that a lesser percentage may be specified by law), the provisions of this Article EIGHTH, Article SEVENTH, Article NINTH, Article TENTH, Article ELEVENTH, Article TWELFTH, Article THIRTEENTH and Article FOURTEENTH hereof may not be amended or repealed, nor may any Certificate of Incorporation provision inconsistent therewith be adopted, by the stockholders of the Corporation unless such action is approved by the affirmative vote of the holders of not less than sixty-six and two thirds percent (66 2/3%) of the voting power of all of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for purposes of this Article EIGHTH as a single class.

NINTH: (1) The business and affairs of the Corporation shall be managed by or under the direction of a Board consisting of not fewer that six (6) nor more than eleven (11) directors (exclusive of directors referred to in the following paragraph), the exact number to be determined from time to time by resolution adopted by affirmative vote of a majority of such directors then in office. Upon the filing of this Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware, the directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors determined by the Board pursuant to this Section (1). Class I directors shall serve for an initial term ending at the annual meeting of stockholders held in 2000, Class II directors for an initial term ending at the annual meeting of stockholders held in 2001 and Class III directors for an initial term ending at the annual meeting

of stockholders held in 2002. At each annual meeting of stockholders beginning in 2000, successors to the directors in the class whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the number of such directors and the election, term of office, filling of vacancies and other features of such directorships shall be governed by the provisions of Article FOURTH of this Amended and Restated Certificate of Incorporation and any resolution or resolutions adopted by the Board pursuant thereto, and such directors shall not be divided into classes unless expressly so provided therein.

(2) Subject to the rights of the holders of any one or more classes or series of Preferred Stock issued by the Corporation, any director, or the entire Board, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of not less than sixty-six and two thirds percent (66 2/3%) of the voting power of all of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors,

considered for purposes of this sentence as a single class. Any vacancy in the Board that results from an increase in the number of directors may be filled by a majority of the directors then in office, provided that a quorum is present, and any other vacancy may be filled only by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall hold office for the remaining term of his or her predecessor.

TENTH: No action required to be taken or that may be taken at any annual or special meeting of stockholders of the Corporation may be taken by stockholders of the Corporation except at such a meeting of stockholders.

ELEVENTH: The Corporation shall, to the full extent permitted by Section 145 of the Delaware General Corporation Law, as amended from time to time, indemnify all persons whom it may indemnify pursuant thereto.

TWELFTH: The Board shall have authority to authorize the issuance, from time to time without any vote or other action by the stockholders, of any or all shares of stock of the Corporation of any class at any time authorized, any securities convertible into or exchangeable for any such shares so authorized, and any warrant, option or right to purchase, subscribe for or otherwise acquire shares of stock of the Corporation for any such consideration and on such terms as the Board from time to time in its discretion lawfully may determine, which terms and conditions may include, without limitation, restrictions or conditions that preclude or limit the exercise, transfer or receipt thereof or that invalidate or void any such securities, warrants, options or rights; provided, however, that the consideration for the issuance of shares of stock of the Corporation having par value shall not be less than such par value. Stock so issued, for which the consideration has been paid to the Corporation, shall be fully paid stock, and the

holders of such stock shall not be liable to any further call or assessments thereon. Nothing in this Article TWELFTH shall be interpreted to limit the authority of the Board under the Delaware General Corporation Law or under any other provision of this Amended and Restated Certificate of Incorporation, to authorize the issuance of shares, warrants, options or rights or other securities or to take any other action.

THIRTEENTH: The By-Laws of the Corporation may establish procedures regulating the submission by stockholders of nominations and proposals for consideration at meetings of stockholders of the Corporation.

FOURTEENTH: The provisions of Section 203 of the Delaware General Corporation Law shall not apply to or govern the Corporation.

FIFTEENTH: Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as consequence

of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

SIXTEENTH: The personal liability of the directors of the Corporation is hereby eliminated to the fullest extent permitted by paragraph (7) of subsection (b) of Section 102 of the General Corporation Law of the State of Delaware, as the same may be amended or supplemented.

IN WITNESS WHEREOF, this certificate has been signed by its Vice President and Assistant Secretary and its corporate seal affixed this 5th day of April, 2000.

By: /s/ George H. Cave

Name: George H. Cave
Title: Secretary

Signed and sworn (or affirmed) to before me on this 5th day of April, 2000.

/s/ Linda Pascale

Linda Pascale, Notary Public

By: /s/ Dario Sacomani

Name: Dario Sacomani
Title: Senior Vice President and Chief Financial Officer

Signed and sworn (or affirmed) to before me on this 5th day of April, 2000.

/s/ Linda Pascale

Linda Pascale, Notary Public

EXHIBIT 3.2

BY-LAWS

OF

SCG HOLDING CORPORATION

As amended February 17, 2000

ARTICLE I
OFFICES

SECTION 1. REGISTERED OFFICE. The registered office of SCG Holding Corporation (hereinafter referred to as the "Corporation") shall be established and maintained at the office of The Corporation Trust Company, in the City of Wilmington, in the County of New Castle, in the State of Delaware, which shall be the registered agent of the Corporation in charge thereof.

SECTION 2. OTHER OFFICES. The Corporation may have other offices, either within or without the State of Delaware, at such place or places as the Board of Directors of the Corporation (hereinafter referred to as the "Board") may from time to time appoint or the business of the Corporation may require.

ARTICLE II
MEETING OF STOCKHOLDERS

SECTION 1. ANNUAL MEETINGS. Annual meetings of stockholders for the election of directors and for such other business as may be stated in the notice of the meeting, shall be held at such place, either within or without the State of Delaware, and at such time and date as the Board, by resolution, shall determine and as set forth in the notice of the meeting. In the event the Board fails to so determine the time, date and place of meeting, the annual meeting of stockholders shall be held at the offices of the Corporation in Delaware on the first Tuesday of June at 11:30 A.M.

If the date of the annual meeting shall fall upon a legal holiday, the meeting shall be held on the next business day. At each annual meeting, the stockholders entitled to vote shall elect directors by plurality vote, in accordance with Article NINTH of the Amended and Restated Certificate of Incorporation of the Corporation, and the stockholders may transact such other corporate business as shall be stated in the notice of the meeting.

SECTION 2. SPECIAL MEETINGS. Except as provided in the Amended and Restated Certificate of Incorporation of the Corporation, special meetings of the stockholders may be called only on the order of the Chairman of the Board or the Board and shall be held at

such date, time and place as may be specified by such order. The business permitted to be conducted at any special meeting of the stockholders is limited to the purpose or purposes specified by such order.

SECTION 3. VOTING. Each stockholder entitled to vote in accordance with the terms of the Amended and Restated Certificate of Incorporation of the Corporation and these By-Laws may vote in person or by proxy executed in writing by the stockholder or by his or her duly authorized attorney-in-fact. If a quorum is present, the affirmative vote of a majority of the votes cast at a meeting of the stockholders by the holders of shares entitled to vote thereat shall be the act of the stockholders, unless the vote of a greater or lesser number of shares of stock is required by law, the Amended and Restated Certificate of Incorporation of the Corporation or these By-Laws.

A complete list of the stockholders entitled to vote at the ensuing election, arranged in alphabetical order, with the address of each, and the number of shares held by each, shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 4. QUORUM. Except as otherwise required by law, by the Amended and Restated Certificate of Incorporation of the Corporation or by these By-Laws, the presence, in person or by proxy, of stockholders holding a majority of the stock of the Corporation entitled to vote shall constitute a quorum at all meetings of the stockholders. In case a quorum shall not be present at any meeting, a majority in interest of the stockholders entitled to vote thereat, present in person or by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of stock entitled to vote shall be present. At any such adjourned meeting at which the requisite amount of stock entitled to vote shall be represented, any business may be transacted that might have been transacted at the meeting as originally noticed; but, unless the Board fixes a new record date, only those stockholders entitled to vote at the meeting as originally noticed shall be entitled to vote at any adjournment or adjournments thereof.

SECTION 5. NOTICE OF MEETINGS. Written notice of all meetings of the stockholders shall be mailed or delivered to each stockholder not less than ten nor more than sixty days before the meeting. The notice or an accompanying document shall identify the business to be transacted at the meeting as determined by the Board and, if directors are to be elected, the nominees therefor proposed by the Board.

Other business may be transacted at the annual meeting (but not at any special meeting), only if the Secretary of the Corporation has received from the sponsoring stockholder (a) not less than ninety nor more than one hundred twenty days before the first Tuesday in June (or, if the Board has designated another date for the annual meeting pursuant to Section 1 of this Article II, not less than ninety nor more than one hundred twenty days before such other date, or, if such other date has not been publicly disclosed or announced at least one hundred five days in

advance, then not less than fifteen days after such initial public disclosure or announcement) a written notice setting forth (i) as to each matter the stockholder proposes to bring before the annual meeting, a brief description of the proposal desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (iii) the class and number of shares that are owned beneficially and of record by such stockholder on the date of such stockholder's notice and (iv) any material interest of the stockholder in such proposal, and (b) not more than ten days after receipt by the sponsoring stockholder of a written request from the Secretary, such additional information as the Secretary may reasonably require. Notwithstanding anything in these By-Laws to the contrary, no business shall be brought before or conducted at an annual meeting except in accordance with the provisions of this Section 5 of Article II. The officer of the Corporation or other person presiding over the annual meeting shall, if the facts so warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 5 of Article II and, if he or she should so determine, such officer shall so declare to the meeting and any business so determined to be not properly brought before the meeting shall not be transacted.

Candidates for election to the Board (other than nominees proposed by the Board) may be nominated at the annual meeting (but not at any special meeting), only if the Secretary of the Corporation has received from the nominating stockholder (a) not less than ninety nor more than one hundred twenty days before the first Tuesday in June (or, if the Board has designated another date for the annual meeting pursuant to Section 1 of this Article II, not less than ninety days nor more than one hundred twenty days before such other date, or, if such other date has not been publicly disclosed or announced at least one hundred five days in advance, then not less than fifteen days after such initial public disclosure or announcement) a written notice setting forth (i) with respect to each person whom such stockholder proposes to nominate for election or re-election as a director, all information relating to such person that would be required to be disclosed in solicitations of proxies for the election of directors, or would otherwise by required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, if such Regulation 14A or any successor regulation or statute were applicable (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business and (iii) the class and number of shares that are owned beneficially and of record by such stockholder on the date of such stockholder's notice, and (b) not more than ten days after receipt by the nominating stockholder of a written request from the Secretary, such additional information as the Secretary may reasonably require. Notwithstanding anything in these By-Laws to the contrary, no person shall be eligible for election as a director except in accordance with the provisions of this Section 5 of Article II. The officer of the Corporation or other person presiding over the annual meeting shall, if the facts so warrant, determine and declare to the meeting that a nomination was not made in accordance with the provisions of this Section 5 of Article II and, if he or she should so determine, such officer shall so declare to the meeting and any such defective nomination shall be disregarded.

ARTICLE III
DIRECTORS

SECTION 1. NUMBER. The number of directors shall be fixed by the Board from time to time in accordance with Article NINTH of the Amended and Restated Certificate of Incorporation of the Corporation.

SECTION 2. COMMITTEES. The Board may, by resolution or resolutions passed by a majority of the entire Board, designate one or more committees of the Board, each such committee to consist of one or more directors.

SECTION 3. MEETINGS. The newly elected directors may hold their first meeting for the purpose of organization and the transaction of business, if a quorum be present, immediately after the annual meeting of the stockholders; or the time and place of such meeting may be fixed by consent in writing of all the directors.

Regular meetings of the Board or any committee of the Board may be held without notice at such places and times as shall be determined from time to time by resolution of the Board or such committee, as the case may be.

Special meetings of the Board may be called by the Chairman of the Board or the President and shall be called by the Secretary on the written request of any two directors on at least one day's notice to each director and shall be held at such place or places as may be determined by the Board, or shall be stated in the call of the meeting.

Unless otherwise restricted by the Amended and Restated Certificate of Incorporation of the Corporation or by these By-Laws, members of the Board or any committee of the Board, may participate in a meeting of the Board or any such committee, as the case may be, by means of telephone conference or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

SECTION 4. QUORUM. A majority of the Board or a majority of the members of a committee of the Board shall constitute a quorum of the Board or such committee, as the case may be, for the transaction of business. If at any meeting of the Board or a committee there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is obtained, and no further notice thereof need be given other than by announcement at the meeting which shall be so adjourned. The vote of the majority of directors present at a meeting at which a quorum is present shall be the act of the Board or such committee, as the case may be, unless the Amended and Restated Certificate of Incorporation of the Corporation or these By-Laws shall require the vote of a greater number.

SECTION 5. COMPENSATION. Non-employee directors, as such, may receive such stated salary for their services and/or such fixed sums and expenses of attendance for attendance at each regular or special meeting of the Board or any committee thereof as may be established by resolution of the Board; provided that no compensation shall be so paid for participation in any action taken pursuant to Article III, Section 6; provided further that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 6. ACTION WITHOUT MEETING. Any action required or permitted to be taken at any meeting of the Board or of any committee of the Board may be taken without a meeting if, prior to such action, a written consent thereto is signed by all members of the Board or such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or such committee, as the case may be.

ARTICLE IV
OFFICERS

SECTION 1. OFFICERS. The officers of the Corporation shall be a President, a Treasurer, and a Secretary, all of whom shall be elected by the Board and who shall hold office until their successors are elected and qualified. In addition, the Board may elect a Chairman, one or more Vice-Presidents and such Assistant Secretaries and Assistant Treasurers as they deem proper. None of the officers of the Corporation need be directors of the Corporation. The officers shall be elected at the first meeting of the Board after each annual meeting. More than two offices may be held by the same person.

SECTION 2. OTHER OFFICERS AND AGENTS. The Board may appoint such other officers and agents as it may deem advisable, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

SECTION 3. CHAIRMAN. The Chairman of the Board, if one be elected ,shall preside at all meetings of the Board and he shall have and perform such other duties as from time to time may be assigned to him by the Board.

SECTION 4. PRESIDENT. The President shall be the chief executive officer of the Corporation and shall have the general powers and duties of supervision and management usually vested in the office of President of a corporation. He shall preside at all meetings of the stockholders if present thereat, and in the absence or nonelection of the Chairman of the Board, at all meetings of the Board, and shall have general supervision, direction and control of the business of the Corporation. Except as the Board shall authorize the execution thereof in some other manner, he shall execute bonds, mortgages and other contracts in behalf of the Corporation, and shall cause the seal to be affixed to any instrument requiring it and when so affixed the seal shall be attested by the signature of the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer.

SECTION 5. VICE-PRESIDENT. Each Vice-President shall have such powers and shall perform such duties as shall be assigned to him by the directors.

SECTION 6. TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation. He shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositaries as may be designated by the Board.

The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board, or the President, taking proper vouchers for such disbursements. He shall render to

the President and Board at the regular meetings of the Board, or whenever they may request it, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board, he shall give the Corporation a bond for the faithful discharge of his duties in such amount and with such surety as the Board shall prescribe.

SECTION 7. SECRETARY. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and directors, and all other notices required by law or by these By-Laws, and in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the President, or by the directors, or stockholders, upon whose requisition the meeting is called as provided in these By-Laws. He shall record all the proceedings of the meetings of the Corporation and of the Board or any committee of the Board in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him by the Board or the President. He shall have the custody of the seal of the Corporation and shall affix the same to all instruments requiring it, when authorized by the directors or the President, and attest the same.

SECTION 8. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES. Assistant Treasurers and Assistant Secretaries, if any, shall be elected and shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the directors.

ARTICLE V
MISCELLANEOUS

SECTION 1. CERTIFICATES OF STOCK. Certificates of stock, signed by the Chairman or Vice Chairman of the Board, if they be elected, President or Vice-President, and the Treasurer or an Assistant Treasurer, or Secretary or an Assistant Secretary, shall be issued to each stockholder certifying the number of shares owned by him in the Corporation. Any of or all the signatures may be facsimiles.

SECTION 2. LOST CERTIFICATES. A new certificate of stock may be issued in the place of any certificate theretofore issued by the Corporation, alleged to have been lost or destroyed, and the directors may, in their discretion, require the owner of the lost or destroyed certificate, or his legal representatives, to give the Corporation a bond, in such sum as they may direct not exceeding double the value of the stock, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss of any such certificate, or the issuance of any such new certificate.

SECTION 3. TRANSFER OF SHARES. The shares of stock of the Corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives, and upon such transfer the old certificates shall be surrendered to the Corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers, or to such other person as the directors may designate, by whom they shall be cancelled, and new certificates shall thereupon be issued. A record shall be made of each transfer and whenever a transfer shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer.

SECTION 4. STOCKHOLDERS RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

SECTION 5. DIVIDENDS. Subject to the provisions of the Amended and Restated Certificate of Incorporation of the Corporation, the Board may, out of funds legally available therefor at any regular or special meeting, declare dividends upon the capital stock of the Corporation as and when they deem expedient. Before declaring any dividend there may be set apart out of any funds of the Corporation available for dividends, such sum or sums as the directors from time to time in their discretion deem proper for working capital or as a reserve fund to meet contingencies or for equalizing dividends or for such other purposes as the directors shall deem conducive to the interests of the company.

SECTION 6. SEAL. The corporate seal shall be circular in form and shall contain the name of the Corporation, the year of its creation and the words "CORPORATE SEAL DELAWARE". Said seal may be used by causing it or a facsimile to be impressed or affixed or reproduced or otherwise.

SECTION 7. FISCAL YEAR. The fiscal year of the Corporation shall be determined by resolution of the Board.

SECTION 8. CHECKS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner as shall be determined from time to time by resolutions of the Board.

SECTION 9. NOTICE AND WAIVER OF NOTICE. Whenever any notice is required by these By-Laws to be given, personal notice is not meant unless expressly so stated (and except in the case of notice pursuant to Article III, Section 3), and any notice so required shall be deemed to be sufficient if given by depositing the same in the United States mail, postage prepaid, addressed to the person entitled thereto at his address as it appears on the records of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. Stockholders not entitled to vote shall not be entitled to receive notice of any meetings except as otherwise provided by Statute.

Whenever any notice whatever is required to be given under the provisions of any law, or under the provisions of the Amended and Restated Certificate of Incorporation of the Corporation or By-Laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VI
AMENDMENTS

In furtherance and not in limitation of the powers conferred by law, the Board is expressly authorized and empowered to adopt, amend and repeal any By-Law of the Corporation by a majority vote at any regular or special meeting of the Board or by written consent, subject to the power of the stockholders of the Corporation to amend or repeal any By-Law made by the Board. Notwithstanding any other provisions of the Amended and Restated Certificate of Incorporation of the Corporation or these By-Laws (and notwithstanding that a lesser percentage may be specified by law), the provisions of Article II, Sections 1, 2 and 5, Article III, Section 1 and this Article VI of these By-Laws may not be amended or repealed, nor may any By-Law provision inconsistent herewith or therewith be adopted, by the stockholders of the Corporation unless such action is approved by the affirmative vote of the holders of not less than sixty-six and two thirds percent (66 2/3%) of the voting power of all of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for purposes of this Article VI as a single class.

EXHIBIT 4.1

[COMPANY LOGO]

SCG HOLDING CORPORATION

NUMBER
SCG

COMMON STOCK
SHARES

SEE REVERSE FOR CERTAIN DEFINITIONS

CUSIP 783884 10 9
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFIES that

Is the record owner of

FULLY PAID AND NONASSESSABLE SHARES OF THE COMMON STOCK,
$.01 PAR VALUE PER SHARE, OF

SCG HOLDING CORPORATION

transferable only on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

COUNTERSIGNED AND REGISTERED:
HARRIS TRUST COMPANY OF CALIFORNIA
TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

/s/ George H. Cave
Secretary

/s/ Steve Hanson
President

[SCG HOLDING CORPORATION
CORPORATE SEAL DELAWARE]

The Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Such requests shall be made to the Corporation's Secretary at the principal office of the Corporation.

KEEP THIS CERTIFICATE IN A SAFE PLACE IF IT IS LOST, STOLEN, OR DESTROYED THE CORPORATION WILL REQUIRE A BOND OF INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to the applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors Act _____
(State)

UNIF TRF MIN ACT - _____ Custodian (until age _____)
(Cust)
_____ under Uniform Transfers
(Minor)
to Minors Act _____
(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

_____
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____

_____

_____ Shares
of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney
to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated _____

X _____

X _____

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed

By _____
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

EXHIBIT 10.1

EXECUTION COPY

CREDIT AGREEMENT

dated as of

August 4, 1999,

as Amended and Restated as of April 3, 2000,

among

SCG HOLDING CORPORATION,

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,
as Borrower,

The Lenders Party Hereto,

THE CHASE MANHATTAN BANK,
as Administrative Agent,

CREDIT LYONNAIS NEW YORK BRANCH,
as Co-Documentation Agent,

DLJ CAPITAL FUNDING, INC.,
as Co-Documentation Agent,

and

LEHMAN COMMERCIAL PAPER INC.,
as Co-Documentation Agent

CHASE SECURITIES INC.,
as Arranger

TABLE OF CONTENTS

		Page
	ARTICLE I	
	Definitions	
SECTION 1.01.	Defined Terms	1
SECTION 1.02.	Classification of Loans and Borrowings	27
SECTION 1.03.	Terms Generally	27
SECTION 1.04.	Accounting Terms:GAAP	27
SECTION 1.05.	Interim Financial Calculations	28
	ARTICLE II	
	The Credits	
SECTION 2.01.	Commitments	28
SECTION 2.02.	Loans and Borrowings	29
SECTION 2.03.	Requests for Borrowings	29
SECTION 2.04.	Swingline Loans	30
SECTION 2.05.	Letters of Credit	31
SECTION 2.06.	Funding of Borrowings	35
SECTION 2.07.	Interest Elections	36
SECTION 2.08.	Termination and Reduction of Commitments	37
SECTION 2.09.	Repayment of Loans; Evidence of Debt	38
SECTION 2.10.	Amortization of Term Loans	39
SECTION 2.11.	Prepayment of Loans	42
SECTION 2.12.	Fees	44
SECTION 2.13.	Interest	45
SECTION 2.14.	Alternate Rate of Interest	46
SECTION 2.15.	Increased Costs	46
SECTION 2.16.	Break Funding Payments	47
SECTION 2.17.	Taxes	48
SECTION 2.18.	Payments Generally; Pro Rata Treatment; Sharing of Set-offs	49
SECTION 2.19.	Mitigation Obligations; Replacement of Lenders	51
	ARTICLE III	
	Representations and Warranties	
SECTION 3.01.	Organization; Powers	51
SECTION 3.02.	Authorization; Enforceablility	52
SECTION 3.03.	Governmental Approvals; No Conflicts	52
SECTION 3.04.	Financial Condition; No Material Adverse Change	52
SECTION 3.05.	Properties	53
SECTION 3.06.	Litigation and Environmental Matters	54

SECTION 3.07. Compliance with Laws and Agreements..... 54
SECTION 3.08. Investment and Holding Company Status..... 54
SECTION 3.09. Taxes..... 54
SECTION 3.10. ERISA..... 54
SECTION 3.11. Disclosure..... 55
SECTION 3.12. Subsidiaries..... 55
SECTION 3.13. Insurance..... 55
SECTION 3.14. Labor Matters..... 55
SECTION 3.15. Solvency..... 56
SECTION 3.16. Senior Indebtedness..... 56
SECTION 3.17. Year 2000..... 56
SECTION 3.18. Acquisition..... 56

ARTICLE IV

Conditions

SECTION 4.01. Restatement Effective Date..... 56
SECTION 4.02. Each Credit Event..... 59

ARTICLE V

Affirmative Covenants

SECTION 5.01. Financial Statements and Other Information..... 60
SECTION 5.02. Notices of Material Events..... 61
SECTION 5.03. Information Regarding Collateral..... 61
SECTION 5.04. Existence: Conduct of Business..... 62
SECTION 5.05. Payment of Obligations..... 62
SECTION 5.06. Maintenance of Properties..... 62
SECTION 5.07. Insurance..... 62
SECTION 5.08. Casualty and Condemnation..... 63
SECTION 5.09. Books and Records: Inspection and Audit Rights..... 63
SECTION 5.10. Compliance with Laws..... 63
SECTION 5.11. Use of Proceeds and Letters of Credit..... 63
SECTION 5.12. Additional Subsidiaries..... 63
SECTION 5.13. Further Assurances..... 64
SECTION 5.14. Interest Rate Protection..... 64

ARTICLE VI

Negative Covenants

SECTION 6.01. Indebtedness: Certain Equity Services..... 64
SECTION 6.02. Liens..... 66
SECTION 6.03. Fundamental Changes..... 67
SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions..... 68
SECTION 6.05. Asset Sales..... 70

SECTION 6.06. Sale and Leaseback Transactions 71
SECTION 6.07. Hedging Agreements 71
SECTION 6.08. Restricted Payments; Certain Payments of Indebtedness 71
SECTION 6.09. Transactions with Affiliates 72
SECTION 6.10. Restrictive Agreements 73
SECTION 6.11. Amendment of Material Documents 73
SECTION 6.12. Interest Expense Coverage Ratio 74
SECTION 6.13. Leverage Ratio 74
SECTION 6.14. Capital Expenditures 74

ARTICLE VII

Events of Default

SECTION 7.01. Events of Default 75
SECTION 7.02. Exclusive of Immaterial Subsidiaries 77

ARTICLE VIII

The Administrative Agent

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices 79
SECTION 9.02. Waivers; Amendments 80
SECTION 9.03. Expenses; Indemnity; Damage Waiver 81
SECTION 9.04. Successors and Assigns 83
SECTION 9.05. Survival 85
SECTION 9.06. Counterparts; Integration; Effectiveness 86
SECTION 9.07. Severability 86
SECTION 9.08. Right of Setoff 86
SECTION 9.09. GOVERNING LAW: JURISDICTION: CONSENT TO SERVICE OF PROCESS..... 86
SECTION 9.10. WAIVER OF JURY TRIAL 87
SECTION 9.11. Headings 87
SECTION 9.12. Confidentiality 87
SECTION 9.13. Interest Rate Limitation 88
SECTION 9.14. Original Credit Agreement; Effectiveness of Amendment and Restatement..... 89
SECTION 9.15. Additional Provisions for Tranche D Lenders 89

Page

SCHEDULES:

Schedule 1.01 -- Mortgaged Properties
Schedule 1.01(b) -- Restatement Mortgaged Properties
Schedule 2.01 -- Commitments
Schedule 3.05 -- Real Property
Schedule 3.06 -- Disclosed Matters
Schedule 3.12 -- Subsidiaries
Schedule 3.13 -- Insurance
Schedule 6.01 -- Existing Indebtedness
Schedule 6.02 -- Existing Liens
Schedule 6.04 -- Existing Investments
Schedule 6.10 -- Existing Restrictions

EXHIBITS:

Exhibit A -- Form of Assignment and Acceptance
Exhibit B-1 -- Form of Opinion of Borrower's Counsel
Exhibit B-2 -- Form of Opinion of Local Counsel
Exhibit C -- Guarantee Agreement
Exhibit D -- Indemnity, Subrogation and Contribution Agreement
Exhibit E -- Pledge Agreement
Exhibit F -- Security Agreement
Exhibit G -- Collateral Assignment
Exhibit H -- Form of Reaffirmation Agreement

CREDIT AGREEMENT dated as of August 4, 1999, as amended and restated as of April 3, 2000 (this "Agreement"), among SCG HOLDING CORPORATION, SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, the LENDERS party hereto, and THE CHASE MANHATTAN BANK, as administrative agent, collateral agent and syndication agent hereunder, and CREDIT LYONNAIS NEW YORK BRANCH, DLJ CAPITAL FUNDING, INC. and LEHMAN COMMERCIAL PAPER INC., as co-documentation agents hereunder.

The parties hereto agree as follows:

- - As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquisition" means the acquisition pursuant to the Acquisition Agreement by the Borrower of all the outstanding capital stock of Cherry Semiconductor for a purchase price not to exceed $250,000,000 and the other transactions contemplated by the Acquisition Agreement and the documents related thereto.

"Acquisition Agreement" means the Stock Purchase Agreement dated as of March 8, 2000, between the Borrower, Holdings and the Seller.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means The Chase Manhattan Bank, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. Notwithstanding the foregoing, no individual shall be deemed to be an Affiliate of a Person solely by reason of his or her being an officer or director of such Person.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Revolving Lender, the percentage of the total Revolving Commitments represented by such Lender's Revolving Commitment. If the Revolving Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Revolving Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day (a) with respect to any Tranche B Term Loan, (i) 2.50% per annum, in the case of an ABR Loan, or (ii) 3.50% per annum, in the case of a Eurodollar Loan, (b) with respect to any Tranche C Term Loan, (i) 2.75% per annum, in the case

of an ABR Loan, or (ii) 3.75% in the case of a Eurodollar Loan, (c) with respect to any Tranche D Term Loan, (i) 2.00%, in the case of an ABR Loan or (ii) 3.00%, in the case of a Eurodollar Loan and (d) with respect to any ABR Loan or Eurodollar Loan that is a Revolving Loan or a Tranche A Term Loan, or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "ABR Spread", "Eurodollar Spread" or "Commitment Fee Rate", as the case may be, based upon the Leverage Ratio as of the most recent determination date, provided that until the delivery to the Administrative Agent, pursuant to Section 5.01(a), of Holdings's consolidated financial statements for Holdings's fiscal year ending on December 31, 1999, the "Applicable Rate" for purposes of clause (d) above shall be the applicable rate per annum set forth below in Category 1:

Leverage Ratio:	ABR Spread	Eurodollar Spread	Commitment Fee Rate
Category 1	2.00%	3.00%	0.50%
	Greater than or equal to 3.00 to 1.00		
Category 2	1.75%	2.75%	0.50%
	Greater than or equal to 2.50 to 1.00 and less than 3.00 to 1.00		
Category 3	1.50%	2.50%	0.50%
	Greater than or equal to 2.00 to 1.00 and less than 2.50 to 1.00		
Category 4	1.25%	2.25%	0.50%
	Less than 2.00 to 1.00		

For purposes of the foregoing, (a) the Leverage Ratio shall be determined as of the end of each fiscal quarter of Holdings's fiscal year based upon Holdings's consolidated financial statements delivered pursuant to Section 5.01(a) or (b) and (b) each change in the Applicable Rate resulting from a change in the Leverage Ratio shall be effective during the period commencing on and including the first Business Day after the date of delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change, provided that the Leverage Ratio shall be deemed to be in Category 1 (i) at any time that an Event of Default has occurred and is continuing or (ii) at the option of the Administrative Agent or at the request of the Required Lenders if Holdings fails to deliver the consolidated financial statements required to be delivered by it pursuant to Section 5.01(a) or (b), during the period from the expiration of the time for delivery thereof until such consolidated financial statements are delivered.

"Approved Fund" means, with respect to any Lender that is a fund that invests in bank loans and similar commercial extensions of credit, any other fund that invests in bank loans and similar commercial extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Assessment Rate" means, for any day, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund classified as "well-capitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the meaning of 12 C.F.R. Part 327 (or any successor provision) to the Federal Deposit Insurance Corporation for insurance by such Corporation of time deposits made in dollars at the offices of such member in the United States, provided that if, as a result of any change in any law, rule or

regulation, it is no longer possible to determine the Assessment Rate as aforesaid, then the Assessment Rate shall be such annual rate as shall be determined by the Administrative Agent to be representative of the cost of such insurance to the Lenders.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Base CD Rate" means the sum of (a) the Three-Month Secondary CD Rate multiplied by the Statutory Reserve Rate plus (b) the Assessment Rate.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means Semiconductor Components Industries, LLC, a Delaware limited liability company.

"Borrowing" means (a) Loans of the same Class and Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, or (b) a Swingline Loan.

"Borrowing Request" means a request by the Borrower for a Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed, provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Expenditures" means, for any period, without duplication, (a) the additions to property, plant and equipment and other capital expenditures of the Borrower and its consolidated Subsidiaries that are (or would be) set forth in a consolidated statement of cash flows of the Borrower for such period prepared in accordance with GAAP and (b) Capital Lease Obligations incurred by the Borrower and its consolidated Subsidiaries during such period, provided that the term "Capital Expenditures" (i) shall be net of landlord construction allowances, (ii) shall not include expenditures made in connection with the repair or restoration of assets with insurance or condemnation proceeds and (iii) shall not include the purchase price of equipment to the extent consideration therefor consists of used or surplus equipment being traded in at such time or the proceeds of a concurrent sale of such used or surplus equipment, in each case in the ordinary course of business.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and

accounted for as capital lease obligations on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Certificate of Designation" means the certificate of designations of Holdings with respect to the Cumulative Preferred Stock.

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person other than Holdings of any Equity Interest in Borrower; (b) prior to an IPO, the failure by TPG to own (and retain the right to vote), directly or indirectly, beneficially and of record, Equity Interests in Holdings representing greater than 40% of each of the aggregate ordinary voting power and aggregate equity value represented by the issued and outstanding Equity Interests in Holdings; (c) after an IPO, the failure by TPG to own (and retain the right to vote), directly or indirectly, beneficially and of record, Equity Interests in Holdings representing at least 15% of each of the aggregate ordinary voting power and the aggregate equity value represented by the issued and outstanding Equity Interests in Holdings; (d) after an IPO, the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the Effective Date), of Equity Interests representing a greater percentage of either the aggregate ordinary voting power or the aggregate equity value of Holdings than owned, directly or indirectly, beneficially and of record, by TPG; (e) occupation of a majority of the seats (other than vacant seats) on the board of directors of Holdings by Persons who were neither (i) nominated by the board of directors of Holdings nor (ii) appointed by directors so nominated; or (f) the occurrence of a "Change of Control", as defined in the Subordinated Debt Documents.

"Change in Law" means (a) the adoption of any law, rule or regulation after the Effective Date, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the Effective Date or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority first made or issued after the Effective Date.

"Cherry Semiconductor" means Cherry Semiconductor Corporation, a Rhode Island corporation.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Tranche A Term Loans, Tranche B Term Loans, Tranche C Term Loans, Tranche D Term Loans or Swingline Loans and, when used in reference to any Commitment, refers to whether such Commitment is a Revolving Commitment, Tranche A Commitment, Tranche B Commitment, Tranche C Commitment or Tranche D Commitment.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means any and all "Collateral", as defined in any applicable Security Document.

"Collateral Agent" means the "Collateral Agent", as defined in any applicable Security Document.

"Collateral and Guarantee Requirement" means the requirement that:

(a) the Administrative Agent shall have received from each Loan Party either (i) a counterpart of each of the Guarantee Agreement, the Indemnity, Subrogation and Contribution Agreement, the Pledge Agreement, the Collateral Assignment and the Security Agreement duly executed and delivered on behalf of such Loan Party or (ii) in the case of any Person that becomes a Loan Party after the Effective Date (including, as of the Restatement Effective Date, pursuant to the Acquisition and the other Restatement Transactions), a supplement to each of the Guarantee Agreement, the Indemnity, Subrogation and Contribution Agreement, the Pledge Agreement and the Security Agreement, in each case in the form specified therein, duly executed and delivered on behalf of such Loan Party;

(b) all outstanding Equity Interests of the Borrower and each Subsidiary owned directly by or directly on behalf of any Loan Party (including, as of the Restatement Effective Date, after giving effect to the Restatement Transactions), shall have been pledged pursuant to the Pledge Agreement (except that the Loan Parties shall not be required to pledge more than 65% of the outstanding voting stock of any Foreign Subsidiary and shall not be required to pledge any Equity Interests in any Foreign Joint Venture Company to the extent that such a pledge is prohibited by the constitutive documents of such Foreign Joint Venture Company or applicable law) and the Administrative Agent shall have received certificates or other instruments representing all such Equity Interests, together with stock powers or other instruments of transfer with respect thereto endorsed in blank;

(c) all Indebtedness of Holdings, the Borrower and each Subsidiary that is owing to any Loan Party shall be evidenced by a promissory note and shall have been pledged pursuant to the Pledge Agreement and the Administrative Agent shall have received all such promissory notes, together with instruments of transfer with respect thereto endorsed in blank; provided that the requirements of this paragraph (c) shall not apply to the extent the Administrative Agent has waived compliance with Section 2(b) of the Pledge Agreement and the Required Lenders have consented to such waiver;

(d) all documents and instruments, including Uniform Commercial Code financing statements, required by law or reasonably requested by the Administrative Agent to be filed, registered or recorded to create the Liens intended to be created by the Security Agreement and the Pledge Agreement (including any supplements thereto), after giving effect to the Restatement Transactions and perfect such Liens to the extent required by, and with the priority required by, the Security Agreement and the Pledge

Agreement, shall have been filed, registered or recorded or delivered to the Administrative Agent for filing, registration or recording;

(e) the Administrative Agent shall have received (i) counterparts of a Mortgage with respect to each Mortgage Property and amendments to each such Mortgage providing that the Tranche D Term Loans (in addition to the other Obligations) shall be secured by a Lien on such Mortgaged Property, signed on behalf of the record owner of such Mortgaged Property, (ii) counterparts of a Mortgage with respect to each Restatement Mortgaged Property signed on behalf of the record owner of such real property, (iii) a policy or policies of title insurance issued by a nationally recognized title insurance company, insuring the Lien of each such Mortgage as a valid first Lien on the Mortgaged Property or Restatement Mortgaged Property, as the case may be, described therein, free of any other Liens except as expressly permitted by Section 6.02, together with such endorsements, coinsurance and reinsurance as the Administrative Agent or the Required Lenders may reasonably request, and (iv) such surveys, abstracts, appraisals, legal opinions and other documents as the Administrative Agent or the Required Lenders may reasonably request with respect to any such Mortgage or Mortgaged Property or Restatement Mortgaged Property, as the case may be; and

(f) each Loan Party shall have obtained all material consents and approvals required to be obtained by it in connection with the execution and delivery of all Security Documents (or supplements thereto) to which it is a party, the performance of its obligations thereunder and the granting by it of the Liens thereunder.

"Collateral Assignment" means the Collateral Assignment, entered into in connection with the Original Credit Agreement, attached hereto as Exhibit G, between the Borrower and the Collateral Agent.

"Commitment" means a Revolving Commitment, Tranche A Commitment, Tranche B Commitment, Tranche C Commitment or Tranche D Commitment or any combination thereof (as the context requires).

"Consolidated Cash Interest Expense" means, for any period (subject to Section 1.05), the excess of (a) the sum of (i) the interest expense (including (i) the aggregate amount of accrued letter of credit fees and (ii) imputed interest expense in respect of Capital Lease Obligations) of the Borrower and the Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP, (ii) any interest accrued during such period in respect of Indebtedness of the Borrower or any Subsidiary that is required to be capitalized rather than included in consolidated interest expense for such period in accordance with GAAP, (iii) the amount of cash dividends paid on any preferred stock by Holdings during such period and (iv) any cash payments made during such period in respect of obligations referred to in clause (b)(ii) below that were amortized or accrued in a previous period, minus (b) the sum of (i) to the extent included in such consolidated interest expense for such period, non-cash amounts attributable to amortization of financing costs paid in a previous period, plus (ii) to the extent included in such consolidated interest expense for such period, non-cash amounts attributable to amortization of

debt discounts or accrued interest or dividends payable in kind for such period (including with respect to the Junior Subordinated Note or the Cumulative Preferred Stock).

"Consolidated EBITDA" means, for any period (subject to Section 1.05), Consolidated Net Income for such period plus (a) without duplication and to the extent deducted in determining such Consolidated Net Income, the sum of (i) consolidated interest expense for such period, (ii) consolidated income tax expense for such period, (iii) all amounts attributable to depreciation and amortization for such period, (iv) the aggregate amount of letter of credit fees accrued during such period, (v) all extraordinary charges during such period, (vi) noncash expenses during such period resulting from the grant of stock options to management and employees of Holdings, the Borrower or any of the Subsidiaries, (vii) the aggregate amount of deferred financing expenses for such period, (viii) all other noncash expenses or losses of Holdings, the Borrower or any of the Subsidiaries for such period (excluding any such charge that constitutes an accrual of or a reserve for cash charges for any future period), (ix) any non-recurring fees, expenses or charges realized by Holdings, the Borrower or any of the Subsidiaries for such period related to any offering of capital stock or incurrence of Indebtedness and (x) noncash dividends on the Cumulative Preferred Stock and minus (b) without duplication and to the extent included in determining such Consolidated Net Income, (i) any extraordinary gains for such period and (ii) all noncash items increasing Consolidated Net Income for such period (excluding any items that represent the reversal of any accrual of, or cash reserve for, anticipated cash charges in any prior period), all determined on a consolidated basis in accordance with GAAP. For purposes of calculating the Leverage Ratio as of any date, if the Borrower or any consolidated Subsidiary has made any Permitted Acquisition or sale, transfer, lease or other disposition of assets outside of the ordinary course of business permitted by Section 6.05 during the period of four consecutive fiscal quarters ending on the date on which the most recent fiscal quarter ended, Consolidated EBITDA for the relevant period for testing compliance shall be calculated after giving pro forma effect thereto, as if such Permitted Acquisition or sale, transfer, lease or other disposition of assets outside of the ordinary course of business (and any related incurrence, repayment or assumption of Indebtedness with any new Indebtedness being deemed to be amortized over the applicable testing period in accordance with its terms) had occurred on the first day of the relevant period for testing compliance.

"Consolidated Net Income" means, for any period, the net income or loss of Holdings, the Borrower and the Subsidiaries for such period determined on a consolidated basis in accordance with GAAP, provided that there shall be excluded from such net income or loss (a) the income of any Person (other than a consolidated Subsidiary) in which any other Person (other than Holdings, the Borrower or any consolidated Subsidiary or any director holding qualifying shares in compliance with applicable law) owns an Equity Interest, except to the extent of the amount of dividends or other distributions actually paid to the Borrower or any of the consolidated Subsidiaries by such Person during such period, and (b) the income or loss of any Person accrued prior to the date on which it becomes a Subsidiary or is merged into or consolidated with the Borrower or any consolidated Subsidiary or the date on which such Person's assets are acquired by the Borrower or any consolidated Subsidiary.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise

voting power, by contract or otherwise. The terms "Controlling" and "Controlled" have meanings correlative thereto.

"Cumulative Preferred Stock" means the 12% Cumulative Preferred Stock of Holdings with an aggregate liquidation preference on the Effective Date of $209,000,000.

"Default" means any event or condition that constitutes an Event of Default or that upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

"Documentation Agents" means Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., in their capacity as co-documentation agents hereunder.

"dollars" or "$" refers to lawful money of the United States of America.

"Effective Date" means August 4, 1999, the date on which the conditions specified in Section 4.01 of the Original Credit Agreement were satisfied.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by or with any Governmental Authority, relating in any way to the environment, preservation or restoration of natural resources, the management, Release or threatened Release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, administrative oversight costs, fines, penalties or indemnities), of Holdings, the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the Release or threatened Release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Contribution" means the contribution by TPG of not less than $337,500,000 to the Investor.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan under Section 4042 of ERISA; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Excess Cash Flow" means, for any fiscal year, the sum (without duplication) of:

(a) Consolidated Net Income for such fiscal year, adjusted to exclude any gains or losses attributable to Prepayment Events; plus

(b) depreciation, amortization and other non-cash charges or losses deducted in determining such Consolidated Net Income for such fiscal year; plus

(c) the sum of (i) the amount, if any, by which Net Working Capital decreased during such fiscal year plus (ii) the net amount, if any, by which the consolidated deferred revenues of Holdings, the Borrower and the consolidated Subsidiaries increased during such fiscal year; minus

(d) the sum of (i) any non-cash gains included in determining such Consolidated Net Income for such fiscal year plus (ii) the amount, if any, by which Net Working Capital increased during such fiscal year plus (iii) the net amount, if any, by which the consolidated deferred revenues of Holdings, the Borrower and the consolidated Subsidiaries decreased during such fiscal year; minus

(e) Capital Expenditures for such fiscal year (except (i) to the extent attributable to the incurrence of Capital Lease Obligations or otherwise financed by incurring Long-Term Indebtedness or (ii) Capital Expenditures made pursuant to the first proviso to Section 2.11(c) or the proviso to the first paragraph of Section 6.14); minus

(f) the aggregate principal amount of Long-Term Indebtedness repaid or prepaid by the Borrower and the consolidated Subsidiaries during such fiscal year, excluding (i) Indebtedness in respect of Revolving Loans and Letters of Credit, (ii) Term Loans prepaid pursuant to Section 2.11(a), 2.11(c) or (d), and (iii) repayments or prepayments of Long-Term Indebtedness financed by incurring other Long-Term Indebtedness; minus

(g) the aggregate amount of all prepayments of Revolving Loans made during such period to the extent accompanying reductions of the total Revolving Commitments.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) doing business, income or franchise taxes imposed on (or measured by) its net income, capital or any similar alternate basis by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction described in clause (a) above and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any withholding tax that (i) is in effect and would apply to amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to any withholding tax pursuant to Section 2.17(a), or (ii) is attributable to such Foreign Lender's failure to comply with Section 2.17(e).

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of Holdings.

"Financing Transactions" means the transactions undertaken by Holdings, the Borrower and the Subsidiary Loan Parties in connection with the execution and delivery of the Original Credit Agreement and the Subordinated Debt Documents, the issuance of the Subordinated Debt,

the issuance by the Borrower of the Junior Subordinated Note and the borrowing of the initial Loans.

"Foreign Joint Venture Companies" (i) Leshan-Phoenix Semiconductor Co., Ltd., an entity existing under the laws of the People's Republic of China, (ii) SMP, (iii) Tesla Sezam, a.s., a corporation existing under the laws of the Czech Republic, and (iv) Terosil, a.s., a corporation existing under the laws of the Czech Republic.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Subsidiary" means any Subsidiary that is organized under the laws of a jurisdiction other than the United States of America or any State thereof or the District of Columbia.

"Funded Indebtedness" means, as of any date, (a) the aggregate principal amount of Indebtedness of the Borrower and the Subsidiaries outstanding as of such date (other than any Indebtedness with respect to which the Borrower is not obligated to pay or accrue any cash interest expense as of such date), in the amount that would be reflected on a balance sheet prepared as of such date on a consolidated basis in accordance with GAAP, and (b) the aggregate amount of any Guarantee by Holdings, the Borrower or any Subsidiary of any such Indebtedness of any other Person.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty

issued to support such Indebtedness or obligation, provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantee Agreement" means the Guarantee Agreement, entered into in connection with the Original Credit Agreement, attached hereto as Exhibit C, among Holdings, the Subsidiary Loan Parties and the Collateral Agent for the benefit of the Secured Parties.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes, and all substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Holdings" means SCG Holding Corporation, a Delaware corporation.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. Notwithstanding anything to the contrary in this paragraph, the term "Indebtedness" shall not include (a) obligations under Hedging Agreements or (b) agreements providing for indemnification, purchase price adjustments or similar obligations incurred or assumed in connection with the acquisition or disposition of assets or stock.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnity, Subrogation and Contribution Agreement" means the Indemnity, Subrogation and Contribution Agreement, entered into in connection with the Original Credit

Agreement, attached hereto as Exhibit D, among the Borrower, the Subsidiary Loan Parties and the Collateral Agent.

"Information Memorandum" means the Confidential Information Memorandum dated March 2000, as modified or supplemented prior to the Restatement Effective Date, relating to the Borrower and the Restatement Transactions.

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing or Term Borrowing in accordance with Section 2.07.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period" means, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect, provided that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Investor" means TPG Semiconductor Holdings LLC, a Delaware limited liability company that is wholly owned by TPG.

"IPO" means a bona fide underwritten initial public offering of voting common stock of Holdings as a direct result of which at least 10% of the aggregate voting common stock of Holdings (calculated on a fully diluted basis after giving effect to all options to acquire voting common stock of Holdings then outstanding, regardless of whether such options are then currently exercisable) is beneficially owned by Persons other than TPG, the Investor, Holdings and their respective Affiliates (including, in the case of Holdings, all directors, officers and employees of Holdings, the Borrower and any Subsidiary).

"Issuing Bank" means The Chase Manhattan Bank, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.05(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"Joint Venture Holding Companies" means SCG (Malaysia SMP) Holding Corporation, SCG (Czech) Holding Corporation and SCG (China) Holding Corporation, each a Delaware corporation.

"Junior Subordinated Note" means the 10% Junior Subordinated Note due 2011 of the Borrower.

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"Leshan JV Agreement" means the Joint Venture Contract dated as of March 1, 1995, by and between Leshan Radio Company, Ltd. and Motorola International Development Corporation.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

"Leverage Ratio" means, on any date, the ratio of (a) Funded Indebtedness as of such date to (b) Consolidated EBITDA for the period of four consecutive fiscal quarters of Holdings ended on such date (or, if such date is not the last day of a fiscal quarter, ended on the last day of the fiscal quarter of Holdings most recently ended prior to such date).

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the LIBO Rate with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement, the Guarantee Agreement, the Indemnity, Subrogation and Contribution Agreement and the Security Documents.

"Loan Parties" means Holdings, the Borrower and the Subsidiary Loan Parties.

"Loan Transactions" means the execution, delivery and performance by each Loan Party of the Loan Documents to which it is to be a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"Loans" means the loans made and the loans continued by the Lenders to the Borrower pursuant to this Agreement.

"Long-Term Indebtedness" means any Indebtedness that, in accordance with GAAP, constitutes (or, when incurred, constituted) a long-term liability.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, properties, financial condition or prospects of Holdings, the Borrower and the Subsidiaries, taken as a whole, (b) the ability of the Loan Parties to perform their obligations under the Loan Documents or (c) any material rights of or benefits available to the Lenders under the Loan Documents.

"Material Indebtedness" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements, of any one or more of Holdings, the Borrower and the Subsidiaries in an aggregate principal amount exceeding $10,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of Holdings, the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that Holdings, the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Moody's" means Moody's Investors Service, Inc.

"Mortgage" means a mortgage, deed of trust, assignment of leases and rents, leasehold mortgage or other security document granting a Lien on any Mortgaged Property or Restatement Mortgaged Property to secure the Obligations. Each Mortgage shall be reasonably satisfactory in form and substance to the Collateral Agent.

"Mortgaged Property" means, initially, each parcel of real property and the improvements thereto owned by a Loan Party and identified on Schedule 1.01, and includes each other parcel of

real property and improvements thereto with respect to which a Mortgage is granted pursuant to Section 5.12 or 5.13.

"Motorola" means Motorola, Inc., a Delaware corporation.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Proceeds" means, with respect to any event (a) the cash proceeds received in respect of such event, including (i) any cash received in respect of any non-cash proceeds, but only as and when received, (ii) in the case of a casualty or other insured damage, insurance proceeds in excess of $1,000,000, and (iii) in the case of a condemnation or similar event, condemnation awards and similar payments, net of (b) the sum of (i) all reasonable fees and out-of-pocket expenses (including underwriting discounts and commissions and collection expenses) paid or payable by Holdings, the Borrower and the Subsidiaries to third parties in connection with such event, (ii) in the case of a sale, transfer or other disposition of an asset (including pursuant to a sale and leaseback transaction or a casualty or a condemnation or similar proceeding), the amount of all payments required to be made by Holdings, the Borrower and the Subsidiaries as a result of such event to repay Indebtedness (other than Loans) secured by such asset or otherwise subject to mandatory prepayment as a result of such event, and (iii) the amount of all taxes paid (or reasonably estimated to be payable) by Holdings, the Borrower and the Subsidiaries, and the amount of any reserves established by Holdings, the Borrower and the Subsidiaries to fund contingent liabilities reasonably estimated to be payable, in each case during the year that such event occurred or the next succeeding year and that are directly attributable to such event (as determined reasonably and in good faith by the chief financial officer of the Borrower). Notwithstanding anything to the contrary set forth above, the proceeds of any sale, transfer or other disposition of Receivables or Related Property (or any interest therein) pursuant to any Permitted Receivables Financing shall not be deemed to constitute Net Proceeds except to the extent that such sale, transfer or other disposition (a) is the initial sale, transfer or other disposition of Receivables or Related Property (or any interest therein) in connection with the establishment of such Permitted Receivables Financing or (b) occurs in connection with an increase in the aggregate outstanding amount of such Permitted Receivables Financing over the aggregate outstanding amount of such Permitted Receivables Financing at the time of such initial sale, transfer or other disposition.

"Net Working Capital" means, at any date, (a) the consolidated current assets and non-current deferred income tax assets of Holdings, the Borrower and the consolidated Subsidiaries as of such date (excluding cash and Permitted Investments) minus (b) the consolidated current liabilities and non-current deferred income tax liabilities of Holdings, the Borrower and the consolidated Subsidiaries as of such date (excluding current liabilities that constitute Indebtedness). Net Working Capital at any date may be a positive or negative number. Net Working Capital increases when it becomes more positive or less negative and decreases when it becomes less positive or more negative.

"Obligations" has the meaning assigned to such term in the Security Agreement.

"Original Credit Agreement" means the Credit Agreement dated as of August 4, 1999, among Holdings, the Borrower, the Lenders party thereto, The Chase Manhattan Bank, a New York banking corporation, as Administrative Agent, Collateral Agent and syndication agent and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper, as co-documentation agents thereunder.

"Other Taxes" means any and all current or future recording, stamp, documentary, excise, transfer, sales, property or similar taxes, charges or levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Perfection Certificate" means a certificate in the form of Annex 2 to the Security Agreement or any other form approved by the Borrower and the Administrative Agent.

"Permitted Acquisition" means any acquisition (whether by purchase, merger, consolidation or otherwise) by the Borrower or any consolidated Subsidiary of all or substantially all the assets of, or all the Equity Interests in, a Person or division or line of business of a Person if, at the time of and immediately after giving effect thereto, (a) no Default has occurred and is continuing or would result therefrom, (b) the principal business of such Person shall be reasonably related to a business in which the Borrower and the Subsidiaries were engaged on the Effective Date, (c) each Subsidiary formed for the purpose of or resulting from such acquisition shall be a Subsidiary Loan Party and all of the Equity Interests of such Subsidiary Loan Party shall be owned directly by the Borrower or a consolidated Subsidiary Loan Party and all actions required to be taken with respect to such acquired or newly formed Subsidiary Loan Party under Sections 5.12 and 5.13 shall have been taken, (d) Holdings, the Borrower and the Subsidiaries are in compliance, on a pro forma basis after giving effect to such acquisition (without giving effect to any cost savings other than those actually realized as of the date of such acquisition), with the covenants contained in Sections 6.12 and 6.13 recomputed as at the last day of the most recently ended fiscal quarter of Holdings for which financial statements are available, as if such acquisition (and any related incurrence or repayment of Indebtedness, with any new Indebtedness being deemed to be amortized over the applicable testing period in accordance with its terms) had occurred on the first day of each relevant period for testing such compliance and (e) Holdings has delivered to the Administrative Agent an officers' certificate to the effect set forth in clauses (a), (b), (c) and (d) above, together with all relevant financial information for the Person or assets to be acquired and reasonably detailed calculations demonstrating satisfaction of the requirement set forth in clause (d) above.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes or other governmental charges that are not yet due or are being contested in compliance with Section 5.05;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.05;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) Liens (other than Liens on Collateral) to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII;

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business and minor defects or irregularities in title that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary;

(g) ground leases in respect of real property on which facilities owned or leased by the Borrower or any of the Subsidiaries are located;

(h) any interest or title of a lessor under any lease permitted by this Agreement;

(i) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; and

(j) leases or subleases granted to other Persons and not interfering in any material respect with the business of the Borrower and the Subsidiaries, taken as a whole,

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America);

(b) investments in commercial paper maturing not more than one year after the date of acquisition thereof and having, at such date of acquisition, one of the two highest credit ratings obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing not more than one year after the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts and overnight bank deposits issued or offered by, any commercial bank organized under the laws of the United States of America or any State thereof or any foreign country recognized by the United States of America that has a combined capital and surplus and undivided profits of not less than $250,000,000 (or the foreign-currency equivalent thereof);

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above or clause (e) or (f) below and entered into with a financial institution satisfying the criteria described in clause (c) above;

(e) securities issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof having maturities of not more than six months from the date of acquisition thereof and, at the time of acquisition, having one of the two highest credit ratings obtainable from S&P or from Moody's;

(f) securities issued by any foreign government or any political subdivision of any foreign government or any public instrumentality thereof having maturities of not more than six months from the date of acquisition thereof and, at the time of acquisition, having one of the two highest credit ratings obtainable from S&P or from Moody's; and

(g) investments in funds that invest solely in one or more types of securities described in clauses (a), (e) and (f) above.

"Permitted Receivables Financing" means any financing pursuant to which (a) the Borrower or any Subsidiary sells, conveys or otherwise transfers to a Receivables Subsidiary, in "true sale" transactions, and (b) such Receivables Subsidiary sells, conveys or otherwise transfers to any other Person or grants a security interest to any other Person in, any Receivables (whether now existing or hereafter acquired) of the Borrower or any Subsidiary or any undivided interest therein, and any assets related thereto (including all collateral securing such Receivables), all contracts and all Guarantees or other obligations in respect of such Receivables, proceeds of such Receivables and other assets that are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving Receivables, provided that the board of directors of Holdings shall have determined in good faith that such Permitted Receivables Financing is economically fair and reasonable to Holdings, the Borrower and the Subsidiaries, taken as a whole.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is an "employer" as defined in Section 3(5) of ERISA.

"Pledge Agreement" means the Pledge Agreement, entered into in connection with the Original Credit Agreement, attached hereto as Exhibit E, among the Loan Parties and the Collateral Agent for the benefit of the Secured Parties.

"Prepayment Event" means:

(a) any sale, transfer or other disposition (including pursuant to a Permitted Receivables Financing or a sale and leaseback transaction) of any property or asset of the Borrower or any Subsidiary, including any Equity Interest owned by it, other than (i) dispositions described in clauses (a) and (b) of Section 6.05 and (ii) other dispositions resulting in aggregate Net Proceeds not exceeding $1,000,000 during any fiscal year of the Borrower; or

(b) any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of the Borrower or any Subsidiary, but only to the extent that the Net Proceeds therefrom have not been applied to repair, restore or replace such property or asset within 365 days after such event; or

(c) the incurrence by Holdings, the Borrower or any Subsidiary of any Indebtedness, other than Indebtedness permitted by Section 6.01.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by The Chase Manhattan Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Reaffirmation Agreement" means the Reaffirmation Agreement, substantially in the form of Exhibit H, among the Loan Parties under the Original Credit Agreement and The Chase Manhattan Bank, in its capacity as Administrative Agent or Collateral Agent, as applicable, under the Collateral Assignment, the Pledge Agreement, the Security Agreement, the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement.

"Recapitalization" means (a) the recapitalization of Holdings in accordance with the Recapitalization Agreement pursuant to which the Investor will acquire approximately 91% of the common stock of Holdings and (b) the related transactions contemplated by the Recapitalization Agreement.

"Recapitalization Agreement" means the Agreement and Plan of Recapitalization and Merger dated as of May 11, 1999, among Motorola, Holdings, the Borrower, the Investor and TPG Semiconductor Acquisition Corp., as amended.

"Recapitalization Documents" means the Recapitalization Agreement, the Reorganization Agreement and the Transition Agreements.

"Receivable" means the Indebtedness and payment obligations of any Person to the Borrower or any of the Subsidiaries or acquired by the Borrower or any of the Subsidiaries (including obligations constituting an account or general intangible or evidenced by a note, instrument, contract, security agreement, chattel paper or other evidence of indebtedness or security) arising from a sale of merchandise or the provision of services by the Borrower or any Subsidiary or the Person from which such Indebtedness and payment obligation were acquired by the Borrower or any of the Subsidiaries, including (a) any right to payment for goods sold or for services rendered and (b) the right to payment of any interest, sales taxes, finance charges, returned check or late charges and other obligations of such Person with respect thereto.

"Receivables Subsidiary" means a corporation or other entity that is a newly formed, wholly owned, bankruptcy-remote, special purpose subsidiary of Holdings, the Borrower or any wholly owned Subsidiary (a) that engages in no activities other than in connection with the financing of Receivables, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business (including servicing of Receivables), (b) that is designated by the board of directors of the Borrower (as provided below) as a Receivables Subsidiary, (c) of which no portion of its Indebtedness or any other obligations (contingent or otherwise) (i) is Guaranteed by Holdings, the Borrower or any Subsidiary (other than pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates Holdings, the Borrower or any Subsidiary in any way other than pursuant to Standard Securitization Undertakings and other than any obligation to sell or transfer Receivables or (iii) subjects any property or asset of Holdings, the Borrower or any Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, (d) with which none of Holdings, the Borrower or any Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Permitted Receivables Financing) other than on terms no less favorable to Holdings, the Borrower or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of Holdings, other than fees payable in the ordinary course of business in connection with servicing Receivables, and (e) to which none of Holdings, the Borrower or any Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results. Upon any such designation, a Financial Officer of the Borrower shall deliver a certificate to the Administrative Agent certifying (a) the resolution of the board of directors of the Borrower giving effect to such designation, (b) that, to the best of such officer's knowledge and belief after consulting with counsel, such designation complied with the foregoing conditions, (c) that after giving effect to such designation (including any Indebtedness permitted to exist in connection with such designation), Holdings and the Borrower shall be in compliance, on a pro forma basis, with the covenants set forth in Section 6.12 and 6.13 and (d) immediately after giving effect to such designation, no Default shall have occurred and be continuing.

"Register" has the meaning set forth in Section 9.04(c).

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Related Property" shall mean, with respect to each Receivable:

(a) all the interest of the Borrower or any Subsidiary in the goods, if any, sold and delivered to an obligor relating to the sale that gave rise to such Receivable,

(b) all other security interests or Liens, and the interest of the Borrower or any Subsidiary in the property subject thereto, from time to time purporting to secure payment of such Receivable, together with all financing statements signed by an obligor describing any collateral securing such Receivable and

(c) all guarantees, insurance, letters of credit and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable,

in the case of clauses (b) and (c), whether pursuant to the contract related to such Receivable or otherwise or pursuant to any obligations evidenced by a note, instrument, contract, security agreement, chattel paper or other evidence of Indebtedness or security and the proceeds thereof.

"Release" means any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or within any building, structure, facility or fixture.

"Reorganization Agreement" means the Reorganization Agreement dated as of May 11, 1999, by and among Motorola, Holdings and the Borrower, as amended.

"Required Lenders" means, at any time, Lenders having Revolving Exposures, Term Loans and unused Commitments representing more than 50% of the sum of the total Revolving Exposures, outstanding Term Loans and unused Commitments at such time.

"Restatement Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Restatement Mortgaged Property" means each parcel of real property and the improvements thereto owned by a Loan Party as a result of the Acquisition and identified on Schedule 1.01(b).

"Restatement Transactions" means the Acquisition and the Loan Transactions entered into in connection with the Tranche D Facility.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in Holdings, the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancelation or termination of any Equity Interests in Holdings, the Borrower or any Subsidiary or any option, warrant or other right to acquire any such Equity Interests in Holdings, the Borrower or any Subsidiary.

"Revolving Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Revolving Maturity Date and the date of termination of the Revolving Commitments.

"Revolving Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.08 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Revolving Commitment is set forth on Schedule 2.01 (as of the Restatement Effective Date), or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Revolving Commitment, as applicable. The initial aggregate amount of the Lenders' Revolving Commitments is $150,000,000.

"Revolving Exposure" means, with respect to any Lender at any time, the sum of (a) the outstanding principal amount of such Lender's Revolving Loans and (b) such Lender's LC Exposure and Swingline Exposure at such time.

"Revolving Lender" means a Lender with a Revolving Commitment or, if the Revolving Commitments have terminated or expired, a Lender with Revolving Exposure.

"Revolving Loan" means a Loan made pursuant to clause (b) of Section 2.01 (or, if made prior to the Restatement Effective Date, pursuant to clause (d) of Section 2.01 of the Original Credit Agreement).

"Revolving Maturity Date" means the earlier of (a) August 4, 2005, or, if such day is not a Business Day, the next preceding Business Day and (b) the date of the repayment in full of the Tranche A Term Loans.

"SCG Restructuring" means the restructuring of the business of the Borrower and the Subsidiaries described in Section 3 of the Information Memorandum.

"S&P" means Standard & Poor's Rating Service.

"SMP" means Surface Mount Products Malaysia Sendirian Berhad, a Malaysian private limited liability company.

"SMP JV Agreement" means the Joint Venture Agreement dated as of July 31, 1992, and August 17, 1992, by and between Motorola and Philips Semiconductors International B.V.

"Secured Parties" has the meaning assigned to such term in the Security Agreement.

"Security Agreement" means the Security Agreement, entered into in connection with the Original Credit Agreement, attached hereto as Exhibit F, among the Borrower, Holdings, the Subsidiary Loan Parties and the Collateral Agent for the benefit of the Secured Parties.

"Seller" means The Cherry Corporation, a Delaware corporation.

"Security Documents" means the Security Agreement, the Collateral Assignment, the Pledge Agreement, the Mortgages and each other security agreement or other instrument or document executed and delivered pursuant to Section 5.12 or 5.13 to secure any of the Obligations.

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into at any time by Holdings, the Borrower or any Subsidiary that are reasonably customary in an accounts receivable transaction.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject (a) with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in dollars of over $100,000 with maturities approximately equal to three months and (b) with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Debt" means the Senior Subordinated Notes due 2009 issued by Holdings and the Borrower as co-issuers on the Effective Date in the aggregate principal amount of $400,000,000 and the Indebtedness represented thereby (including the Note Guarantees, Exchange Notes (each as defined in Subordinated Debt Documents), guarantees of Exchange Notes and any replacement Notes).

"Subordinated Debt Documents" means the indenture under which the Subordinated Debt was issued and all other instruments, agreements and other documents evidencing or governing the Subordinated Debt or providing for any Guarantee or other right in respect thereof.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than

50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of Holdings other than the Borrower. Without limiting the generality of the definition of the term "subsidiary", it is understood and agreed that each of (a) Tesla Sezam, a.s., a corporation existing under the laws of the Czech Republic, (b) Terosil, a.s., a corporation existing under the laws of the Czech Republic, (c) Slovakia Electronic Industries, a.s., a corporation existing under the laws of Slovakia, and (d) Leshan-Phoenix Semiconductor Co., Ltd., an entity existing under the laws of the People's Republic of China, is a subsidiary of Holdings as of the Effective Date.

"Subsidiary Loan Party" means any Subsidiary that is not a Foreign Subsidiary or a Receivables Subsidiary.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means The Chase Manhattan Bank, in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.04.

"Taxes" means any and all current or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Term Loans" means Tranche A Term Loans, Tranche B Term Loans, Tranche C Term Loans and Tranche D Term Loans.

"Three-Month Secondary CD Rate" means, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day is not a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day) or, if such rate is not so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day is not a Business Day, on the next preceding Business Day) by the Administrative Agent from three negotiable certificate of deposit dealers of recognized standing selected by it.

"TPG" means TPG Partners II, L.P. and its Affiliates, provided that no such Affiliate shall be deemed a member of TPG to the extent it ceases to be Controlled by, or under common Control with, TPG Partners II, L.P.

"Tranche", when used in reference to any Borrowings, refers to whether such Borrowings consist of Revolving Loans, Tranche A Term Loans, Tranche B Term Loans or Tranche C Term Loans.

"Tranche A Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make Tranche A Term Loans pursuant to clause (a) of Section 2.01 of the Original Credit Agreement. The initial aggregate amount of the Lenders' Tranche A Commitments was $200,000,000.

"Tranche A Lender" means a Lender with a Tranche A Commitment or an outstanding Tranche A Term Loan.

"Tranche A Maturity Date" means August 4, 2005, or, if such day is not a Business Day, the next preceding Business Day.

"Tranche A Term Loan" means a Loan made on or after the Effective Date pursuant to clause (a) of Section 2.01 of the Original Credit Agreement. The aggregate principal amount of Tranche A Term Loans outstanding on the Restatement Effective Date is $125,500,000.

"Tranche B Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make a Tranche B Term Loan pursuant to clause (b) of Section 2.01 of the Original Credit Agreement. The initial aggregate amount of the Lenders' Tranche B Commitments was $325,000,000.

"Tranche B Lender" means a Lender with a Tranche B Commitment or an outstanding Tranche B Term Loan.

"Tranche B Maturity Date" means August 4, 2006, or, if such day is not a Business Day, the next preceding Business Day.

"Tranche B Term Loan" means a Loan made on the Effective Date pursuant to clause (b) of Section 2.01 of the Original Credit Agreement. The aggregate principal amount of Tranche B Term Loans outstanding on the Restatement Effective Date is $325,000,000.

"Tranche C Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make a Tranche C Term Loan pursuant to clause (c) of the Original Credit Agreement. The initial aggregate amount of the Lenders' Tranche C Commitments was $350,000,000.

"Tranche C Lender" means a Lender with a Tranche C Commitment or an outstanding Tranche C Term Loan.

"Tranche C Maturity Date" means August 4, 2007, or, if such day is not a Business Day, the next preceding Business Day.

"Tranche C Term Loan" means a Loan made on the Effective Date pursuant to clause (c) of Section 2.01 of the Original Credit Agreement. The aggregate principal amount of Tranche C Term Loans outstanding on the Restatement Effective Date is $350,000,000.

"Tranche D Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make a Tranche D Term Loan hereunder on the Restatement Effective Date, expressed as an amount representing the maximum principal amount of the Tranche D Term Loan to be made by such Lender hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.08 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Tranche D Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche D Commitment, as applicable. The initial aggregate amount of the Lenders' Tranche D Commitments is $200,000,000.

"Tranche D Lender" means a Lender with a Tranche D Commitment or an outstanding Tranche D Term Loan.

"Tranche D Maturity Date" means August 4, 2007, or, if such day is not a Business Day, the next preceding Business Day.

"Tranche D Term Loan" means a Loan made pursuant to clause (a) of Section 2.01.

"Transactions" means the Restatement Transactions and the Financing Transactions.

"Transition Agreements" means agreements to be entered into with Motorola or its Affiliates as contemplated by the Recapitalization Agreement and as in effect on the Effective Date and as amended from time to time in accordance with Section 6.11(b).

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

Section 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise

(a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time, provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the Effective Date in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

SECTION 1.05. Interim Financial Calculations. For purposes of determining the Leverage Ratio and for purposes of determining compliance with Sections 6.12 and 6.13:

(a) for any period of four consecutive fiscal quarters ended on or prior to September 30, 2000, Consolidated EBITDA shall be deemed to be the Consolidated EBITDA of Holdings, the Borrower and the Subsidiaries (or their respective predecessor entities) for such period determined on a consolidated basis in accordance with GAAP (it being understood that Consolidated EBITDA for the fiscal quarter ended (i) December 31, 1998, was $86,500,000, (ii) March 31, 1999, was $76,300,000 and (iii) June 30, 1999, was $94,100,000); and

(b) (i) Consolidated Cash Interest Expense for the period of four consecutive fiscal quarters ending on September 30, 1999, shall be equal to the product of (A) Consolidated Cash Interest Expense for the period of two fiscal months ending on September 30, 1999, and (B) a fraction the numerator of which is 12 and the denominator of which is two, (ii) Consolidated Cash Interest Expense for the period of four consecutive fiscal quarters ending on December 31, 1999, shall be equal to the product of (A) Consolidated Cash Interest Expense for the period of five fiscal months ending on December 31, 1999, and (B) a fraction the numerator of which is 12 and the denominator of which is five, (iii) Consolidated Cash Interest Expense for the period of four consecutive fiscal quarters ending on March 31, 2000, shall be equal to the product of (A) Consolidated Cash Interest Expense for the period of eight fiscal months ending on March 31, 2000, and (B) a fraction the

numerator of which is 12 and the denominator of which is eight and (iv) Consolidated Cash Interest Expense for the period of four consecutive fiscal quarters ending on June 30, 2000, shall be equal to the product of (A) Consolidated Cash Interest Expense for the period of 11 fiscal months ending on June 30, 2000, and (B) a fraction the numerator of which is 12 and the denominator of which is 11.

ARTICLE II
The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees (a) to make a Tranche D Term Loan on the Restatement Effective Date in a principal amount not exceeding its Tranche D Commitment and (b) to make Revolving Loans to the Borrower from time to time during the Revolving Availability Period in an aggregate principal amount that will not result in such Lender's Revolving Exposure exceeding such Lender's Revolving Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans. Amounts repaid or prepaid in respect of Term Loans may not be reborrowed. All Tranche A Term Loans, Tranche B Term Loans, Tranche C Term Loans, Revolving Loans and Letters of Credit outstanding under the Original Credit Agreement on the Restatement Effective Date shall remain outstanding hereunder on the terms set forth herein.

SECTION 2.02. Loans and Borrowings. (a) Each Loan (other than a Swingline Loan) shall be made as part of a Borrowing consisting of Loans of the same Class and Type made by the Lenders ratably in accordance with their respective Commitments of the applicable Class. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder, provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, each Revolving Borrowing and Term Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith, provided that all Borrowings made on the Effective Date shall be ABR Borrowings. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan, provided that (i) any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement and (ii) the Borrower shall not be required to make any greater payment under Section 2.17 to the applicable Lender than such Lender would have been entitled to receive if such Lender had not exercised such option.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $10,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $10,000,000, provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Revolving Commitments or that is required to

finance the reimbursement of an LC Disbursement as contemplated by Section 2.05(e). Each Swingline Loan shall be in an amount that is an integral multiple of $100,000 and not less than $500,000. Borrowings of more than one Type and Class may be outstanding at the same time, provided that there shall not at any time be more than a total of six Eurodollar Borrowings outstanding with respect to any Tranche of Borrowings.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Revolving Loan, Tranche A Term Loan, Tranche B Term Loan, Tranche C Term Loan or Tranche D Term Loan if the Interest Period requested with respect thereto would end after the Revolving Maturity Date, Tranche A Maturity Date, Tranche B Maturity Date, Tranche C Maturity Date or Tranche D Maturity Date, respectively.

SECTION 2.03. Requests for Borrowings. To request a Revolving Borrowing or Term Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) whether the requested Borrowing is to be a Revolving Borrowing or Tranche D Term Borrowing;

(ii) the aggregate amount of such Borrowing;

(iii) the date of such Borrowing, which shall be a Business Day;

(iv) subject to the proviso to the first sentence of Section 2.02(b), whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(v) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(vi) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.06.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Revolving Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding $25,000,000 or (ii) the sum of the total Revolving Exposures exceeding the total Revolving Commitments, provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.05(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 12:00 noon, New York City time, on any Business Day require the Revolving Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Revolving Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Revolving Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Swingline Loans. Each Revolving Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Swingline Loans. Each Revolving Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Revolving Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.06 with respect to Loans made by such Lender (and Section 2.06 shall apply, mutatis mutandis, to the payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Revolving Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by

the Administrative Agent shall be promptly remitted by the Administrative Agent to the Revolving Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.05. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Revolving Availability Period and prior to the date that is five Business Days prior to the Revolving Maturity Date. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed $50,000,000 and (ii) the total Revolving Exposures shall not exceed the total Revolving Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Revolving Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Revolving Lender, and each Revolving Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Lender hereby absolutely and unconditionally agrees to pay to the Administrative

Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 2:00 p.m., New York City time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York City time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 2:00 p.m., New York City time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt, provided that the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.04 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Revolving Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.06 with respect to Loans made by such Lender (and Section 2.06 shall apply, mutatis mutandis, to the payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Revolving Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Revolving Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Revolving Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any

Letter of Credit, any application for the issuance of a Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. None of the Administrative Agent, the Lenders, the Issuing Bank or any of their Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank, provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by (i) the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof or (ii) the Issuing Bank's failure to issue a Letter of Credit in accordance with the terms of this Agreement when requested by the Borrower pursuant to Section 2.05(b). The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination and each issuance (or failure to issue) a Letter of Credit. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented that appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder, provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Revolving Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC

Disbursement, at the rate per annum then applicable to ABR Revolving Loans, provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Revolving Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Revolving Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon, provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Article VII. The Borrower also shall deposit cash collateral pursuant to this paragraph as and to the extent required by Section 2.11(b). Each such deposit pursuant to this paragraph or Section 2.11(b) shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Revolving Lenders with LC Exposure representing greater than 50% of the total

LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived. If the Borrower is required to provide an amount of cash collateral hereunder pursuant to Section 2.11(b), such amount (to the extent not applied as aforesaid) shall be returned to the Borrower as and to the extent that, after giving effect to such return, the Borrower would remain in compliance with Section 2.11(b) and no Event of Default shall have occurred and be continuing.

Section 2.06. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders, provided that Swingline Loans shall be made as provided in Section 2.04. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request, provided that ABR Revolving Loans and Swingline Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.05(e) shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

(c) Nothing in this Section 2.06 shall be deemed to relieve any Lender from its obligation to fulfill its Commitments hereunder or to prejudice any rights that the Borrower may have against any Lender as a result of any default by any such Lender hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to fulfill its Commitments hereunder).

Section 2.07. Interest Elections. (a) Each Revolving Borrowing and Term Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such

Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event

of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.08. Termination and Reduction of Commitments. (a) Unless previously terminated, (i) the Tranche D Commitments shall terminate at 5:00 p.m., New York City time, on the Restatement Effective Date and (ii) the Revolving Commitments shall terminate on the Revolving Maturity Date.

(b) The Borrower may at any time, without premium or penalty, terminate, or from time to time reduce, the Commitments of any Class, provided that (i) each reduction of the Commitments of any Class shall be in an amount that is an integral multiple of $1,000,000 and not less than $10,000,000 and (ii) the Borrower shall not terminate or reduce the Revolving Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.11, the sum of the Revolving Exposures would exceed the total Revolving Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable, provided that a notice of termination of the Revolving Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments of any Class shall be permanent. Each reduction of the Commitments of any Class shall be made ratably among the Lenders in accordance with their respective Commitments of such Class.

(d) The parties hereto acknowledge that the Tranche A Commitments, the Tranche B Commitments and the Tranche C Commitments have terminated.

SECTION 2.09. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan of such Lender on the Revolving Maturity Date, (ii) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Term Loan of such Lender as provided in Section 2.10 and (iii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Revolving Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least five Business Days after such Swingline Loan is made, provided that on each date that a Revolving Borrowing is made, the Borrower shall repay all Swingline Loans that were outstanding on the date such Borrowing was requested.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof, which accounts the Administrative Agent will make available to the Borrower upon its reasonable request.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein, provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans of any Class made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Borrower and the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.10. Amortization of Term Loans. (a) Subject to adjustment pursuant to paragraph (f) of this Section, the Borrower shall repay Tranche A Term Borrowings on each date set forth below in the aggregate principal amount set forth opposite such date:

Date	Amount
September 30, 2001	$4,706,250
December 31, 2001	4,706,250
March 31, 2002	4,706,250
June 30, 2002	4,706,250
September 30, 2002	6,275,000
December 31, 2002	6,275,000
March 31, 2003	6,275,000
June 30, 2003	6,275,000

September 30, 2003	7,843,750
December 31, 2003	7,843,750
March 31, 2004	7,843,750
June 30, 2004	7,843,750
September 30, 2004	12,550,000
December 31, 2004	12,550,000
March 31, 2005	12,550,000
August 4, 2005	12,550,000

The foregoing amortization schedule reflects all prepayments of Tranche A Term Borrowings made prior to the Restatement Effective Date.

(b) Subject to adjustment pursuant to paragraph (f) of this Section, the Borrower shall repay Tranche B Term Borrowings on each date set forth below in the aggregate principal amount set forth opposite such date:

Date	Amount
September 30, 2001	$ 812,500
December 31, 2001	812,500
March 31, 2002	812,500
June 30, 2002	812,500
September 30, 2002	812,500
December 31, 2002	812,500
March 31, 2003	812,500
June 30, 2003	812,500
September 30, 2003	812,500
December 31, 2003	812,500
March 31, 2004	812,500
June 30, 2004	812,500
September 30, 2004	812,500
December 31, 2004	812,500
March 31, 2005	812,500
June 30, 2005	812,500

September 30, 2005	78,000,000
December 31, 2005	78,000,000
March 31, 2006	78,000,000
August 4, 2006	78,000,000

The foregoing amortization schedule reflects all prepayments of Tranche B Term Borrowings made prior to the Restatement Effective Date.

(c) Subject to adjustment pursuant to paragraph (f) of this Section, the Borrower shall repay Tranche C Term Borrowings on each date set forth below in the aggregate principal amount set forth opposite such date:

Date	Amount
September 30, 2001	$ 875,000
December 31, 2001	875,000
March 31, 2002	875,000
June 30, 2002	875,000
September 30, 2002	875,000
December 31, 2002	875,000
March 31, 2003	875,000
June 30, 2003	875,000
September 30, 2003	875,000
December 31, 2003	875,000
March 31, 2004	875,000
June 30, 2004	875,000
September 30, 2004	875,000
December 31, 2004	875,000
March 31, 2005	875,000
June 30, 2005	875,000
September 30, 2005	875,000
December 31, 2005	875,000
March 31, 2006	875,000
June 30, 2006	875,000
September 30, 2006	83,125,000
December 31, 2006	83,125,000
March 31, 2007	83,125,000
August 4, 2007	83,125,000

The foregoing amortization schedule reflects all prepayments of Tranche C Term Borrowings made prior to the Restatement Effective Date.

(d) Subject to adjustment pursuant to paragraph (f) of this Section, the Borrower shall repay Tranche D Term Borrowings on each date set forth below in the aggregate principal amount set forth opposite such date:

Date	Amount
September 30, 2001	$ 500,000
December 31, 2001	500,000
March 31, 2002	500,000
June 30, 2002	500,000
September 30, 2002	500,000
December 31, 2002	500,000
March 31, 2003	500,000
June 30, 2003	500,000
September 30, 2003	500,000
December 31, 2003	500,000
March 31, 2004	500,000
June 30, 2004	500,000
September 30, 2004	500,000
December 31, 2004	500,000
March 31, 2005	500,000
June 30, 2005	500,000
September 30, 2005	500,000
December 31, 2005	500,000
March 31, 2006	500,000
June 30, 2006	500,000
September 30, 2006	47,500,000
December 31, 2006	47,500,000
March 31, 2007	47,500,000
August 4, 2007	47,500,000

(e) To the extent not previously paid, (i) all Tranche A Term Loans shall be due and payable on the Tranche A Maturity Date, (ii) all Tranche B Term Loans shall be due and payable on the Tranche B Maturity Date, (iii) all Tranche C Term Loans shall be due and payable on the Tranche C Maturity Date and (iv) all Tranche D Term Loans shall be due and payable on the Tranche D Maturity Date.

(f) Any prepayment of a Term Borrowing of any Class shall be applied to reduce the subsequent scheduled repayments of the Term Borrowings of such Class to be made pursuant to this Section ratably, provided that any prepayment made pursuant to Section 2.11(c) shall be applied to reduce the scheduled repayments of the Term Borrowings of such Class to be made pursuant to this Section in reverse chronological order. If the initial aggregate amount of the Lenders' Tranche D Term Commitments exceeds the aggregate principal amount of Tranche D

Term Loans that are made, then the scheduled repayments of Tranche D Term Borrowings to be made pursuant to this Section shall be reduced ratably by an aggregate amount equal to such excess.

(g) Prior to any repayment of any Term Borrowings of any Class hereunder, the Borrower shall select the Borrowing or Borrowings of the applicable Class to be repaid and shall notify the Administrative Agent by telephone (confirmed by telecopy) of such selection not later than 11:00 a.m., New York City time, three Business Days before the scheduled date of such repayment. Each repayment of a Borrowing shall be applied ratably to the Loans included in the repaid Borrowing. Repayments of Term Borrowings shall be accompanied by accrued interest on the amount repaid.

Section 2.11 Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, without premium or penalty (but subject to Section 2.16), subject to the requirements of this Section.

(b) In the event and on each occasion that the sum of the Revolving Exposures exceeds the total Revolving Commitments, the Borrower shall prepay Revolving Borrowings or Swingline Borrowings (or, if no such Borrowings are outstanding, deposit cash collateral in an account with the Administrative Agent pursuant to Section 2.05(j)) in an aggregate amount equal to such excess.

(c) In the event and on each occasion that any Net Proceeds are received by or on behalf of Holdings, the Borrower or any Subsidiary in respect of any Prepayment Event, the Borrower shall, within ten Business Days after such Net Proceeds are received, prepay Term Borrowings in an aggregate amount equal to such Net Proceeds, provided that, in the case of any event described in clause (a) of the definition of the term "Prepayment Event" (other than the sale, transfer or other disposition of Receivables in connection with a Permitted Receivables Financing), if the Borrower shall deliver to the Administrative Agent a certificate of a Financial Officer to the effect that Holdings, the Borrower and the Subsidiaries intend to apply the Net Proceeds from such event (or a portion thereof specified in such certificate), within 180 days after receipt of such Net Proceeds, to acquire real property, equipment or other assets to be used in the business of the Borrower and the Subsidiaries, and certifying that no Default has occurred and is continuing, then no prepayment shall be required pursuant to this paragraph in respect of the Net Proceeds in respect of such event (or the portion of such Net Proceeds specified in such certificate, if applicable) except to the extent of any such Net Proceeds therefrom that have not been so applied by the end of such 180-day period, at which time a prepayment shall be required in an amount equal to such Net Proceeds that have not been so applied.

(d) Following the end of each fiscal year of the Borrower, commencing with the fiscal year ending December 31, 2000, the Borrower shall prepay Term Borrowings in an aggregate amount equal to 50% of Excess Cash Flow for such fiscal year. Each prepayment pursuant to this paragraph shall be made on or before the date on which financial statements are delivered pursuant to Section 5.01 with respect to the fiscal year for which Excess Cash Flow is being calculated (and in any event within 90 days after the end of such fiscal year).

(e) Prior to any optional or mandatory prepayment of Borrowings hereunder, the Borrower shall select the Borrowing or Borrowings to be prepaid and shall specify such selection in the notice of such prepayment pursuant to paragraph (f) of this Section. In the event of any optional or mandatory prepayment of Term Borrowings made at a time when Term Borrowings of more than one Class remain outstanding, the Borrower shall select Term Borrowings to be prepaid so that the aggregate amount of such prepayment is allocated between the Tranche A Term Borrowings, Tranche B Term Borrowings, Tranche C Term Borrowings and Tranche D Term Borrowings pro rata based on the aggregate principal amount of outstanding Borrowings of each such Class, provided that, so long as and to the extent that any Tranche A Term Borrowing remains outstanding, any Tranche B Lender, Tranche C Lender or Tranche D Lender may elect, by notice to the Administrative Agent by telephone (confirmed by telecopy) at least one Business Day prior to the prepayment date, to decline all or any portion of any prepayment of its Tranche B Term Loans, Tranche C Term Loans or Tranche D Term Loans, as applicable, pursuant to this Section (other than an optional prepayment pursuant to paragraph (a) of this Section, which may not be declined), in which case the aggregate amount of the prepayment that would have been applied to prepay Tranche B Term Loans, Tranche C Term Loans or Tranche D Term Loans, as applicable, but was so declined shall be applied to prepay Tranche A Term Borrowings.

(f) The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date, the principal amount of each Borrowing or portion thereof to be prepaid and, in the case of a mandatory prepayment, a reasonably detailed calculation of the amount of such prepayment, provided that, if a notice of optional prepayment of any Loans is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.08, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.08. Promptly following receipt of any such notice (other than a notice relating solely to Swingline Loans), the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02, except as necessary to apply fully the required amount of a mandatory prepayment or to prepay such Borrowing in full. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

(g) In the event of and on each occasion of any prepayment of any Tranche B Term Borrowing, Tranche C Term Borrowing or Tranche D Term Borrowing pursuant to Section 2.11(a) or (c), the Borrower shall pay to the Tranche B Lenders, Tranche C Lenders and Tranche D Lenders whose Tranche B Term Loans, Tranche C Term Loans or Tranche D Term Loans, as applicable, are being prepaid a prepayment premium equal to (A) if such prepayment

(or the date on which such prepayment is required to be made) occurs on or prior to the date that is one year after the Effective Date, 2.0% of the principal amount of the Tranche B Term Loans, Tranche C Term Loans or Tranche D Term Loans, as applicable, being prepaid or (B) if such prepayment (or the date on which such prepayment is required to be made) occurs more than one year after the Effective Date but on or prior to the date that is two years after the Effective Date, 1.0% of the principal amount of the Tranche B Term Loans, or Tranche C Term Loans or Tranche D Term Loans, as applicable, being prepaid.

Section 2.12. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at the rate set forth in the definition of the term "Applicable Rate" on the average daily unused amount of the Commitments of such Lender during the period from and including the Effective Date to but excluding the date on which such Commitment terminates (it being understood that no commitment fee shall be payable in respect of the portion of any Commitment funded on the Effective Date). Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the dates on which the Commitments terminate, commencing on the first such date to occur after the Effective Date. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). For purposes of computing commitment fees, a Revolving Commitment of a Lender shall be deemed to be used to the extent of the outstanding Revolving Loans and LC Exposure of such Lender (and the Swingline Exposure of such Lender shall be disregarded for such purpose).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Revolving Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate as interest on Eurodollar Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.25% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Revolving Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date, provided that all such fees shall be payable on the date on which the Revolving Commitments terminate and any such fees accruing after the date on which the Revolving Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

Section 2.13. Interest. (a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, to the fullest extent permitted by applicable law, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Revolving Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Revolving Commitments, provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Revolving Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative Agent, and such determination shall be prima facie evidence thereof.

Section 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be prima facie evidence thereof) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist (it being understood that the Administrative Agent will use commercially reasonable efforts to give such notice as soon as practicable after such circumstances no longer exist), (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

Section 2.15. Increased Costs. (a) If any Change in Law (except with respect to Taxes, which shall be governed by Section 2.17) shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate or Base CD Rate) or the Issuing Bank; or

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on a Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the

Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be prima facie evidence thereof. The Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor, and provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(f) and is revoked in accordance therewith) or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount reasonably determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be prima facie evidence thereof. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction for any

Indemnified Taxes or Other Taxes, provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder or under any other Loan Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or the Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Bank, shall be prima facie evidence thereof.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate, provided that such Foreign Lender has received written notice from the Borrower advising it of the availability of such exemption or reduction and supplying all applicable documentation.

(f) If the Administrative Agent or a Lender or the Issuing Bank has received a refund of any Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.17, which the Administrative Agent or such Lender or the Issuing Bank is able to identify as such, it shall pay such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.17 with respect to the Taxes giving rise to such refund), net of

all reasonable out-of-pocket expenses of the Administrative Agent or such Lender or the Issuing Bank and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, however, that the Borrower agrees to pay, upon the request of the Administrative Agent or such Lender or the Issuing Bank, the amount paid to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender or the Issuing Bank in the event the Administrative Agent or such Lender or the Issuing Bank is required to repay such refund to such Governmental Authority. Nothing contained in this Section 2.17(f) shall require the Administrative Agent or any Lender or the Issuing Bank to make available its tax returns (or any other information relating to its Taxes that it deems confidential) to the Borrower or any other Person.

Section 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-Offs. (a) The Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to the time expressly required hereunder or under such other Loan Document for such payment (or, if no such time is expressly required, prior to 2:00 p.m., New York City time), on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto and payments pursuant to other Loan Documents shall be made to the Persons specified therein. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments under each Loan Document shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans, Term Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans, Term Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon

than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans, Term Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans, Term Loans and participations in LC Disbursements and Swingline Loans, provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.04(c), 2.05(d) or (e), 2.06(b), 2.18(d) or 9.03(c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the reasonable judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be

disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Revolving Commitment is being assigned, the Issuing Bank and Swingline Lender), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. Nothing in this Section 2.19 shall be deemed to prejudice any rights that the Borrower may have against any Lender as a result of any default by any such Lender in its obligation to fund Loans hereunder.

ARTICLE III
Representations and Warranties

Each of Holdings and the Borrower represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each of Holdings, the Borrower and the Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. Amortization; Enforceability. The Transactions entered into and to be entered into by each Loan Party are within such Loan Party's powers and have been duly authorized by all necessary action. This Agreement has been duly executed and delivered by each of Holdings and the Borrower and constitutes, and each other Loan Document to which any Loan Party is to be a party, when executed and delivered by such Loan Party, will constitute, a legal, valid and binding obligation of Holdings, the Borrower or such Loan Party (as the case may be), enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors'

rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by or before, any Governmental Authority, except such as have been obtained or made and are in full force and effect and except filings necessary to perfect Liens created under the Loan Documents and except where the failure to obtain such consent or approval or make such registration or filing, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of Holdings, the Borrower or any of the Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any material indenture, agreement or other instrument binding upon Holdings, the Borrower or any of the Subsidiaries or any of their assets, or give rise to a right thereunder to require any payment to be made by Holdings, the Borrower or any of the Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of Holdings, the Borrower or any of the Subsidiaries, except Liens created under the Loan Documents.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) Holdings has heretofore furnished to the Lenders its consolidated balance sheet as of December 31, 1999, and consolidated statement of operations and comprehensive income for the period from August 4, 1999, to December 31, 1999, reported on by PricewaterhouseCoopers LLP, independent public accountants. Such financial statements present fairly, in all material respects, the consolidated financial position and results of operations of Holdings, the Borrower and its consolidated Subsidiaries as of such date and for such period in accordance with GAAP.

(b) Holdings has heretofore furnished to the Lenders a pro forma combined balance sheet and pro forma combined income statement as of and for the pro forma fiscal year ended December 31, 1999, after giving effect to the Restatement Transactions. Such pro forma consolidated financial statements (i) have been prepared in good faith based on the same assumptions used to prepare the pro forma financial summary included in the Information Memorandum (which assumptions are believed by Holdings and the Borrower to be reasonable), (ii) are based on the best information available to Holdings and the Borrower after due inquiry, (iii) accurately reflect in all material respects all adjustments necessary to give effect to the Restatement Transactions and (iv) present fairly, in all material respects, the pro forma consolidated financial position and results of operations and cash flows of Holdings, the Borrower and the Subsidiaries as of such date and for such period, as if the Restatement Transactions had occurred on such date or at the beginning of such period, as applicable.

(c) The Borrower has heretofore furnished to the Administrative Agent the consolidated financial statements of Cherry Semiconductor and its subsidiaries as of and for the fiscal year ended February 28, 1999, reported on by Arthur Anderson LLP, independent public accountants. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of Cherry Semiconductor and its subsidiaries as of such date and for such period in accordance with GAAP.

(d) Except as disclosed in the financial statements referred to in paragraphs (a), (b) and (c) above or the notes thereto or in the Information Memorandum and except for the Disclosed

Matters, after giving effect to the Restatement Transactions, none of Holdings, the Borrower or the Subsidiaries has, as of the Restatement Effective Date, any material contingent liabilities, unusual long-term commitments or unrealized losses.

(e) Since December 31, 1999, there has been no material adverse change in the business, assets, operations, properties, financial condition or prospects of Holdings, the Borrower and its Subsidiaries, taken as a whole.

(f) Since February 28, 1999, there has been no material adverse change in the business, assets, operations, properties, financial condition or prospects of Cherry Semiconductor and its subsidiaries, taken as a whole.

SECTION 3.05. Properties. (a) Holdings, the Borrower and each of the Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business (including its Mortgaged Properties and Restatement Mortgaged Properties), except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes and subject to Permitted Encumbrances.

(b) Holdings, the Borrower and each of the Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by Holdings, the Borrower and the Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(c) Schedule 3.05 sets forth the address of each real property that is owned or leased by the Borrower or any of the Subsidiaries as of the Restatement Effective Date after giving effect to the Restatement Transactions.

(d) As of the Restatement Effective Date, none of Holdings, the Borrower or any of the Subsidiaries has received notice of, or has knowledge of, any material pending or contemplated condemnation proceeding affecting any Mortgaged Property or Restatement Mortgaged Property or any sale or disposition thereof in lieu of condemnation. None of the Mortgaged Property, Restatement Mortgaged Property or any interest therein is subject to any right of first refusal, option or other contractual right to purchase any such Mortgaged Property, Restatement Mortgaged Property or interest therein.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of Holdings or the Borrower, threatened against or affecting Holdings, the Borrower or any of the Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve any of the Loan Documents or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse

Effect, none of Holdings, the Borrower or any of the Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the Effective Date, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements. Each of Holdings, the Borrower and the Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.08. Investment and Holding Company Status. None of Holdings, the Borrower or any of the Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.09. Taxes. Holdings, the Borrower and each of the Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) any Taxes that are being contested in good faith by appropriate proceedings and for which Holdings, the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of all such underfunded Plans by an amount that, if it were required to be fully paid, would reasonably be expected to result in a Material Adverse Effect. Neither the Borrower nor any ERISA Affiliate has engaged in a transaction with respect to any employee benefit plan that would reasonably be expected to result in any material liability to the Borrower or any ERISA Affiliate pursuant to Section 4069 of ERISA.

SECTION 3.11. Disclosure. Holdings and the Borrower have disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which Holdings, the Borrower or any of the Subsidiaries is subject, and all other matters known to any of them, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. The Information Memorandum and the other reports, financial statements, certificates or other information furnished by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the

negotiation of this Agreement or any other Loan Document or delivered hereunder or thereunder (as modified or supplemented by other information so furnished), taken as a whole, do not contain any material misstatement of fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that (a) with respect to projected financial information, Holdings and the Borrower represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time and (b) with respect to information regarding the semiconductor market and other industry data, Holdings and the Borrower represent only that such information was prepared by third-party industry research firms, and although Holdings and the Borrower believe such information is reliable, Holdings and the Borrower cannot guarantee the accuracy and completeness of the information and have not independently verified such information.

SECTION 3.12. Subsidiaries. Holdings does not have any subsidiaries other than the Borrower and the Subsidiaries. Schedule 3.12 sets forth the name of, and the ownership interest of Holdings in, each Subsidiary and identifies each Subsidiary that is a Subsidiary Loan Party, in each case as of the Restatement Effective Date.

SECTION 3.13. Insurance. Schedule 3.13 sets forth a description of all insurance maintained by or on behalf of Holdings, the Borrower and the Subsidiaries as of the Restatement Effective Date. As of the Restatement Effective Date, all premiums in respect of such insurance that are required to have been paid have been paid. Holdings and the Borrower believe that the insurance maintained by or on behalf of Holdings, the Borrower and the Subsidiaries is adequate in all material respects.

SECTION 3.14. Labor Matters. As of the Restatement Effective Date, there are no material strikes, lockouts or slowdowns against Holdings, the Borrower or any Subsidiary pending or, to the knowledge of Holdings or the Borrower, threatened. Except as could not reasonably be expected to result in a Material Adverse Effect, (a) the hours worked by and payments made to employees of Holdings, the Borrower and the Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters and (b) the consummation of the Restatement Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which Holdings, the Borrower or any Subsidiary is bound.

SECTION 3.15. Solvency. Immediately after the consummation of the Restatement Transactions to occur on the Restatement Effective Date and immediately following the making of each Loan made on the Restatement Effective Date and after giving effect to the application of the proceeds of such Loans, (a) the fair value of the assets of each Loan Party, at a fair valuation, will exceed its debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the property of each Loan Party will be greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) each Loan Party will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) each Loan Party will not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted following the Restatement Effective Date.

SECTION 3.16. Senior Indebtedness. The Obligations constitute "Senior Indebtedness" under and as defined in the Subordinated Debt Documents.

SECTION 3.17. Year 2000. Any reprogramming required to permit the proper functioning, in and following the year 2000, of (a) the computer systems of Holdings, the Borrower and the Subsidiaries and (b) equipment containing embedded microchips (including systems and equipment supplied by others, including Motorola and its Affiliates, or with which Holdings's, the Borrower's or any Subsidiary's systems interface, including the systems and equipment of Motorola and its Affiliates) and the testing of all such systems and equipment, as so reprogrammed, has been completed. The cost to Holdings, the Borrower and the Subsidiaries of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to Holdings, the Borrower and the Subsidiaries (including reprogramming errors and the failure of others' systems or equipment) will not result in a Material Adverse Effect.

SECTION 3.18. Acquisition. As of the Restatement Effective Date, the Acquisition Agreement has been duly authorized, executed and delivered by each of the parties thereto and constitutes a legal, valid and binding obligation of each such party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law. A true, correct and complete copy of the Acquisition Agreement has been furnished to the Administrative Agent.

ARTICLE IV

Conditions

SECTION 4.01. Restatement Effective Date. The amendments to the Original Credit Agreement effected hereby and the obligations of the Tranche D Lenders to make Tranche D Term Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from Holdings, the Borrower, the Required Lenders (as defined in the Original Credit Agreement) and each Lender with a Tranche D Term Loan Commitment either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Restatement Effective Date) of each of (i) Cleary, Gottlieb, Steen & Hamilton, counsel for the Borrower, substantially in the form of Exhibit B-1, and (ii) local counsel in each jurisdiction where a Mortgaged Property or a Restatement Mortgaged Property is located, substantially in the form of Exhibit B-2, and, in the case of each such opinion required by this paragraph, covering such other matters relating to the Loan Parties, the Loan Documents or the Restatement Transactions as the Required Lenders shall reasonably

request. Each of Holdings and the Borrower hereby requests such counsel to deliver such opinions.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Loan Party, the authorization of the Restatement Transactions and any other legal matters relating to the Loan Parties, the Loan Documents or the Restatement Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Restatement Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Restatement Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses (including fees, charges and disbursements of counsel) required to be reimbursed or paid by any Loan Party hereunder or under any other Loan Document.

(f) The Administrative Agent shall have received from each party to the Reaffirmation Agreement a counterpart of the Reaffirmation Agreement signed on behalf of such party.

(g) The Collateral and Guarantee Requirement (including with respect to any Subsidiary Loan Parties formed in connection with or resulting from the Acquisition) shall have been satisfied and the Administrative Agent shall have received a completed Perfection Certificate dated the Restatement Effective Date and signed by an executive officer or Financial Officer of Holdings, together with all attachments contemplated thereby, including the results of a search of the Uniform Commercial Code (or equivalent) filings made with respect to the Loan Parties (including any Subsidiary Loan Parties formed in connection with or resulting from the Acquisition) in the jurisdictions contemplated by the Perfection Certificate and copies of the financing statements (or similar documents) disclosed by such search and evidence reasonably satisfactory to the Administrative Agent that the Liens indicated by such financing statements (or similar documents) are permitted by Section 6.02 or have been released.

(h) The Administrative Agent shall have received evidence that the insurance required by Section 5.07 and the Security Documents is in effect.

(i) The Administrative Agent shall have received audited consolidated balance sheets and related statements of income, stockholders' equity and cash flows of Cherry Semiconductor and its subsidiaries, prepared in accordance with GAAP, for the most recent fiscal year for which such financial statements are available, which audited financial statements shall not be less favorable in any material respect than the

information relating to Cherry Semiconductor and its subsidiaries for such fiscal year previously provided to the Administrative Agent and the Lenders.

(j) All consents and approvals required to be obtained from any Governmental Authority or other Person in connection with the Acquisition shall have been obtained, and all applicable waiting periods and appeal periods shall have expired, in each case without the imposition of any burdensome conditions. The Acquisition shall have been, or substantially simultaneously with the initial funding of the Tranche D Term Loans on the Restatement Effective Date shall be, consummated in accordance with the Acquisition Agreement, all related documentation and applicable law, without any amendment to or waiver of the Acquisition Agreement or the related documentation not approved by the Administrative Agent. The Administrative Agent shall have received copies of the Acquisition Agreement and all certificates, opinions and other documents delivered thereunder, certified by a Financial Officer as complete and correct.

(k) The Lenders shall have received a pro forma consolidated balance sheet of Holdings as of December 31, 1999, reflecting all pro forma adjustments as if the Restatement Transactions had been consummated on such date, and there shall be no material change in such pro forma consolidated balance sheet from the pro-forma consolidated balance sheet of Holdings as of December 31, 1999, previously provided to the Administrative Agent.

(l) After giving effect to the Restatement Transactions, Cherry Semiconductor and its subsidiaries shall have no outstanding Indebtedness at the time of the Acquisition other than (i) ordinary course accounts payable with respect to its trade creditors and (ii) other Indebtedness, the terms and conditions of which (including, but not limited to, terms and conditions relating to the interest rate, fees, amortization, maturity, subordination, covenants, events of default and remedies) shall be satisfactory in all respects to the Required Lenders.

(m) The Administrative Agent shall have been afforded the timely opportunity to review all other documentation relating to the Restatement Transactions and the other transactions contemplated hereby and shall be reasonably satisfied in all respects with such documentation.

(n) There shall not have occurred any material adverse change in the business, assets, operations, properties, financial condition, or prospects of (i) Holdings, the Borrower and its subsidiaries, taken as a whole since December 31, 1999, or (ii) Cherry Semiconductor and its subsidiaries, taken as a whole since February 28, 1999.

The Administrative Agent shall notify the Borrower and the Lenders of the Restatement Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Tranche D Term Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 5:00 p.m., New York City time, on May 31, 2000, (and, in the event such conditions are not so satisfied or waived, the Tranche D Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to receipt of the request therefor in accordance herewith and to the satisfaction of the following conditions:

(a) The representations and warranties of each Loan Party set forth in the Loan Documents shall be true and correct in all material respects on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects as to such earlier date).

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by Holdings and the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section. For purposes of the foregoing, the term "Borrowing" shall not include the continuation or conversion of Loans in which the aggregate amount of such Loans is not being increased.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, each of Holdings and the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. Holdings will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year of Holdings, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the consolidated financial condition and results of operations of Holdings, the Borrower and the Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of Holdings, its unaudited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter

and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the consolidated financial condition and results of operations of Holdings, the Borrower and the Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under paragraph (a) or (b) above, a certificate of a Financial Officer of Holdings (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.12 and 6.13 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of Holdings' audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under paragraph (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) prior to the commencement of each fiscal year of Holdings, a detailed consolidated budget for such fiscal year (including a projected consolidated balance sheet and related statements of projected operations and cash flow as of the end of and for such fiscal year and setting forth any material assumptions used for purposes of preparing such budget) and, promptly when available, any significant revisions of such budget;

(f) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by Holdings, the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or, in the event the Holdings becomes a publicly traded company, distributed by Holdings to its public stockholders generally, as the case may be; and

(g) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of Holdings, the Borrower or any Subsidiary, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.02. Notices of Material Events. Holdings and the Borrower will furnish to the Administrative Agent and each Lender written notice of the following promptly upon Holdings's or the Borrower's obtaining knowledge thereof:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting Holdings, the Borrower or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of Holdings, the Borrower and the Subsidiaries in an aggregate amount exceeding $10,000,000; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of Holdings setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Information Regarding Collateral. (a) Holdings will furnish to the Administrative Agent prompt written notice of any change (i) in any Loan Party's corporate name or in any trade name used to identify it in the conduct of its business or in the ownership of its properties, (ii) in the location of any Loan Party's chief executive office, its principal place of business, any office in which it maintains books or records relating to Collateral owned by it or any office or facility at which Collateral owned by it is located (including the establishment of any such new office or facility), (iii) in any Loan Party's identity or corporate structure or (iv) in any Loan Party's Federal Taxpayer Identification Number. Holdings agrees not to effect or permit any change referred to in the preceding sentence unless all filings have been made, or will have been made within any statutory period, under the Uniform Commercial Code or otherwise that are required in order for the Administrative Agent to continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral for the benefit of the Secured Parties. Holdings also agrees promptly to notify the Administrative Agent if any material portion of the Collateral is damaged or destroyed.

(b) Each year, at the time of delivery of annual financial statements with respect to the preceding fiscal year pursuant to paragraph (a) of Section 5.01, Holdings shall deliver to the Administrative Agent a certificate of a Financial Officer of Holdings (i) setting forth the information required pursuant to Section 2 of the Perfection Certificate or confirming that there has been no change in such information since the date of the Perfection Certificate delivered on the Effective Date or the date of the most recent certificate delivered pursuant to this Section and (ii) certifying that all Uniform Commercial Code financing statements (including fixture filings, as applicable) or other appropriate filings, recordings or registrations, including all refilings, rerecordings and reregistrations, containing a description of the Collateral have been filed of record in each governmental, municipal or other appropriate office in each jurisdiction identified

pursuant to clause (i) above to the extent necessary to protect and perfect the security interests under the Security Agreement for a period of not less than 18 months after the date of such certificate (except as noted therein with respect to any continuation statements to be filed within such period).

SECTION 5.04. Existence; Conduct of Business. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, contracts, licenses, permits, privileges, franchises, patents, copyrights, trademarks and trade names material to the conduct of the business of the Borrower and its Subsidiaries, taken as a whole, provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03 or any sale of assets permitted under Section 6.05.

SECTION 5.05. Payment of Obligations. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, pay its Indebtedness and other obligations, including Tax liabilities, before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) Holdings, the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP, (c) such contest effectively suspends collection of the contested obligation and the enforcement of any Lien securing such obligation and (d) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.06. Maintenance of Properties. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, keep and maintain all property material to the conduct of the business of Holdings, the Borrower and the Subsidiaries, taken as a whole, in good working order and condition, ordinary wear and tear excepted.

SECTION 5.07. Insurance. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, maintain, with financially sound and reputable insurance companies (a) insurance in such amounts (with no greater risk retention) and against such risks as are customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations and (b) all insurance required to be maintained pursuant to the Security Documents. Holdings will furnish to the Lenders, upon request of the Administrative Agent, information in reasonable detail as to the insurance so maintained.

SECTION 5.08. Casualty and Condemnation. Holdings (a) will furnish to the Administrative Agent and the Lenders prompt written notice of any casualty or other insured damage to any material portion of any Collateral or the commencement of any action or proceeding for the taking of any Collateral or any part thereof or interest therein under power of eminent domain or by condemnation or similar proceeding and (b) will cause the Net Proceeds of any such event (whether in the form of insurance proceeds, condemnation awards or otherwise) to be applied in accordance with the applicable provisions of the Security Documents.

SECTION 5.09. Books and Records; Inspection and Audit Rights. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all material dealings and transactions in relation to its business and activities. Each of Holdings and the

Borrower will, and will cause each of the Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and at such reasonable intervals as may be reasonably requested.

SECTION 5.10. Compliance with Laws. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.11. Use of Proceeds and Letters of Credit. The proceeds of the Tranche D Term Loans made on the Restatement Effective Date will be used solely for (i) the payment of amounts payable as consideration for the Acquisition and (ii) the payment of fees and expenses payable in connection with the Restatement Transactions. The proceeds of the Revolving Loans and Swingline Loans will be used only for general corporate purposes. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X. Letters of Credit will be issued only to support obligations of the Borrower or any Subsidiary incurred in the ordinary course of business.

SECTION 5.12. Additional Subsidiaries. If any additional Subsidiary is formed or acquired after the Effective Date, Holdings will, within ten Business Days after such Subsidiary is formed or acquired, notify the Administrative Agent and the Lenders thereof and cause the Collateral and Guarantee Requirement to be satisfied with respect to such Subsidiary (if it is a Subsidiary Loan Party) and with respect to any Equity Interest in or Indebtedness of such Subsidiary owned by or on behalf of any Loan Party.

SECTION 5.13. Further Assurances. (a) Each of Holdings and the Borrower will, and will cause each Subsidiary Loan Party to, execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), that may be required under any applicable law, or which the Administrative Agent or the Required Lenders may reasonably request, to cause the Collateral and Guarantee Requirement to be and remain satisfied, all at the expense of the Loan Parties. Holdings and the Borrower also agree to provide to the Administrative Agent, from time to time upon request, evidence reasonably satisfactory to the Administrative Agent as to the perfection and priority of the Liens created or intended to be created by the Security Documents.

(b) If any material assets (including any real property or improvements thereto or any interest therein) are acquired by the Borrower or any Subsidiary Loan Party after the Effective Date (other than assets constituting Collateral under the Security Agreement or the Pledge Agreement that become subject to the Lien of the Security Agreement or the Pledge Agreement upon acquisition thereof), the Borrower will notify the Administrative Agent and the Lenders thereof, and, if requested by the Administrative Agent or the Required Lenders, the Borrower will cause such assets to be subjected to a Lien securing the Obligations and will take, and cause the Subsidiary Loan Parties to take, such actions as shall be necessary or reasonably requested by

the Administrative Agent to grant and perfect such Liens, including actions described in paragraph (a) of this Section, all at the expense of the Loan Parties.

SECTION 5.14. Interest Rate Protection. As promptly as practicable, and in any event within 90 days after the Effective Date, the Borrower will enter into, and thereafter for a period of not less than three years after the Effective Date will maintain in effect, one or more interest rate protection agreements on such terms and with such parties as shall be reasonably satisfactory to the Administrative Agent, the effect of which shall be to ensure that at least 50% of the outstanding Long-Term Indebtedness of Holdings, the Borrower and the consolidated Subsidiaries is effectively subject to a fixed rate of interest.

ARTICLE VI
Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, each of Holdings and the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness; Certain Equity Securities. (a) The Borrower will not, and Holdings and the Borrower will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

(i) Indebtedness created under the Loan Documents;

(ii) the Subordinated Debt;

(iii) the Junior Subordinated Note;

(iv) Indebtedness existing on the Effective Date and set forth in Schedule 6.01 and extensions, renewals, refinancings and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof or result in an earlier maturity date or decreased weighted average life thereof;

(v) Indebtedness of the Borrower to Holdings or any Subsidiary and of any Subsidiary to the Borrower, Holdings or any other Subsidiary;

(vi) Guarantees by the Borrower and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary, provided that Guarantees by the Borrower or any Subsidiary Loan Party of Indebtedness of any Subsidiary that is not a Loan Party shall be subject to Section 6.04;

(vii) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations (provided that such Indebtedness is incurred prior to or within 180 days after such acquisition or the completion of such construction or improvement) and any Indebtedness assumed in connection with the acquisition of any such assets or

secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals, refinancings and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof, provided that the aggregate principal amount of Indebtedness permitted by this clause (vii) shall not exceed $25,000,000 at any time outstanding;

(viii) Indebtedness of the Borrower or any Subsidiary in respect of workers' compensation claims, self-insurance obligations, performance bonds, surety, appeal or similar bonds and completion guarantees provided by the Borrower and the Subsidiaries in the ordinary course of their business, provided that upon the incurrence of Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims, such obligations are reimbursed within 30 days following such drawing or incurrence;

(ix) Indebtedness in respect of a Permitted Receivables Financing in an aggregate principal amount not to exceed $100,000,000, provided that the Net Proceeds resulting from the sale, transfer or other disposition of Receivables in connection with such Permitted Receivables Financing are applied in accordance with Section 2.11(c);

(x) Indebtedness of the Borrower or any Subsidiary that was (A) Indebtedness of any other Person existing at the time such other Person was merged with or became a Subsidiary, including Indebtedness incurred in connection with, or in contemplation of, such other Person's merging with or becoming a Subsidiary, and extensions, renewals, refinancings and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof or result in an earlier maturity date or decreased weighted average life thereof, provided that the aggregate principal amount of Indebtedness permitted under this clause (x) shall not exceed $25,000,000 at any time outstanding;

(xi) other unsecured Indebtedness in an aggregate principal amount not exceeding $50,000,000 at any time outstanding, provided that the aggregate principal amount of Indebtedness of the Subsidiaries that are not Subsidiary Loan Parties permitted by this clause (xi) shall not exceed $25,000,000 at any time outstanding.

(b) Holdings will not create, incur, assume or permit to exist any Indebtedness except (i) Indebtedness created under the Loan Documents, (ii) the Subordinated Debt and (iii) Indebtedness permitted under clause (a)(v) of this Section 6.01.

(c) Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, issue any preferred stock or other preferred Equity Interests, except that (i) Holdings may issue the Cumulative Preferred Stock, (ii) Holdings may issue preferred stock or other preferred Equity Interests of Holdings that do not require mandatory cash dividends or redemptions and do not provide for any right on the part of the holder to require redemption, repurchase or repayment thereof, in each case prior to the date that is 91 days after August 4, 2007, and (iii) Holdings, the Borrower or any Subsidiary may issue directors' qualifying shares or shares required by applicable law to be held by a Person other than Holdings, the Borrower or any Subsidiary.

6.02 Liens. (a) The Borrower will not, and Holdings and the Borrower will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(i) Liens created under the Loan Documents;

(ii) Permitted Encumbrances;

(iii) any Lien on any property or asset of the Borrower or any Subsidiary existing on the Effective Date and set forth in Schedule 6.02, provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Subsidiary and (ii) such Lien shall secure only those obligations that it secures on the Effective Date and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(iv) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the Effective Date prior to the time such Person becomes a Subsidiary, provided that (A) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (B) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary and (C) such Lien shall secure only those obligations that it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(v) Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any Subsidiary, provided that (A) such Liens secure Indebtedness permitted by clause (vii) of Section 6.01(a), (B) such security interests and the Indebtedness secured thereby are incurred prior to or within 180 days after such acquisition or the completion of such construction or improvement, (C) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets and (D) such security interests shall not apply to any other property or assets of the Borrower or any Subsidiary;

(vi) sales of Receivables and Related Property (or undivided interests therein) permitted under Section 6.05(d) and Liens on Receivables of a Receivables Subsidiary granted in connection with any Permitted Receivables Financing;

(vii) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights; and

(viii) Liens in favor of a landlord on leasehold improvements in leased premises.

(b) Holdings will not create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect thereof, except Liens created under the Pledge Agreement and Permitted Encumbrances.

SECTION 6.03. Fundamental Changes. (a) Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Person may merge with Holdings or the Borrower in a transaction in which the surviving entity is a Person organized or existing under the laws of the United States of America, any State thereof or the District of Columbia and, if such surviving entity is not Holdings or the Borrower, as the case may be, such Person expressly assumes, in writing, all the obligations of Holdings or the Borrower, as the case may be, under the Loan Documents, (ii) any Person may merge with any Subsidiary in a transaction in which the surviving entity is a Subsidiary and, if any party to such merger is a Subsidiary Loan Party, is a Subsidiary Loan Party and (iii) any Subsidiary (other than a Subsidiary Loan Party) may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders, provided that any such merger involving a Person that is not a wholly owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Sections 6.04 and 6.08.

(b) The Borrower will not, and Holdings and the Borrower will not permit any of the Subsidiaries (other than a Receivables Subsidiary) to, engage to any material extent in any business other than businesses of the type conducted by the Borrower and the Subsidiaries on the Effective Date and businesses reasonably related thereto.

(c) Holdings will not engage in any business or activity other than the ownership of all the outstanding shares of capital stock of the Borrower and the Joint Venture Holding Companies and activities incidental thereto. Holdings will not own or acquire any assets (other than shares of capital stock of the Borrower, shares of capital stock of the Joint Venture Holding Companies, cash and Permitted Investments) or incur any liabilities (other than liabilities under the Loan Documents, Guarantees by Holdings of obligations of the Borrower and the Subsidiaries under leases of real property, obligations under any stock option plans or other benefit plans for management or employees of Holdings, the Borrower and the Subsidiaries, liabilities imposed by law, including tax liabilities, and other liabilities incidental to its existence and permitted business and activities).

(d) No Receivables Subsidiary will engage in any business other than the purchase and sale or other transfer of Receivables (or participation interests therein) in connection with any Permitted Receivables Financing, together with activities directly related thereto.

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. The Borrower will not, and Holdings and the Borrower will not permit any of the Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any Equity Interests in or evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the

foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

(a) to the extent provided for by the terms of the Recapitalization;

(b) Permitted Investments;

(c) investments existing on the Effective Date hereof and set forth on Schedule 6.04;

(d) investments by the Borrower and the Subsidiaries that are Loan Parties in Equity Interests in their respective Subsidiaries that are Loan Parties and investments by Subsidiaries that are not Loan Parties in Equity Interests in their respective Subsidiaries, provided that any such Equity Interests held by a Loan Party shall be pledged pursuant to the Pledge Agreement (subject to the limitations applicable to voting stock of a Foreign Subsidiary and Equity Interests in the Foreign Joint Venture Companies referred to in the definition of the term "Collateral and Guarantee Requirement");

(e) loans or advances made by the Borrower to Holdings or any Subsidiary and made by Holdings or any Subsidiary to the Borrower or any other Subsidiary, provided that any such loans and advances made by a Loan Party shall be evidenced by a promissory note pledged pursuant to the Pledge Agreement;

(f) Guarantees constituting Indebtedness permitted by Section 6.01 (other than with respect to the Junior Subordinated Note) of Indebtedness of the Borrower or any Subsidiary Loan Party, provided that a Subsidiary shall not Guarantee the Subordinated Debt unless (i) such Subsidiary also has Guaranteed the Obligations pursuant to the Guarantee Agreement, (ii) such Guarantee of the Subordinated Debt is subordinated to such Guarantee of the Obligations on terms no less favorable to the Lenders than the subordination provisions of the Subordinated Debt and (iii) such Guarantee of the Subordinated Debt provides for the release and termination thereof, without action by any party, upon any release or termination of such Guarantee of the Obligations;

(g) investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business;

(h) Permitted Acquisitions, provided that the sum of all consideration paid or otherwise delivered in connection with Permitted Acquisitions (including the principal amount of any Indebtedness issued as deferred purchase price and the fair market value of any other non-cash consideration) plus the aggregate principal amount of all Indebtedness otherwise incurred or assumed in connection with, or resulting from, Permitted Acquisitions (including Indebtedness of any acquired Persons outstanding at

the time of the applicable Permitted Acquisition) shall not exceed, on a cumulative basis subsequent to the Effective Date, $50,000,000;

(i) any investments in or loans to any other Person received as noncash consideration for sales, transfers, leases and other dispositions permitted by Section 6.05;

(j) Guarantees by the Borrower and the Subsidiaries of leases entered into by any Subsidiary as lessee;

(k) extensions of credit in the nature of accounts receivable or notes receivable in the ordinary course of business;

(l) investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(m) loans or advances to employees made in the ordinary course of business consistent with prudent business practice and not exceeding $5,000,000 in the aggregate outstanding at any one time;

(n) investments in or acquisitions of stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Borrower or any Subsidiary or in satisfaction of judgments;

(o) investments in the form of Hedging Agreements permitted under Section 6.07;

(p) investments by the Borrower or any Subsidiary in (i) the capital stock of a Receivables Subsidiary and (ii) other interests in a Receivables Subsidiary, in each case to the extent determined by the Borrower in its judgment to be reasonably necessary in connection with or required by the terms of the Permitted Receivables Financing;

(q) investments, loans, advances, guarantees and acquisitions resulting from a foreclosure by Holdings, the Borrower or any Subsidiary with respect to any secured investment or other transfer of title with respect to any secured investment in default;

(r) investments, loans, advances, guarantees and acquisitions the consideration for which consists solely of shares of common stock of Holdings;

(s) the Acquisition; and

(t) other investments in an aggregate amount not to exceed $100,000,000 at any time outstanding.

SECTION 6.05. Asset Sales. The Borrower will not, and Holdings and the Borrower will not permit any of the Subsidiaries to, sell, transfer, lease or otherwise dispose of any asset, including any Equity Interest owned by

it, nor will the Borrower permit any of the Subsidiaries to issue any additional Equity Interest in such Subsidiary, except:

(a) sales of inventory, used or surplus equipment and Permitted Investments in the ordinary course of business and the periodic clearance of aged inventory;

(b) sales, transfers and dispositions to the Borrower or a Subsidiary, provided that any such sales, transfers or dispositions involving a Subsidiary that is not a Loan Party shall be made in compliance with Section 6.09;

(c) transfers and dispositions in connection with the SCG Restructuring, provided that the aggregate fair market value of all assets sold, transferred or otherwise disposed of in reliance on this clause (c) shall not exceed $10,000,000;

(d) the Borrower and the Subsidiaries may sell, without recourse (other than Standard Securitization Undertakings and retained interests), Receivables to a Receivables Subsidiary, and any Receivables Subsidiary may sell Receivables and Related Property or an undivided interest therein to any other Person, pursuant to any Permitted Receivables Financing, and convert or exchange Receivables and Related Property into or for notes receivable in connection with the compromise or collection thereof; and

(e) sales, transfers and other dispositions of assets (other than Equity Interests in a Subsidiary) that are not permitted by any other clause of this Section, provided that the aggregate fair market value of all assets sold, transferred or otherwise disposed of in reliance upon this clause (e) shall not exceed $50,000,000 during any fiscal year of the Borrower;

provided that all sales, transfers, leases and other dispositions permitted hereby (other than those permitted by clause (b) above) shall be made for fair value and for consideration of at least 80% cash or cash equivalents.

SECTION 6.06. Sale and Leaseback Transaction. The Borrower will not, and Holdings and the Borrower will not permit any of the Subsidiaries to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred, except for any such sale of any fixed or capital assets that is made for cash consideration in an amount not less than the cost of such fixed or capital asset and is consummated within 180 days after the Borrower or such Subsidiary acquires or completes the construction of such fixed or capital asset.

SECTION 6.07. Hedging Agreements. The Borrower will not, and Holdings and the Borrower will not permit any of the Subsidiaries to, enter into any Hedging Agreement, other than (a) Hedging Agreements required by Section 5.14 and (b) Hedging Agreements entered into in the ordinary course of business to

hedge or mitigate risks to which the Borrower or any Subsidiary is exposed in the conduct of its business or the management of its liabilities.

SECTION 6.08. Restricted Payments; Certain Payments of Indebtedness. (a) Other than as specified in the first sentence of Section 5.11, neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except that (i) Holdings may declare and pay dividends with respect to its capital stock payable solely in additional shares of its capital stock, (ii) Subsidiaries may declare and pay dividends ratably with respect to their capital stock, (iii) Holdings may make Restricted Payments, not exceeding $2,000,000 during any fiscal year, pursuant to and in accordance with stock option plans or other benefit plans for directors, management or employees of Holdings, the Borrower and the Subsidiaries, including the redemption or purchase of capital stock of Holdings held by former directors, management or employees of Holdings, the Borrower or any Subsidiary following termination of their employment, (iv) the Borrower may pay dividends to Holdings at such times and in such amounts, not exceeding $2,000,000 during any fiscal year, as shall be necessary to permit Holdings to discharge its permitted liabilities and (v) the Borrower and the Joint Venture Holding Companies may make Restricted Payments to Holdings at such times and in such amounts (but not prior to the fifth anniversary of the date of issuance of the Cumulative Preferred Stock) as shall be necessary to enable Holdings, after such fifth anniversary, to pay dividends in cash on such Cumulative Preferred Stock as and when declared and payable, provided that, at the time of each Restricted Payment made in reliance upon this clause (v) and after giving pro forma effect to such payment, the Leverage Ratio shall not exceed 1.50 to 1.00, (vi) Holdings, the Borrower and the Subsidiaries may make Restricted Payments as and to the extent contemplated by the Recapitalization Agreement and (vii) Holdings may make Restricted Payments on account of the purchase, redemption or repurchase of the Cumulative Preferred Stock with the net proceeds of a substantially concurrent IPO, provided that, after giving effect to such purchase, redemption or repurchase, no Default or Event of Default shall have occurred and be continuing.

(b) Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, make or agree to pay or make, directly or indirectly, any payment or other distribution (whether in cash, securities or other property) of or in respect of principal of or interest on any Indebtedness, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancelation or termination of any Indebtedness, except:

(i) payment of Indebtedness created under the Loan Documents;

(ii) payment of regularly scheduled interest and principal payments as and when due in respect of any Indebtedness, other than (A) payments in respect of the Subordinated Debt and the Junior Subordinated Note prohibited by the subordination provisions thereof, (B) principal payments in respect of the Junior Subordinated Note and (C) cash interest payments in respect of the Junior Subordinated Note unless, in the case of any such payment specified in this clause (C), at the time of such payment and after giving pro forma effect thereto the Leverage Ratio shall not exceed 1.50 to 1.00 and such payment is due and payable on or after the fifth anniversary of the date of issuance of the Junior Subordinated Note;

(iii) refinancings of Indebtedness to the extent permitted by Section 6.01;

(iv) payment of secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(v) payments on account of the purchase, redemption or repurchase of the Subordinated Debt with the net proceeds of a substantially concurrent IPO, provided that (i) after giving effect to such purchase, redemption or repurchase, no Default or Event of Default shall have occurred and be continuing, (ii) no more than 35% of the aggregate principal amount of the Subordinated Debt issued on or prior to the Effective Date is purchased, redeemed or repurchased and (iii) at the time of any such payment, the net proceeds of such IPO remaining after such payment and any Restricted Payment made pursuant to clause (a)(vii) of this Section 6.08 are applied to prepay Term Borrowings pursuant to Section 2.11(a) (or, if no such Borrowings are outstanding or the outstanding amount of such Borrowings is less than the amount of the required prepayments, then to reduce Revolving Commitments pursuant to Section 2.08(b) by an aggregate amount equal to the amount of the required prepayment, or the excess of such amount over the outstanding Term Borrowings, as the case may be);

(vi) payments in respect of any Permitted Receivables Facility; and

(vii) repayment of certain Indebtedness of certain Foreign Subsidiaries on the Effective Date as specified in the first sentence of Section 5.11.

SECTION 6.09. Transactions with Affiliates. Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) transactions that are at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among Holdings, the Borrower and the Subsidiary Loan Parties not involving any other Affiliate, (c) to pay management, consulting and advisory fees to TPG or its Affiliates pursuant to any financial advisory, financing, underwriting or placement agreement or in respect of other investment banking activities, including in connection with acquisitions or divestitures, in an aggregate amount not to exceed $2,000,000 in any fiscal year, (d) payments of fees and expenses to TPG and its Affiliates in connection with the Transactions, (e) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the board of directors of Holdings, (f) the grant of stock options or similar rights to officers, employees, consultants and directors of Holdings pursuant to plans approved by the board of directors of Holdings and the payment of amounts or the issuance of securities pursuant thereto, (g) loans or advances to employees in the ordinary course of business consistent with prudent business practice, but in any event not to exceed $5,000,000 in the aggregate outstanding at any one time, (h) the Transition Agreements and (i) any Restricted Payment permitted by Section 6.08.

SECTION 6.10. Restrictive Agreements. Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of Holdings, the Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Borrower or any other Subsidiary or to Guarantee Indebtedness of the Borrower or any other Subsidiary, provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by any Loan Document or Subordinated Debt Document, (ii) the foregoing shall not apply to restrictions and conditions existing on the Effective Date identified on Schedule 6.10 (but shall apply to any extension or renewal of, or any amendment or modification if it expands the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (v) clause (a) of the foregoing shall not apply to customary provisions in leases restricting the assignment thereof and (vi) the foregoing shall not apply to restrictions or conditions imposed on a Receivables Subsidiary in connection with a Permitted Receivables Financing.

SECTION 6.11. Amendment of Material Documents. (a) Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, amend, modify or waive any of its rights under (i) any Subordinated Debt Document, (ii) its certificate of incorporation, by-laws or other organizational documents (including the SMP JV Agreement and the Leshan JV Agreement), (iii) the Junior Subordinated Note or (iv) the Certificate of Designations.

(b) Neither Holdings nor the Borrower will, nor will they permit any Subsidiary to, amend, modify or waive any of its rights under any Recapitalization Document or terminate any Transition Agreement, in each case to the extent that such amendment, modification, waiver or termination would be adverse to the Lenders.

(c) Holdings and the Borrower will not, and will not permit any Subsidiary to, amend, modify or waive any of its rights under any Permitted Receivables Financing to the extent that such amendment, modification or waiver would be materially adverse to the Lenders.

SECTION 6.12. Interest Expense Coverage Ratio. The Borrower will not permit the ratio of (a) Consolidated EBITDA to (b) Consolidated Cash Interest Expense, in each case for any period of four consecutive fiscal quarters ending on any date during any period set forth below, to be less than the ratio set forth below opposite such period:

Period	Ratio
August 4, 1999 to December 30, 2000	2.00 to 1.00
December 31, 2000 to June 29, 2001	2.25 to 1.00

June 30, 2001 to June 29, 2002	2.50 to 1.00
June 30, 2002 to June 29, 2003	2.75 to 1.00
June 30, 2003 and thereafter	3.00 to 1.00

SECTION 6.13. Leverage Ratio. The Borrower will not permit the Leverage Ratio as of the end of any fiscal quarter during any period set forth below to exceed the ratio set forth opposite such period:

Period	Ratio
August 4, 1999 to December 30, 2000	4.75 to 1.00
December 31, 2000 to June 29, 2001	4.50 to 1.00
June 30, 2001 to December 30, 2001	4.25 to 1.00
December 31, 2001 to June 29, 2002	3.75 to 1.00
June 30, 2002 to December 30, 2002	3.50 to 1.00
December 31, 2002 to June 29, 2003	3.25 to 1.00
June 30, 2003 to December 30, 2003	3.25 to 1.00
December 31, 2003 and thereafter	3.00 to 1.00

SECTION 6.14. Capital Expenditures. The Borrower and Subsidiaries shall not incur or make Capital Expenditures during any fiscal year (commencing with fiscal year 1999) in an amount exceeding $200,000,000, provided that such $200,000,000 permitted amount shall be increased with respect to any fiscal year by an amount equal to the portion of Excess Cash Flow for the immediately preceding fiscal year that is not required to be applied to make prepayments of Loans pursuant to Section 2.11(d).

The amount of Capital Expenditures permitted to be made by the immediately preceding paragraph in respect of any fiscal year shall be increased by (a) the unused amount of Capital Expenditures that were permitted to be made during the immediately preceding fiscal year pursuant to the immediately preceding paragraph (without giving effect to the proviso to such paragraph) minus (b) an amount equal to the unused permitted Capital Expenditures carried forward to such preceding fiscal year.

ARTICLE III
Events of Default

SECTION 7.01. Events of Default. If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of Holdings, the Borrower or any Subsidiary in or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, or in any certificate or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) Holdings or the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.04 (with respect to the existence of Holdings or the Borrower) or 5.11 or in Article VI;

(e) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender);

(f) Holdings, the Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable after giving effect to any applicable grace period with respect thereto;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of Holdings, the Borrower or, subject to Section 7.02, any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Holdings, the Borrower or, subject to Section 7.02, any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) Holdings, the Borrower or, subject to Section 7.02, any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver,

trustee, custodian, sequestrator, conservator or similar official for Holdings, the Borrower or, subject to Section 7.02, any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) Holdings, the Borrower or, subject to Section 7.02, any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of $10,000,000 (net of amounts covered by insurance as to which the insurer has admitted liability in writing) shall be rendered against Holdings, the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of Holdings, the Borrower or any Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(m) any Lien purported to be created under any Security Document shall cease to be, or shall be asserted by any Loan Party not to be, a valid and perfected Lien on Collateral having, in the aggregate, a value in excess of $5,000,000, with the priority required by the applicable Security Document, except (i) as a result of the sale or other disposition of the applicable Collateral in a transaction permitted under the Loan Documents, (ii) any action taken by the Collateral Agent to release any such Lien in compliance with the provisions of this Agreement or any other Loan Document or (iii) as a result of the Collateral Agent's failure to maintain possession of any stock certificates, promissory notes or other instruments delivered to it under the Pledge Agreement;

(n) any default or other event shall have occurred under any document governing any Permitted Receivables Financing if the effect of such default or other event is to cause the termination of such Permitted Receivables Financing; or

(o) a Change in Control shall occur;

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due

and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

SECTION 7.02. Exclusion of Immaterial Subsidiaries. Solely for the purposes of determining whether a Default has occurred under clause (h), (i) or (j) of Section 7.01, any reference in any such clause to any "Subsidiary" shall be deemed not to include any Subsidiary affected by any event or circumstance referred to in any such clause that did not, as of the last day of the fiscal quarter of the Borrower most recently ended, have assets with a value in excess of 5.0% of the total consolidated assets of the Borrower and the Subsidiaries as of such date, provided that if it is necessary to exclude more than one Subsidiary from clause (h), (i) or (j) of Section 7.01 pursuant to this Section in order to avoid a Default thereunder, all excluded Subsidiaries shall be considered to be a single consolidated Subsidiary for purposes of determining whether the condition specified above is satisfied.

ARTICLE VIII
The Administrative Agent

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with Holdings, the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage

of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to Holdings, the Borrower or any of the Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by Holdings, the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any of and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of each Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent that shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the

Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

ARTICLE IX
Miscellaneous

SECTION 9.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to Holdings or the Borrower, to it at 5005 East McDowell Road, Phoenix, Arizona 85018, Attention of President (Telecopy No. 602-244-4830);

(b) if to the Administrative Agent, to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Janet Belden (Telecopy No. (212) 552-5658), with a copy to The Chase Manhattan Bank, 270 Park Avenue, New York, New York 10017, Attention of Edmond DeForest (Telecopy No. (212) 270-4584);

(c) if to the Issuing Bank, to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Janet Belden (Telecopy No. (212) 552-5658);

(d) if to the Swingline Lender, to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Janet Belden (Telecopy No. (212) 552-5658); and

(e) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 5.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by Holdings, the Borrower and the Required Lenders or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent and the Loan Party or Loan Parties that are parties thereto, in each case with the consent of the Required Lenders, provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the maturity of any Loan, or the date of any scheduled payment of the principal amount of any Term Loan under Section 2.10, or the required date of reimbursement of any LC Disbursement, or any date for the payment of any interest or fees payable hereunder, or reduce the amount of, waive or excuse any such scheduled payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section or the percentage set forth in the definition of the term "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders (or Lenders of any Class) required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender (or each Lender of such Class, as the case may be), (vi) release Holdings or any Subsidiary Loan Party from its Guarantee under the Guarantee Agreement (except as expressly provided in the Guarantee Agreement), or limit its liability in respect of such Guarantee, without the written consent of each Lender, (vii) except in strict accordance with the express provisions of the Security Documents, release all or any substantial part of the Collateral from the Liens of the Security Documents, without the written consent of each Lender, (viii) change any provisions of any Loan Document in a manner that by its terms adversely affects the rights in respect of payments due to Lenders holding Loans of any Class differently than those holding Loans of any other Class, without the written consent of Lenders holding a majority in interest of the outstanding Loans and unused Commitments of each affected Class, (ix) change the definition of "Interest Period" to include periods longer than six months or

(x) change the rights of the Tranche B Lenders or the Tranche C Lenders to decline mandatory prepayments as provided in Section 2.11, without the written consent of Tranche B Lenders or the Tranche C Lenders, as applicable, holding a majority of the outstanding Tranche B Loans or Tranche C Loans, as applicable, and provided further that (A) no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Issuing Bank or the Swingline Lender without the prior written consent of the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be, and (B) any waiver, amendment or modification of this Agreement that by its terms affects the rights or duties under this Agreement of the Revolving Lenders (but not the Tranche A Lenders, Tranche B Lenders and Tranche C Lenders), the Tranche A Lenders (but not the Revolving Lenders, Tranche B Lenders and Tranche C Lenders), the Tranche B Lenders (but not the Revolving Lenders, Tranche A Lenders and Tranche C Lenders) or the Tranche C Lenders (but not the Revolving Lenders, the Tranche A Lenders and the Tranche B Lenders) may be effected by an agreement or agreements in writing entered into by Holdings, the Borrower and requisite percentage in interest of the affected Class of Lenders that would be required to consent thereto under this Section if such Class of Lenders were the only Class of Lenders hereunder at the time. Notwithstanding the foregoing, any provision of this Agreement may be amended by an agreement in writing entered into by Holdings, the Borrower, the Required Lenders and the Administrative Agent (and, if their rights or obligations are affected thereby, the Issuing Bank and the Swingline Lender) if (i) by the terms of such agreement the Commitment of each Lender not consenting to the amendment provided for therein shall terminate upon the effectiveness of such amendment and (ii) at the time such amendment becomes effective, each Lender not consenting thereto receives payment in full of the principal of and interest accrued on each Loan made by it and all other amounts owing to it or accrued for its account under this Agreement.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates and the Documentation Agents and their respective Affiliates, including the reasonable fees, charges and disbursements of one counsel in each applicable jurisdiction for the Administrative Agent and the Documentation Agents, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, either Documentation Agent, the Issuing Bank or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, either Documentation Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify the Administrative Agent, the Documentation Agents, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees,

charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any other agreement or instrument contemplated hereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence, Release or threatened Release of Hazardous Materials on or from any Mortgaged Property or Restatement Mortgaged Property or any other property currently or formerly owned or operated by Holdings, the Borrower or any of the Subsidiaries, or any Environmental Liability related in any way to Holdings, the Borrower or any of the Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence or wilful misconduct of such Indemnitee or any Related Person of such Indemnitee. It is acknowledged and agreed by the parties hereto that, solely in their capacities as Documentation Agents and not in their capacities as Lenders, the Documentation Agents have no duties hereunder.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, either Documentation Agent, the Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, such Documentation Agent, the Issuing Bank or the Swingline Lender, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, such Documentation Agent, the Issuing Bank or the Swingline Lender in its capacity as such. For purposes hereof, a Lender's "pro rata share" shall be determined based upon its share of the sum of the total Revolving Exposures, outstanding Term Loans and unused Commitments at the time.

(d) To the extent permitted by applicable law, neither Holdings nor the Borrower shall assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

(f) Neither Motorola nor any director, officer, employee, stockholder or member, as such, of any Loan Party or Motorola shall have any liability for the Obligations or for any claim based on, in respect of or by reason of the Obligations or their creation; provided that the

foregoing shall not be construed to relieve any Loan Party of its Obligations under any Loan Document.

9.04 Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it), provided that (i) except in the case of an assignment to a Lender or an Affiliate or Approved Fund of a Lender, each of the Borrower and the Administrative Agent (and, in the case of an assignment of all or a portion of a Revolving Commitment or any Lender's obligations in respect of its LC Exposure or Swingline Exposure, the Issuing Bank and the Swingline Lender) must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate or Approved Fund of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitments or Loans, the amount of the Commitments or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, except that this clause (iii) shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire, and provided further that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default under clause (a), (b), (g), (h), (i), (j), (n) or (o) of Article VII has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement (provided that any liability of the Borrower to such assignee under Section 2.15, 2.16 or 2.17 shall be limited to the amount, if any, that would have been payable thereunder by the Borrower in the absence of such assignment), and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an

Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and Holdings, the Borrower, the Administrative Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower, the Administrative Agent, the Issuing Bank or the Swingline Lender, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it), provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) Holdings, the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents, provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08

as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest, provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of the other parties hereto required by paragraph (a) of Section 4.01, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower then existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement. The rights of each Lender under this Section are in addition to other rights and remedies (including any other rights of setoff) that such Lender may have.

SECTION 9.09. GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS. (A) THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

(b) Each of Holdings and the Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against Holdings, the Borrower or its properties in the courts of any jurisdiction.

(c) Each of Holdings and the Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement or any other Loan

Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, or to any direct or indirect contractual counterparties in swap agreements or such contractual counterparties' professional advisors, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis from a source other than Holdings or the Borrower. For the purposes of this Section, the term "Information" means all information received from Holdings or the Borrower relating to Holdings or the Borrower or its business, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by Holdings or the Borrower. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") that may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.14. Original Credit Agreement; Effectiveness of Amendment and Restatement. Until this Agreement becomes effective upon the satisfaction, or waiver by the Required Lenders (as defined in the Original Credit Agreement) and each Lender with a Tranche D Commitment, of the conditions set forth in Section 4.01, the Original Credit Agreement shall remain in full force and effect and shall not be affected hereby. After the Restatement Effective Date, all obligations of the Borrower under the Original Credit Agreement shall become obligations of the Borrower hereunder, secured by the Security Documents, and the provisions of the Original Credit Agreement shall be superseded by the provisions hereof.

SECTION 9.15. Additional Provisions for Tranche D Lenders. No agreement effecting an amendment or modification of this Agreement or of any other Loan Document or of any provision hereof or thereof may (i) change the rights of the Tranche D Lenders to decline mandatory prepayments as provided in Section 2.11, without the written consent of Tranche D Lenders holding a majority of the outstanding Tranche D Loans or (ii) by its terms affect the rights or duties under this Agreement of the Tranche D Lenders (but not the Revolving Lenders, the Tranche A Lenders, the Tranche B Lenders and the Tranche C Lenders), without an agreement or agreements in writing entered into by Holdings, the Borrower and the requisite percentage in interest of the Tranche D Lenders that would be required to consent thereto under Section 9.02 if the Tranche D Lenders were the only Class of Lenders hereunder at the time; provided, however, that any provision of this Agreement may be amended by an agreement in writing entered into by Holdings, the Borrower, the Required Lenders and the Administrative Agent (and, if their rights or obligations are affected thereby, the Issuing Bank and the Swingline Lender) if (i) such amendment is permitted under Section 9.02, (ii) by the terms of such agreement, the Commitment of each Tranche D Lender not consenting to the amendment provided for therein shall terminate upon the effectiveness of such amendment and (iii) at the time such amendment becomes effective, each Tranche D Lender not consenting thereto receives payment in full of the principal of and interest accrued on each Tranche D Term Loan made by it and all other amounts owing to it or accrued for its account under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SCG HOLDING CORPORATION,

by /s/ Dario Sacomani

Name: Dario Sacomani
Title: Senior Vice President, Chief Financial Officer and Treasurer

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

by /s/ Dario Sacomani

Name: Dario Sacomani
Title: Senior Vice President, Chief Financial Officer and Treasurer

THE CHASE MANHATTAN BANK, individually and as Administrative Agent

by /s/ Edmond DeForest

Name: Edmond DeForest
Title: Vice President

CREDIT LYONNAIS NEW YORK BRANCH, individually and as Co-Documentation Agent,

by _____
Name:
Title:

DLJ CAPITAL FUNDING, INC., individually and as Co-Documentation Agent,

by _____
Name:
Title:

LEHMAN COMMERCIAL PAPER INC.,
individually and as Co-
Documentation Agent,

by _____
Name:
Title:

LEHMAN COMMERCIAL PAPER INC.,

by /s/ Michele Swanson

Name: Michele Swanson
Title: Authorized Signatory

SYNDICATED LOAN FUNDING TRUST

BY: LEHMAN COMMERCIAL PAPER INC.,
Not in its individual capacity but
solely as Asset Manager,

by /s/ Michele Swanson

Name: Michele Swanson
Title: Authorized Signatory

CREDIT LYONNAIS NEW YORK BRANCH,

by /s/ Mark Koneval

Name: Mark Koneval
Title: Vice President

ABN AMRO BANK N.V.,

by /s/ Nanci M. Fastre

Name: Nanci M. Fastre
Title: Vice President

IBM CREDIT CORPORATION,

by /s/ Ronald J. Bachner

Name: Ronald J. Bachner
Title: Director, Commercial Financing Solutions Americas

COMERICA WEST INCORPORATED,

by /s/ Eoin Collins

Name: Eoin Collins
Title: Account Officer

THE INDUSTRIAL BANK OF JAPAN, LIMITED

by /s/ Ken Iwata

Name: Ken Iwata
Title: Senior Vice President & Manager

AG CAPITAL FUNDING PARTNERS, L.P.

By: Angelo Corion & Co., L.P.,
as Collateral Manager

by /s/ Jeffrey H. Aronson

Name: Jeffrey H. Aronson
Title: Managing Director

VAN KAMPEN PRIME RATE INCOME TRUST

By: Van Kampen Investment Advisory
Corp.

by /s/ Darwin D. Pierce

Name: Darwin D. Pierce
Title: Vice President

VAN KAMPEN CLO I, LIMITED

By: Van Kampen Management, Inc.

by /s/ Darwin D. Pierce

Name: Darwin D. Pierce
Title: Vice President

VAN KAMPEN CLO II, LIMITED

By: Van Kampen Management, Inc.

by /s/ Darwin D. Pierce

Name: Darwin D. Pierce
Title: Vice President

NEW YORK LIFE INSURANCE COMPANY

by /s/ David Melka

Name: David Melka
Title: Investment Manager

NORTHWOODS CAPITAL, LIMITED

By: Angelo Corion & Co., L.P.,
as Collateral Manager

by /s/ Jeffrey H. Aronson

Name: Jeffrey H. Aronson
Title: Managing Director

NORTHWOODS CAPITAL II, LIMITED

By: Angelo Corion & Co., L.P.,
as Collateral Manager

by /s/ Jeffrey H. Aronson

Name: Jeffrey H. Aronson
Title: Managing Director

ARCHIMEDES FUNDING II, LTD.

By: ING Capital Advisors, LLC
As Collateral Manager,

by /s/ Michael J. Campbell

Name: Michael J. Campbell
Title: Senior Vice President
& Portfolio Manager

KZH ING-2 LLC,

by /s/ Peter Chin

Name: Peter Chin
Title: Authorized Agent

DEBT STRATEGIES FUND II, INC.

by /s/ Joseph Moroney

Name: Joseph Moroney
Title: Authorized Signatory

PACIFIC PARTNERS I, L.P.

By: Imperial Credit Asset Management,
as its Investment Manager

by /s/ Tom Colwell

Name: Tom Colwell
Title: Vice President

PPM SPYGLASS FUNDING TRUST

by /s/ Kelly C. Walker

Name: Kelly C. Walker
Title: Authorized Agent

PRINCIPAL LIFE INSURANCE COMPANY

By: Principal Capital Management, LLC,
a Delaware limited liability company,
its authorized signatory

by /s/ John C. Henry

Name: John C. Henry
Title: Counsel

SRF TRADING, INC.

by /s/ Kelly C. Walker

Name: Kelly C. Walker
Title: Vice President

FOOTHILL CAPITAL CORPORATION

by /s/ Dennis R. Ascher

Name: Dennis R. Ascher
Title: Managing Member

STEIN ROE FLOATING RATE LIMITED LIABILITY COMPANY,

by /s/ Brian W. Good

Name: Brian W. Good
Title: Vice President

STEIN ROE & FARNHAM CLOI LTD.

By Stein Roe & Farnham Incorporated, as Portfolio Manager

by /s/ Brian W. Good

Name: Brian W. Good
Title: Vice President & Portfolio Manager

LIBERTY-STEIN ROE ADVISOR FLOATING RATE ADVANTAGE FUND,

By Stein Roe & Farnham Incorporated, as Portfolio Manager

by /s/ Brian W. Good

Name: Brian W. Good
Title: Vice President & Portfolio Manager

BALANCED HIGH YIELD FUND I LTD.

By: BHF (USA) CAPITAL
CORPORATION
acting as Attorney-in-Fact,

by /s/ Michael De Thertte

Name: Michael De Thertte
Title: Assistant Vice President

/s/ Christopher Dugger

Name: Christopher Dugger
Title: Associate

KZH CRESCENT-2 LLC
by /s/ Peter Chin

Name: Peter Chin
Title: Authorized Agent

KZH CRESCENT-3 LLC,
by /s/ Peter Chin

Name: Peter Chin
Title: Authorized Agent

KZH CRESCENT LLC
by /s/ Peter Chin

Name: Peter Chin
Title: Authorized Agent

KZH CYPRESSTREE-1 LLC
by /s/ Peter Chin

Name: Peter Chin
Title: Authorized Agent

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: TCW Asset Management Company, its Investment Advisor,

by /s/ Mark L. Gold

Name: Mark L. Gold
Title: Managing Director

/s/ Justin L. Driscoll

Name: Justin L. Driscoll
Title: Senior Vice President

CONTINENTAL ASSURANCE COMPANY SEPARATE ACCOUNT(E)

By: TWC Asset Management Company, its
Attorney-in-Fact

by /s/ Mark L. Gold

Name: Mark L. Gold
Title: Managing Director

/s/ Justin L. Driscoll

Name: Justin L. Driscoll
Title: Senior Vice President

KZH III LLC

by /s/ Peter Chin

Name: Peter Chin
Title: Authorized Agent

KZH ING-1 LLC

by /s/ Peter Chin

Name: Peter Chin
Title: Authorized Agent

KZH ING-3 LLC

by /s/ Peter Chin

Name: Peter Chin
Title: Authorized Agent

KZH SOLEIL-2 LLC

by /s/ Peter Chin

Name: Peter Chin
Title: Authorized Agent

KZH SOLEIL LLC

by /s/ Peter Chin

Name: Peter Chin
Title: Authorized Agent

SEQUILS I, LTD.

By: TCW Advisors, Inc. as its Collateral
Manager,

by /s/ Mark L. Gold

Name: Mark L. Gold
Title: Managing Director

/s/ Justin L. Driscoll
Name: Justin L. Driscoll
Title: Senior Vice President

SEQUILS-ING I (HBDGM), LTD.

By: ING Capital Advisors LLC,
as Collateral Manager

by: /s/ Michael J. Campbell

Name: Michael J. Campbell
Director: Managing Director

SEQUILS IV, LTD

By: TCW Advisors, Inc. as its Collateral
Manager

by /s/ Mark L. Gold

Name: Mark L. Gold
Title: Managing Director

/s/ Justin L. Driscoll
Name: Justin L. Driscoll
Title: Senior Vice President

PRIME INCOME TRUST,

by /s/ Peter Gewirtz

Name: Peter Gewirtz
Title: Authorized Signatory

CYPRESSTREE INVESTMENT
MANAGEMENT COMPANY, INC.

As: Attorney-in-Fact and on behalf of
FIRST ALLMERICA FINANCIAL LIFE
INSURANCE COMPANY as Portfolio Manager,

by /s/ Jeffrey W. Heuer

Name: Jeffrey W. Heuer
Title: Principal

CYPRESSTREE SENIOR FLOATING RATE FUND

By: CypressTree Investment Management Company, Inc. as Portfolio Manager,

by /s/ Jeffrey W. Heuer

Name: Jeffrey W. Heuer
Title: Principal

CYPRESSTREE Investment Fund LLC,

By: CypressTree Investment Management Company, Inc., its Managing Member

by /s/ Jeffrey W. Heuer

Name: Jeffrey W. Heuer
Title: Principal

NORTH AMERICAN SENIOR FLOATING RATE FUND

By: CypressTree Investment Management Company, Inc. as Portfolio Manager,

by /s/ Jeffrey W. Heuer

Name: Jeffrey W. Heuer
Title: Principal

TCW LEVERAGED INCOME TRUST, L.P.

by: TCW Advisers (Bermuda), Ltd., as General Partner

by /s/ Mark L. Gold

Name: Mark L. Gold
Title: Managing Director

By: TCW Investment Management Company, as Investment Adviser

by /s/ Justin L. Driscoll

Name: Justin L. Driscoll
Title: Senior Vice President

TCW LEVERAGED INCOME TRUST II, L.P.

by: TCW Advisers (Bermuda), Ltd., as General Partner

by /s/ Mark L. Gold

Name: Mark L. Gold
Title: Managing Director

By: TCW Investment Management Company, as Investment Adviser

by /s/ Justin L. Driscoll

Name: Justin L. Driscoll
Title: Senior Vice President

FIRST UNION NATIONAL BANK

by /s/ Charles B. Edmondson

Name: Charles B. Edmondson
Title: Assistant Vice President

FRANKLIN FLOATING RATE TRUST

by /s/ Chauncey Lufkin

Name: Chauncey Lufkin
Title: Vice President

FRANKLIN FLOATING RATE MASTER SERIES

by /s/ Chauncey Lufkin

Name: Chauncey Lufkin
Title: Vice President

FREMONT INVESTMENT & LOAN

by /s/ Randolph M. Ross

Name: Randolph M. Ross
Title: Vice President -- Senior Portfolio Manager

NATEXIS BANQUE POPULAIRES

by /s/ G. Kevin Dooley

Name: G. Kevin Dooley
Title: Vice President & Group Manager

by /s/ Jordan Sadler

Name: Jordan Sadler
Title: Assistant Vice President

SCHEDULE 1.01

MORTGAGED PROPERTY

Loan Party (Record Owner)	Property
Semiconductor Components Industries, LLC	52nd Street facility located at 5005 East McDowell Road, Phoenix, AZ, 85018

SCHEDULE 1.01(b)

RESTATEMENT MORTGAGED PROPERTIES

Loan Party (Record Owner)	Property
Semiconductor Components Industries Rhode Island, Inc.	2000 South County Trail East Greenwich, RI 02818 Assessors Plat 11, Log 586 150,847 sq. ft. semiconductor manufacturing facility on 30 acres of land that includes a 30,000 sq. ft. cleanroom
Semiconductor Components Industries Rhode Island, Inc.	1900 South County Trail East Greenwich, RI 02818 Assessors Plat 11, Log 500 (Parcel I) Assessors Plat 11, Log 499 (Parcel II) 57,000 sq. ft. warehouse and office facility on 20 acres of land

SCHEDULE 2.01

COMMITMENTS

Schedule 2.01

Institution	R/C	Term Loan A	Term Loan B	Term Loan C	Term Loan D
ABN AMRO Bank N.V.	15,000,000	12,550,000	4,814,815	5,185,185	
Aeries-II Finance Ltd.			2,407,407	2,592,593	
Alliance Capital Funding LLC			3,407,407	2,592,593	
Amara I Finance Ltd.			1,114,041	1,173,459	
AMMC CDO I, Limited			2,407,407	2,592,593	
Archimedes Funding II, LLC			2,407,407	2,592,593	
Archimedes Funding III, LLC			4,813,751	5,186,249	
Archimedes Funding, LLC			2,407,407	2,592,593	
Avalon Capital Ltd.			2,407,407	2,592,593	
Bank of China (New York)		4,285,714	3,585,714		
Bank of Montreal		6,428,571	5,378,571		
The Bank of Nova Scotia		17,142,857	14,342,857		
Balanced High Yield Fund (USA) Capital Corporation...			2,407,407	2,592,593	
Captiva II Finance Ltd.			1,203,704	1,296,296	
Carlyle High Yield Partners			3,370,370	3,629,630	
Ceres Finance, Ltd.			2,648,148	2,851,852	
The Chase Manhattan Bank	34,157,143	19,165,643			108,200,000
Comerica West Incorporated		6,428,571	5,378,571		
Continental Assurance Company					1,000,000
Credit Lyonnais (New York)		17,142,857	14,342,857		
Cypress Tree Investment Fund, LLC					1,000,000
Cypress Tree Senior Floating Rate Fund			361,111	388,889	
DLJ Capital Funding, Inc.		18,278,571	9,018,071		
Eaton Vance Institutional Senior Loan Fund			361,111	388,889	
Eaton Vance Senior Income Trust			722,222	777,778	
ELT Ltd.			3,851,907	4,148,093	
First Allmerica Financial Life Insurance			481,481	518,519	
First Dominion Funding I			2,407,500	2,592,500	
First Union National Bank N.C.			26,000,000	28,000,000	
Floating Rate Portfolio			2,407,407	2,592,593	
Foothill Capital Corporation			7,222,222	7,777,778	
Foothill Income Trust					7,500,000
Franklin Floating Rate Trust			9,629,630	10,370,370	9,500,000
Franklin Floating Rate Master Series					500,000
Fremont Investment & Loan			2,407,407	2,592,593	
Galaxy CLO 1999-1, Ltd.			9,629,929	10,370,071	
Heller Financial Inc.			7,222,222	7,777,778	

SCHEDULE 2.01

INSTITUTION	R/C	TERM LOAN A	TERM LOAN B	TERM LOAN C	TERM LOAN D
IBM Credit Corporation	10,714,286	8,964,286			5,000,000
Indosuez Capital Funding IIA, Ltd.			2,407,407	2,592,593	
Indosuez Capital Funding III, Ltd.			4,814,815	5,185,185	
Indosuez Capital Funding IV, Ltd.			4,814,815	5,185,185	
Industrial Bank of Japan			9,412,500		
JHW Cash Flow I, LP			3,851,761	4,148,239	
Kemper Floating Rate Fund			962,963	1,037,037	
Keyport Life Insurance					5,500,000
KZH Crescent 2 LLC			1,444,444	1,555,556	1,500,000
KZH Crescent 3 LLC					3,500,000
KZH Crescent LLC			962,963	1,037,037	1,500,000
KZH Cypress Tree LLC			3,250,000	3,500,000	3,000,000
KZH III LLC			2,648,148	2,851,852	1,300,000
KZH ING 1 LLC					2,000,000
KZH ING 2 LLC			4,814,815	5,185,185	
KZH ING 3 LLC					1,000,000
KZH Riverside LLC			4,814,815	5,185,185	
KZH Showshone LLC			4,814,815	5,185,185	
KZH Soleil 2 LLC					6,500,000
KZH Soleil LLC					6,000,000
KZH Sterling LLC			4,814,815	5,185,185	
Lehman Commercial Paper Inc.		18,278,571	15,293,071		
Longhorn CDO (Cayman) Ltd.			2,407,407	2,592,593	
Merrill Lynch Prime Rate Portfolio			8,185,185	8,814,815	
Merrill Lynch Senior Floating Rate Fund			14,444,444	15,555,556	6,000,000
Merrill Lynch Senior Floating Rate Fund II					2,000,000
Merrill Lynch Debt Strategies Fund II, Inc.					2,000,000
ML CLO XX Pilgrim America (Cayman)			2,407,407	2,592,593	
ML Senior Floating Rate Fund II, Inc			1,444,444	1,555,556	
Monument Capital Ltd.			2,407,407	2,592,593	
MSDW Prime Income Trust			7,222,222	7,777,778	10,000,000
Natexis Banque BFCE (New York)	2,142,857	1,792,857	2,407,407	2,592,593	5,000,000
New York Life Insurance Company			4,814,815	5,185,185	
North American Senior Floating Rate Fund			722,222	777,778	1,000,000
Northwoods Capital, Limited			6,018,519	6,481,481	
Nuveen Senior Income Fund			4,814,815	5,185,185	
Oasis Collateralized High Income Portfolios 1			1,168,830	1,231,170	
Octagon Credit Investors			5,868,056	6,319,444	
Octagon Investment Partners II, LLC			3,611,111	3,888,889	

Olympic Funding Trust, Series 1999-1	4,814,815	5,185,185
Oppenheimer Senior Floating Rate Fund	2,407,407	2,592,593

Schedule 2.01

Institution	R/C	Term Loan A	Term Loan B	Term Loan C	Term Loan D
Perseus CDO I, Limited			3,595,200	3,894,800	
Pilgrim CLO 1999 1 Ltd.			2,407,407	2,592,593	
Pilgrim Prima Rate Trust			2,888,796	3,111,204	
PPM America Inc.			4,814,815	5,185,185	
PPM Spyglass Funding Trust			4,814,815	5,185,185	
Principal Life Insurance Company			4,814,815	5,185,185	
Senior Debt Portfolio			18,175,926	19,574,074	
SEQUILS - Pilgrim I, Ltd.			1,925,926	2,074,074	
SEQUILS I, Ltd.			3,370,370	3,629,630	
SEQUILS ING I (HBDGM), Ltd.			2,407,407	2,592,593	
SEQUILS IV, Ltd.					5,000,000
Simsbury CLO, Limited			2,402,400	2,602,600	
Somers CDO, Limited			2,402,400	2,602,600	
SRF Trading, Inc.			2,166,667	2,333,333	
Stanfield CLO, Ltd.			2,407,407	2,592,593	
Stein Roe & Farnham CLO I Ltd.			2,166,667	2,333,333	
Stein Roe Floating Rate Ltd.			481,481	518,519	4,000,000
Liberty Stein Roe Advisor Floating Rate					500,000
Strata Funding Limited			1,203,704	1,296,296	
Strategic Managed Loan Portfolio			963,000	1,037,000	
Syndicated Loan Funding Trust			4,153,540	4,471,460	
TCW Leveraged Income Trust II, L.P.			1,685,185	1,814,815	
TCW Leveraged Income Trust, L.P.			1,685,185	1,814,815	
Triton CBO III, Limited			2,407,407	2,592,593	
United of Omaha Life Insurance Co.			481,481	518,519	
Van Kampen CLO I, Limited			3,137,500		
Van Kampen CLO II, Limited			3,137,500		
Van Kampen Prime Rate Income Trust			24,074,074	25,925,926	
Totals	150,000,000	125,500,000	325,000,000	350,000,000	200,000,000

SCHEDULE 3.05

REAL PROPERTY

A. Owned Real Property

Entity	Property
Semiconductor Components Industries, LLC	52nd Street facility located at 5005 East McDowell Road, Phoenix, AZ, 85018
SCG Industries Malaysia Sdn. Bhd.	Manufacturing facilities located at Lot 122 and Lot 55, Senawang Industrial Estate, 20050 Seremban, Nederi, Sembilan, Malaysia
Slovakia Electronics Industries, a.s.	Manufacturing facility located at Vrbovska cesta 2617/102, Piestany, Slovak Republic (Ownership certificate number 8226)
SCG Japan Ltd.	Manufacturing facility located at 1, Ooyaji, Kofune, Shiokawa-machi, Yama-gun, Fukushima 969-3594, Japan
SCG Philippines, Inc.	Manufacturing facility at Governor's Drive, Carmona Cavite, Philippines
Terosil a.s.	Manufacturing facility located at 1 maje 1000, 75661 Roznovpod Radhostem, Czech Republic ICO 451 93 533
Tesla Sezam a.s.	Manufacturing facility located at 1 maje 1000, 75661 Roznovpod Radhostem, Czech Republic ICO 451 93 533
Semiconductor Components Industries of Rhode Island, Inc.	2000 South County Trail East Greenwich, RI 02818 Assessors Plat 11, Log 586 150,847 sq. ft. semiconductor manufacturing facility on 30 acres of land that includes a 30,000 sq. ft. cleanroom
Semiconductor Components Industries of Rhode Island, Inc.	1900 South County Trail East Greenwich, RI 02818 Assessors Plat 11, Log 500 (Parcel I) Assessors Plat 11, Log 499 (Parcel II) 57,000 sq. ft. warehouse and office facility on 20 acres of land

B. Leased Property

1) U.S. Office Sharing Agreement (includes China and Korea) dated July 31, 1999 between Motorola, Inc. and Semiconductor Components Industries, LLC regarding: (a) 101 Pacifica, Irvine, CA; (b) 330 Research Court, Norcross, GA; (c) 300 Unicorn Pk, Woburn, MA; (d) 1501 Woodfield, Shaumburg, Illinois; (e) 20405 State Highway, Houston, Texas; (f) 500 N. Central Expressway, Plano, Texas; (g) 10200 E. Girard Avenue, Denver, Colorado; (h) 41700 Six Mile Road, Northville, MI; (i) 2717 South Albright, Kokomo, IN; (j) 700 Veterans Memorial, Hauppauge, NY; (k) 201 Electronics Blvd, Huntsville, AL; (l) 26635 W. Agoura Road, Calabasas, CA; (m) 12254 Hancock St., Carmel, IN; (n) 325 N. Corporate Drive, Brookfield, WI; (o) 5620 Smetana Drive, Minnetonka, MN; (p) 1155 Business Center Drive, Horsham, PA; (q) 4900 S.W. Griffith, Beaverton, OR; (r) 8601 Six Forks Road, Raleigh, NC; (s) 700 Crosskeys, Fairport, NY; (t) 100 Passaic Avenue, Fairfield, NJ; (u) 9665 Chesapeake Drive, San Diego, CA; (v) 1150 Kifer Road, Sunnyvale, CA; (w) 13575 58th Street, N., Clearwater, FL; (x) 8945 Guilford Road, Columbia, MD; (x) 41-2, Chungdam-dong, Kangnam-gu, Seoul 135-766, Korea; (y) No. 2, Dong-San Huan Nan Lu, Chao Yang District, Beijing 100022, People's Republic of China; (z) 5th Floor, Central Place, No. 16 Henan Road, Shanghai, 200002, People's Republic of China; and (aa) No. 271, Huang Pu Da Dao West Tian He District, Guangzhou 510620, People's Republic of China

2) U.S. Sublease of sublease dated July 31, 1999 between Motorola, Inc. and Semiconductor Components Industries, LLC regarding: Watkins Warehouse

3) U.S. Sublease dated July 31, 1999 between Motorola, Inc. and Semiconductor Components Industries, LLC regarding: Scrap Reclamation Site in Tempe

4) U.S. Lease dated July 31, 1999 between Motorola, Inc. and Semiconductor Components Industries, LLC regarding: U.S. Locations (Mesa, Chandler, 56th Street & Tempe)

5) U.S. Lease dated July 31, 1999 between Motorola, Inc. and Semiconductor Components Industries, LLC regarding: U.S. Locations (52nd Street, Phoenix, Arizona)

6) Brazil Office Sharing Agreement dated July 31, 1999 between Motorola do Brasil Ltda. and SCG do Brasil Ltda. regarding: Suites 51, 52, 53, 54, 55 & 56 and their respective parking spaces at the Edifice Passarelli located at Rua Paes Leme, 524-5 Andar, 05424-904, Sao Paulo, Brazil

7) Canada Sublease dated July 31, 1999 between Motorola Canada Limited and SCG Canada Limited regarding: 145, 846 sq. ft. at 400 Matheson Blvd. West, Mississauga, Ontario, L5R3MI

8) Great Britain Underlease dated July 31, 1999 between Motorola Limited and Semiconductor Components Industries UK Limited regarding: Part of ground floor, Fairfax House, 69 Bucking St., Aylesbury, Buckinghamshire, England HP202NF

9) Sweden Office Sharing Agreement dated July 31, 1999 between Motorola AB and SCGS AB regarding: 4,851 sq. meters of office space and 182 sq. meters of storage in Dalvagen 2, Solna, Sweden (P.O. Box 516, SE16529 Stockholm, Sweden)

10) Sweden (Finland) Office Sharing Agreement dated July 31, 1999 between Motorola AB and SCGS AB regarding: 250 sq. meters of office space and 6 parking lots at Hopeatie 2, 00440 Helsinki, Finland

11) France Lease dated July 31, 1999 between Motorola Semiconducteurs SA and SCG France SAS regarding: 1,250 sq. meters on 3rd fl. at Avenue du General Eisenhower, ZI du Mirail, 31100 Toulouse

12) France Sublease dated July 31, 1999 between Motorola Semiconducteurs SA and SCG France SAS regarding: 354 sq. meters at 18 Rue Grange Dame Rose, 78140 Velizy, Villacoublay, France

13) France Lease dated July 31, 1999 between Motorola Semiconducteurs SA and SCG France SAS regarding: 510 sq. meters at Avenue du General Eisenhower, ZI du Mirail, 31100 Toulouse

14) France Lease dated July 31, 1999 between Motorola Semiconducteurs SA and SCG France SAS regarding: 880 sq. meters on 3rd fl. at Avenue du General Eisenhower, ZI du Mirail, 31100 Toulouse

15) Germany Office Sharing Agreement dated July 31, 1999 between Motorola GmbH and Semiconductors Components Industries Germany GmbH regarding: Husumer Street 251, D-24941 Flensburg

16) Hong Kong Lease dated July 31, 1999 between Motorola Semiconductors Hong Kong Limited and SCG Hong Kong SAR Limited regarding: Unit Nos. 2307, 2308, 2309, 2310, 2311 and 2312 on Level 23, Metroplaza, Tower II, 223 Hing Fong Road, Kwai Chung, New Territories, Hong Kong

17) India Office Sharing Agreement dated July 31, 1999 between Motorola India Limited and SCG Hong Kong SAR Limited regarding: 108, Gavipuram Guttahalli, Off Bull Temple Road, Bangalore, India

18) Ireland Office Sharing Agreement dated July 31, 1999 between Motorola Ireland Limited and SCG Holding (Netherlands) B.V., Ireland Branch regarding: Mahon Industrial Estate, Blackrock, Cork, Ireland

19) Isreal Office Sharing Agreement dated July 31, 1999 between Motorola Isreal Semiconductor Products (SPS) Ltd. and SCG Holding (Netherlands) B.V., Isreal Branch regarding: 1st Shenka, Herzelia

20) Italy Sublease Agreement dated July 31, 1999 between Motorola S.p.A. and SCG Italy S.r.l. regarding: Pal. C2, Centro Milanofiori, Assago, Milano regarding:100 sq. meters of floor space on the 5th floor

21) Japan Office Sharing Agreement dated July 31, 1999 between Motorola Japan Ltd. and SCG Japan Ltd. regarding: 20-1, 3 cho-me, Minami-Azabu, Minato-ku, Tokyo, Japan

22) Japan (Sendai) Lease dated July 31, 1999 between Motorola Japan Ltd. and SCG Japan Ltd. regarding: Motorola Sendai Design and Research & Development Center, Akedori 2-9-1, Izumiku, Sendai-shi, Miyagiken 981-3206, Japan

23) Malaysia Office Sharing Agreement dated July 31, 1999 between Motorola Malaysia Sdn. Bhd. and Motorola Semiconductor Sdn. Bhd. regarding: Sixth floor of Choo Plaza, Lot 6.02, 41 Lorong Abu Siti, 10400 Penang, Malaysia

24) Mexico Office Sharing Agreement dated July 31, 1999 between Motorola de Mexico, S.A. and SCG Mexico, S.A. de C.V. regarding: 252 sq. meters on 2nd fl. of building "Torre Provenza" located in Chimalhuacan No. 3569, Cuidad del Sol, Zapopan, Jalisco, Mexico

25) Netherlands Office Sharing Agreement dated July 31, 1999 between Motorola, B.V. and SCG Holding (Netherlands) B.V. regarding: 470 sq. meters at De Waal 26, 5684 PH Best, The Netherlands

26) Puerto Rico Office Sharing Agreement dated July 31, 1999 between Motorola de Puerto Rico, Inc. and Semiconductor Components Industries Puerto Rico, Inc. regarding: 12,928 sq. ft. at El Mundo Building No. 2, 383 Chardon Street, Hato Rey, Puerto Rico 00917

27) Singapore Sublease dated July 31, 1999 between Motorola Electronics Pte. Ltd. and Semiconductor Components Industries Singapore Pte. Ltd. regarding: #01-06, 132, Tanjong Rhu Road, Pebble Bay, Singapore

28) Singapore Office Sharing Agreement dated July 31, 1999 between Motorola Electronics Pte. Ltd. and Semiconductor Components Industries Singapore, Pte. Ltd. regarding: 10, 944 sq. ft. at 12 Ang Mo Kio Street 64, Mic Level 5, Singapore

29) Spain Office Sharing Agreement dated July 31, 1999 between Motorola Espana S.A. and SCG Holding (Netherlands) B.V. Spain Branch regarding: Offices labeled "B" and "A" on the 9th floor in the Alberto Alcocer 46 Building

30) Switzerland Sublease dated July 31, 1999 between Motorola, Inc., Geneva Branch and SCG Holding (Netherlands) B.V., Geneva Branch regarding: 207, Route de Ferney, 1218 Le Grand Saconnex, Switzerland

31) Taiwan Office Sharing Agreement dated July 31, 1999 between Motorola Electronics Taiwan, Limited and SCG Hong Kong SAR Limited, Taiwan Branch regarding: #296 Jen-ai Road, Section 4, Taipei, Taiwan

32) Thailand Office Sharing Agreement dated July 31, 1999 between Motorola (Thailand) Limited and Semiconductor Components Industries (Thailand) Limited regarding: 916 sq. meters on 22nd fl. of the Two Pacific Place Building, 142 Sukhumvit Road, Klongtoey, Bangkok 10110

33) Czechoslovakia Sublease Agreement dated July 30, 1999 between SCG Czech Design Center, s.r.o. (formerly Rydan, s.r.o.) and Motorola, spol. s.r.o. regarding: B. Nemcove Street, 75661 Roznov pod Radhostim, land registry No. 1720

34) Lease between Telecom Co., Ltd. and Cherry Semiconductor Corporation dated April 20, 1999

35) Lease between Cherry Semiconductor Corporation, as Lessor, and the United States of America dated January 21, 1997 and recorded in Book 221 at Page 749 of the Land Evidence Records of the Town of East Greenwich

36) Lease Agreement of Cherry Semiconductor Corporation for the Arizona Design Center, 7402 West Detroit Street, Suite 140, Chandler, AZ, 85226

37) Lease Agreement of Cherry Semiconductor Corporation for the California Design Center, 2512 Chambers Road, Tustin, CA 92780

38) Lease Agreement of Cherry Semiconductor Corporation for the Santa Clara Sales Office, 2700 Augustine Drive & 3295 Scott Blvd., Santa Clara, CA 95054

39) Lease Agreement between Cherry Semiconductor Corporation and McKenzie & Associates for Kokomo Sales Office, 1307 E. Markland Ave., Kokomo, IN 48901

40) Lease Agreement of Cherry Semiconductor Corporation for Michigan Sales Office, 755 W. Big Beaver, Suite 102, Troy, MI 48084

41) Tenancy Agreement between Cherry Semiconductor Corporation and JIT Services for Huntsville Sales Office, 125 Electronics Blvd., Suite M3 & M4, Huntsville 35824

42) Service Agreement between Cherry Semiconductor Corporation and Psi Technologies, Inc., Electronics Avenue, FTI Comples, Taguig, Metro Manila, Philippines

43) Lease Agreement between Cherry Semiconductor Corporation and Telecom Co., Ltd., Room 604, 6th Floor, Dongkyung Bldg., 824-19, Yuksam-dong, Kangnam-ku, Seoul, Korea

44) Lease Agreement of Cherry Semiconductor Corporation and Aengevelt Asia-Pacific for Taiwan Office, 6th Floor - 2 No. 380, Fu Hsin S. Rd., Sec. 1, Taipei, Taiwan

SCHEDULE 3.06

DISCLOSED MATTERS

Litigation

None

Environmental

None

SCHEDULE 3.12

SUBSIDIARIES

Subsidiary	Equity Interest	Status
Subsidiaries of SCG Holding Corporation		
- - Semiconductor Components Industries, LLC	100%	Loan Party
- - SCG (China) Holding Corporation	100%	Loan Party
- - SCG (Czech) Holding Corporation	100%	Loan Party
- - SCG (Malaysia SMP) Holding Corporation	100%	Loan Party
Subsidiaries of Semiconductor Components Industries, LLC		
- - SCG Canada Limited	100%	
- - SCG Mexico, S.A. de C.V.	100%	
- - SCG Japan Ltd.	100%	
- - SCG Philippines Inc.	100%(1)	
- - SCG Korea Limited	100%(2)	
- - Semiconductor Components Industries Singapore Pte Ltd	100%	
- - SCG Hong Kong SAR Limited	100%	
- - SCG (Thailand) Limited	100%(3)	
- - SCG Malaysia Holdings Snd. Bhd.	100%	
- - SCG Holding (Netherlands) B.V.	100%	
- - Slovakia Electronics Industries, a.s.	100%	
- - SCG Czech Design Center s.r.o.	100%	
- - SCG do Brasil Ltda.	100%	
- - Semiconductor Components Industries Puerto Rico, Inc.	100%	Loan Party
- - SCG International Development LLC	100%	Loan Party
- - SCG Asia Capital Pte Ltd	100%	
- - Redbird Acquisition Corp.	100%	Loan Party
Subsidiary of SCG (China) Holding Corporation		
- - Leshan Phoenix Semiconductor Company Ltd.	51% of record	
Subsidiary of SCG (Malaysia SMP) Holding Corporation		
- - Semiconductor Miniature Products (M) Sdn. Bhd.	50%	
Subsidiary of SCG Malaysia Holdings Snd. Bhd.		
- - SCG Industries Malaysia Sdn. Bhd.	100%	

- ----------

(1) Five shares are issued to directors as director's qualifying shares. 2,250,000 shares are issued and outstanding.

(2) Two shares are to be issued to directors as director's qualifying shares. 5,000 shares are issued and outstanding.

(3) Seven shares are issued to directors as director's qualifying shares. 1,000 shares are issued and outstanding.

Subsidiary			Equity Interest	Status
		Subsidiaries of SCG (Czech) Holding Corporation		
-	-	Terosil a.s.	49.9%	
-	-	Tesla Sezam a.s.	49.9%	
		Subsidiaries of SCG Holding (Netherlands) B.V.		
-	-	Semiconductor Components Industries Germany GmbH	100%	
-	-	SCG Investments EURL	100%	
-	-	SCG France SAS	100%	
-	-	SCG Italy S.r.l.	99%(4)	
-	-	Semiconductor Components Industries UK Limited	100%	
		Subsidiaries of Redbird Acquisition Corp.		
-	-	Semiconductor Components Industries of Rhode Island, Inc.	100%	Loan Party
		Subsidiaries of Semiconductor Components Industries of Rhode Island, Inc.		
-	-	Semiconductor Components Industries International of Rhode Island, Inc.	100%	Loan Party

- ----------

(4) SCG International Development LLC owns the remaining 1% interest.

SCHEDULE 3.13

INSURANCE

ON SEMICONDUCTOR
Schedule of Insurance

LINE OF COVERAGE	PREMIUM	EXPOSURE	LIMITS	RETENTIONS
PROPERTY - DOMESTIC AND FOREIGN (8/1/99-7/31/00)	- - Premium 2,300,000	- 2,019,111,260 PD - 291,100,000 BI 2,310,211,260 TIV	All Risk Incl. DI/EE - 2,310,211,260 Blanket Limit Major Sublimits - 250,000,000 Floor Ann/Agg - 250,000,000 EQ Ann/Agg - 100,000,000 EQ Japan Ann/Agg - 100,000,000 EQ Mexico Ann/Agg - 250,000 Contamination Cleanup Boiler & Machinery - 100,000,000 Per Occ Sublimits - 5,000,000 Water Damage - 5,000,000 Haz Sub - 5,000,000 Ammonia ConL	US LOCATIONS - 50,000 FOREIGN LOCATIONS - 25,000 WAFER FABS - 250,000 PD - 3X Average Daily Values TE EQ - MEXICO - 2% of Location Value 100,000 Minimum 2,000,000 Maximum EQ - JAPAN - 5% of Location Value 100,000 Minimum 3,000,000 Maximum WINDSTORMS - 2% of values at any one loc. 100,000 Minimum 1,000,000 Maximum - 12 Hour waiting period for Off Premises Power/ Service Interruption
	2,300,000			
UMBRELLA LIABILITY (8/1/99 - 7/31/00)	- - Premium 172,500	- 645,000,000 US - 37,000,000 Canada - 25,000,000 PR -1,518,000,000 Total	Gross Sales - 50,000,000 occ/agg - 50,000,000 x/s 50,000,000 - 811,000,000 Foreign - 100,000,000 Total occ/agg	- 25,000 Self Insured Retention
	172,500		- Flat rate, no audit	
DIRECTORS & OFFICERS LIABILITY INCL. EMPLOYMENT PRACTICES LIABILITY (8/1/99-7/31/00)	- - Premium 400,000	Corporate Assets - 776,500,000 No. of Employees - 2,677 US, Canada & Puerto Rico - 7,925 Foreign	Directors & Officers - 25,000,000 Total Ea/Agg ($10/$10/$5 by carrier) - Includes Employment Practices Liability EPL - 25,000,000 Ea/Agg 400,000	D&O Coverage A - 0 Ind. D&O - 0 Agg All D&O's Coverage B - 125,000 Corp. Indem EPL - 175,000 Ea Wrongful Act
WORKERS' COMPENSATION (8/1/99-7/31/00)	- - Premium (Estimated) 835,000 - - Taxes & Assessments 521 - - Claims Handling 60,000	Payroll - 134,427,500 Est. final premium subject to actual payroll	Part I - Workers' Compensation - Statutory - Auditable policy, Part II - Employers' Liability - 1,000,000 per accident - 1,000,000 policy limit	- None

COMMENTS	CARRIER
	Alliance/ Various
- - Coverage Excess of Primary limits [EL, GL, Auto Liab., Foreign GL, EL & AL]	National Union
- - Named Peril and Time Element. Pollution endorsement	Fire Ins.

			coverage included in Primary $50 million only			of Pittsburgh (AIG) (Various)
			- - Includes full EPL1 entity coverage - - Claims Made Form			National Union Fire Ins. of Pittsburgh (AIG)
			- - Aggregate limit of D&O applies, EPL1 not a separate limit. - - Claims Made Form			Also: Zurich Royal
			- - Guaranteed Cost Program - - Estimated loss pick: $750,000 - - Swing Plan chosen Additional premium due if losses exceed $707,000 - see binders for formula			American Home Assurance (AIG)

ON SEMICONDUCTOR
SCHEDULE OF INSURANCE

LINE OF COVERAGE	PREMIUM	EXPOSURE	LIMITS	RETENTIONS	COMMENTS	CARRIER
					disease - 1,000,000 ea. employee disease - 100,000 repatriation expense - 1,000,000 Stop Gap	
			------- 895,521			
GENERAL/PRODUCTS LIABILITY (8/1/99 - 7/31/00) - - Premium	125,000	GROSS DOMESTIC SALES - 645,000,000 US - 37,000,000 Canada - 25,000,000 PR ---------- - 707,000,000 Total	- 2,000,000 Gen Agg - 2,000,000 Prod/Ops Agg - 2,000,000 Ea. Occ. - 2,000,000 Pl/Adv - 1,000,000 Fire Dam. Legal - Auditable policy, final premium subject to actual dom. sales	- None - 10,000 Med Pay - 1,000,000 EBL (Claims Made)	- Guaranteed Cost Program - Named peril and time element pollution endorsement - Adjustable at rate of .177 per $1,000 sales - Includes Canada and Puerto Rico - 1,000 EBL ALE in addition to policy limit.	National Union Fire Ins. of Pittsburg (AIG)
			------- 125,000			
FOREIGN GENERAL & AUTO LIABILITY (8/1/99 - 7/31/00) - - Premium	56,900	GROSS FOREIGN SALES - 811,000,000 FOREIGN AUTOS --------- - 178	- 2,000,000 Gen Agg - 2,000,000 Prod/Ops Agg - 2,000,000 Ea. Occ. - 2,000,000 Pl/Adv - 2,000,000 EBL - 100,000 Fire Legal - 10,000 Med Pay - 1,000,000 Auto No aggregate applies to the auto	- None - 1,000 EBL - Statutory Auto or $25,000 whichever is greater - Auto coverage responds on an excess basis.	- Includes Sudden & Accidental Pollution coverage - Adjustable at rate of .06 per $1,000 sales - Premium contemplates - issuance of 14 local GL policies. There is a $2,000 cost per each additional local policy required.	Insurance Company of the State of Pennsylvania (AIG)
			------- 56,900			
FOREIGN VOLUNTARY WORKERS' COMP. (8/1/99 - 7/31/00) - - Premium	3,200	FOREIGN PAYROLL - 400,000	WORKERS' COMPENSATION - 3rd Country Nationals: Country of Hire - Local Nationals: E.L. Only EMPLOYERS' LIABILITY - 1,000,000 Bl by Accident - 1,000,000 Bl by Disease Ea Emp - 1,000,000 Bl by Disease Policy Limit - 25,000 Excess repatriation	- None	- Local Social Security provides WC benefits in the the following countries: Mexico, Philippines, Japan, China, and Malaysia. - Czech Republic requires local WC coverage. Local AON office to provide. - Supplemental WC benefits can be purchased in Malaysia and Japan - Adjustable at rate of .80 per $100 payroll	Insurance Company of the State of Pennsylvania (AIG)

AUTOMOBILE LIABILITY/PHYSICAL DAMAGE (8/1/99 - 7/31/00)
- POWER UNITS - 139 Autos/ Trks - 17 Tractors - 5 Canada
- 1,000,000 Combined Single
LIABILITY - None
- 1,000,000 Uninsured Motorist
- Adjustable at rate of $800 per vehicle
Limit PHYSICAL DAMAGE
American Home Assurance (AIG)

ON Semiconductor Confidential

ON SEMICONDUCTOR

SCHEDULE OF INSURANCE

LINE OF COVERAGE	PREMIUM	EXPOSURE	LIMITS
* Premium	128,800	161 Total	* 10,000 Med Pay
			128,800
POLITICAL RISK/TRADE DISRUPTION (8/1/99-7/31/00)			
* Premium	1,750,000	* 254,105,263 Malaysia Values	* 250,000,000 CEND Aggregate * 250,000,000 War Aggregate * 38,000,000 Bl Aggregate * 10,000,000 Cl Aggregate
			1,750,000
CRIME (8/1/99-7/31/00)		No. of Employees	Per Claim:
* Premium	42,000	* 2,677 US, Canada & Puerto Rico * 7,925 Foreign	* 5,000,000 Employee Dishonesty * 5,000,000 Loss Inside Prem. * 5,000,000 Loss Outside Prem. * 5,000,000 Money Orders/ Counterfeit Currency * 5,000,000 Depositors Forgery * 5,000,000 Computer Fraud * 5,000,000 Credit Card
			42,000
FIDUCIARY LIABILITY (8/1/99-7/31/00)		Plan Assets	* 5,000,000 Ann/Agg * TBD
* Premium	25,000		
			25,000
NON-OWNED AVIATION LIABILITY (8/1/99-7/31/00)		No. of Charters	* 10,000,000 Per Occurrence * 25
* Premium	5,000		
			5,000
MARINE CARGO (8/1/99-7/31/00)		* 1,518,000,000	Sales * 10,000,000 Per conveyance * 5,000,000 Outside Processors * 1,000,000 Barge/Tow * 50,000 UPS/Mail
* Premium	335,000		
			335,000
SPECIAL CRIME (8/1/99-7/31/00)		No. of Employees	
* Premium	12,500	* 2,677 US, Canada Puerto Rico * 7,925 Foreign	* 5,000,000 Max. benefit is $250K for any one person & $1.25 Mil per accident
			12,500
GRAND TOTAL			6,251,421

RETENTIONS	COMMENTS	CARRIER
* 500 Comprehensive * 500 Collision		
TRACTOR PHYSICAL DAMAGE * 1,500 Comprehensive * 1,500 Collision		
* 20,000,000 CEND, WAR & Bl	* CEND stands for Confiscation, Expropriation, Nationalization Declarations * Policy identifies sub-limits by Country	National Union Fire Ins. of Pittsburg (AIG)
* 100,000 Per Claim		National Union Fire Ins. of Pittsburg (AIG)
* 25,000 Per Claim	* Claims Made Form	National Union
* None		American Home
* 10,000 Per conveyance * 25,000 Outside Process * 0 3rd party shpmnts 0 UPS/Mail	* Adjusted if sales exceed $1,633 Bil by more than 15% * Land transportation security warranty	CNA
* None	* Provides coverage for kidnap, ransom and extortion for employees, relatives or guests (ADD/Life)	Reliance

SCHEDULE 6.01

EXISTING INDEBTEDNESS

1) SCG INDUSTRIES MALAYSIA SDN. BHD.

a) Letter of Credit in favor of Tenaga Nasional Berhad for electricity service in the amount of RM2,226,000 (approximately $585,800) under the RM8,000,000 Letter of Credit facility, dated September 16, 1998, between Hongkong Bank Malaysia Bhd. and Motorola Semiconductor Sdn. Bhd. (presently, SCG Industries Malaysia Sdn. Bhd.), as renewed on July 5, 1999

b) (i) Letter of Credit in favor of Tenaga Nasional Berhad for electricity service in the amount of RM1,035,000 (approximately $272,400) and (ii) Letter of Credit in favor of Custom Department to guarantee custom duties in the amount of RM150,000 (approximately $39,500) under the RM12,000,000 Letter of Credit facility, dated September 16, 1998, between Hongkong Bank Malaysia Bhd. and Motorola Electronics Sdn. Bhd., as renewed on July 5, 1999 with a reduction in facility limit to RM1,200,000

c) Letter of Credit in favor of Custom Department to guarantee custom duties in the amount of RM2,500,000 (approximately $657,900) under the RM10,000,000 Letter of Credit facility, dated October 6, 1998, between Citibank Bhd. and Motorola Semiconductor Sdn. Bhd. (presently, SCG Industries Malaysia Sdn. Bhd.)

SCHEDULE 6.02

EXISTING LIENS

1) (A) Joint Venture Agreement dated July 27, 1992, between Motorola, Inc. Semiconductor Products Sector and Philips Semiconductors International B.V., as amended through the date hereof, and (B) Technology Cooperation Agreement between Motorola, Inc. and Phillips Semiconductors International B.V. dated July 9, 1992, in each case as amended from time to time, and as amended further by the Assignment and Amendment Agreement by and among Motorola, Inc., Philips Semiconductors International B.V., SCG Holding Corporation and Semiconductor Miniature Products (Malaysia) Sdn. Bhd. Dated August 4, 1999.

2) Joint Venture Contract, dated March 1, 1995, between Leshan Radio Company, Ltd. and Motorola International Development Corp. ("MIDC");

a) Amendment No. 1 to Joint Venture Contract, dated March 1, 1995, between Leshan Radio Company, Ltd. and MIDC;

b) Amendment No. 2 to Joint Venture Contract, dated December 11, 1995, between Leshan Radio Company, Ltd. and MIDC;

c) Amendment No. 3 to Joint Venture Contract, dated April 12, 1996, between Leshan Radio Company, Ltd. and Motorola (China) Investment Limited;

d) Amendment No. 4 to Joint Venture Contract, dated January 6, 1998, between Leshan Radio Company, Ltd. and Motorola (China) Investment Limited;

e) Amendment No. 5 to Joint Venture Contract, dated June 29, 1998, between Leshan Radio Company, Ltd. and Motorola (China) Investment Limited;

f) Memorandum of Understanding, dated July 28, 1999, between Leshan Radio Company, Ltd., SCG Holding Corporation and Motorola (China) Investment Limited; and

g) Amended and Restated Joint Venture Contract, dated September 6, 1999, between Leshan Radio Company, Ltd., MIDC and SCG (China) Holding Corporation;

3) The By-laws of Amicus Realty Corporation provide that a stockholder wishing to sell all or a part of his/its shares of common stock must give a right of first refusal to the non-selling stockholders for a period of thirty (30) days before he/it can sell any of such shares.

4) The manufacturing facility owned by SCG Industries Malaysia Sdn. Bhd. is located on Lots 122 and 123 in Seremban. These lots are separate legal parcels that are physically continuous. On June 18, 1998, the Seremban Land Office approved a request by Motorola Semiconductor Sdn. Bhd. (a predecessor to SCG Industries Malaysia Sdn. Bhd.) to combine the two parcels of land into a single lot. The land title provides that any future transfer of the land by SCG Industries Malaysia Sdn. Bhd. must be approved first by the State Authority, and the land may only be used for the manufacture of electronic components.

5) Property No. 26574 owned by SCG Industries Malaysia Sdn. Bhd. may only be used in the electronic products industry.

6) Lot No. P.T. 12463 owned by SCG Industries Malaysia Sdn. Bhd. may not be transferred, leased or changed without the approval of the State Authority, and may only be used for an electrical substation.

7) Declaration of Covenants, Easements, Restrictions and Grant of Exclusive Options to Purchase and Lease dated as of July 31, 1999 between Motorola, Inc. and Semiconductor Components Industries, LLC

8) Lease of 52nd Street Property between Motorola, Inc. and Semiconductor Components Industries, LLC

9) The following encumbrances on 2000 South County Trail East Greenwich, RI 02818, Assessors Plat 11, Log 586 150,847 sq. ft. semiconductor manufacturing facility on 30 acres of land that includes a 30,000 sq. ft. cleanroom:

a) Easement from John T. Hannah and Marjorie R. Hannah to the Narragansett Electric Company recorded with the Land Evidence Records of the Town of East Greenwich in Book 34 at Page 579.

b) Easement from Gulton Industries, Inc. to the Town of East Greenwich recorded with the Land Evidence Records of the Town of East Greenwich in Book 63 at Page 192.

c) Sublease by and between Cherry Semiconductor Corporation and the United States of America recorded with the Land Evidence Records of the Town of East Greenwich in Book 137 at Page 233.

10) The following encumbrances on 1900 South County Trail East Greenwich, RI 02818 Assessors Plat 11, Log 500 (Parcel I) Assessors Plat 11, Log 499 (Parcel II) 57,000 sq. ft. warehouse and office facility on 20 acres of land

a) Subject to rights of others in and to the easement described in Book 44 at Page 81 of the Land Evidence Records of the Town of East Greenwich; as affected by Easement recorded in Book 54 at Page 152 of the Land Evidence Records of the Town of East Greenwich. (as to Parcel I)

b) Subject to the reservations, easements, terms and conditions contained in deed from Joyce M. Ingraham, as Successor Trustee to Gulton Industries, Inc. dated December 31, 1997 and recorded in Book 61 at Page 81 of the Land Evidence Records of the Town of East Greenwich. (as to Parcel I)

c) Easement from Gulton Industries, Inc. to the Town of East Greenwich recorded with the Land Evidence Records of the Town of East Greenwich in Book 63 at Page 192 of the Land Evidence Records of the Town of East Greenwich. (as to Parcel I)

d) Easements contained in Deed recorded in Book 63 at Page 221, provided, however, no exception is taken as to the rights of the United States of America with respect to any reference therein.

e) Terms and conditions contained in Easement from Kenneth W. Washburn, et als., as The Trustees of the Industrial Building Authority to the Town of East Greenwich, dated 1/15/82 and recorded 3/5/82 at 8:38 a.m. in Book 78 at Page 152. (as to both Parcels)

f) Rights and easements of others to drain through or otherwise to use the stream located on the premises. (as to both Parcels)

g) Lease by and between the Subsidiary, as Lessor and the United States of America dated 1/21/97 and recorded in Book 221 at Page 749 of the Land Evidence Records of the Town of East Greenwich.

11) The U.S. government has required that an FAA tower be installed on the owned real estate of Cherry Semiconductor Corporation.

12) Cherry Semiconductor Corporation has entered into a Settlement Agreement and Covenant Not To Sue in connection to the property at 1900 South Country Trail. Case #97-058 (Brownfield Agreement).

SCHEDULE 6.04

EXISTING INVESTMENTS

Entity	Ownership Interest
Semiconductor Components Industries, LLC	- 1 share in SCG Canada Limited - 49,999 shares in SCG Mexico, S.A. de C.V. - 999 shares in SCG do Brasil Ltda. - 200 shares in SCG Japan Ltd. - 2,249,995 shares in SCG Philippines Inc. - 5,000 shares in SCG Korea Limited(5) - 999 shares in Semiconductor Components Industries Singapore Pte Ltd - 999 shares in SCG Hong Kong SAR Limited - 19,993 shares in SCG (Thailand) Limited - 999 shares in SCG Malaysia Holdings Sdn. Bhd. - 2,000 shares in SCG Holding (Netherlands) B.V. - 1,700 shares in Slovakia Electronics Industries, a.s. - 2 shares in SCG Czech Design Center s.r.o.
SCG International Development LLC	- 1 share in SCG do Brasil Ltda. - 1 share in SCG Mexico, S.A. de C.V. - 1 share in SCG Hong Kong SAR Limited - 1 share in Semiconductor Components Industries Singapore Pte Ltd - 1 share in SCG Malaysia Holdings Sdn. Bhd. - 1 quota with value of 100 Euros in SCG Italy S.r.l.
SCG (China) Holding Corporation	- 51% interest in Leshan Phoenix Semiconductor Company, Ltd.
SCG (Malaysia SMP) Holding Corporation	- 30,064,354 shares in Semiconductor Miniature Products (M) Sdn. Bhd.
SCG (Czech) Holding Corporation	- 54,627 shares in Terosil a.s. - 298,382 shares in Tesla Sezam a.s.

- ----------

(5) Two shares are to be issued to directors as director's qualifying shares.

SCG Philippines Inc.	- 400,000 shares in Amicus Realty Corporation - 4,900 shares in the Philippine Long Distance Telephone Company - 1 share in Alabang Country Club Valley Vista Sports Club, Inc. - 31,692 shares Manila Electric Company
SCG Mexico, S.A. de C.V.	- 1 share in the Santa Anita Golf Club
Semiconductor Components Industries of Rhode Island, Inc.	- 161.0656 shares of common stock of Communications Circuits Modules Incorporated

SCHEDULE 6.10

EXISTING RESTRICTIONS

1) (A) Joint Venture Agreement dated July 27, 1992, between Motorola, Inc. Semiconductor Products Sector and Philips Semiconductors International B.V., as amended through the date hereof, and (B) Technology Cooperation Agreement between Motorola, Inc. and Phillips Semiconductors International B.V. dated July 9, 1992, in each case as amended from time to time, and as amended further by the Assignment and Amendment Agreement by and among Motorola, Inc., Philips Semiconductors International B.V., SCG Holding Corporation and Semiconductor Miniature Products (Malaysia) Sdn. Bhd. Dated August 4, 1999.

2) Joint Venture Contract, dated March 1, 1995, between Leshan Radio Company, Ltd. and Motorola International Development Corp. ("MIDC");

a) Amendment No. 1 to Joint Venture Contract, dated March 1, 1995, between Leshan Radio Company, Ltd. and MIDC;

b) Amendment No. 2 to Joint Venture Contract, dated December 11, 1995, between Leshan Radio Company, Ltd. and MIDC;

c) Amendment No. 3 to Joint Venture Contract, dated April 12, 1996, between Leshan Radio Company, Ltd. and Motorola (China) Investment Limited;

d) Amendment No. 4 to Joint Venture Contract, dated January 6, 1998, between Leshan Radio Company, Ltd. and Motorola (China) Investment Limited;

e) Amendment No. 5 to Joint Venture Contract, dated June 29, 1998, between Leshan Radio Company, Ltd. and Motorola (China) Investment Limited;

f) Memorandum of Understanding, dated July 28, 1999, between Leshan Radio Company, Ltd., SCG Holding Corporation and Motorola (China) Investment Limited; and

g) Amended and Restated Joint Venture Contract, dated September 6, 1999, between Leshan Radio Company, Ltd., MIDC and SCG (China) Holding Corporation;

3) The By-laws of Amicus Realty Corporation provide that a stockholder wishing to sell all or a part of his/its shares of common stock must give a right of first refusal to the non-selling stockholders for a period of thirty (30) days before he/it can sell any of such shares.

4) The manufacturing facility owned by SCG Industries Malaysia Sdn. Bhd. is located on Lots 122 and 123 in Seremban. These lots are separate legal parcels that are physically continuous. On June 18, 1998, the Seremban Land Office approved a request by Motorola Semiconductor Sdn. Bhd. (a predecessor to SCG Industries Malaysia Sdn. Bhd.) to combine the two parcels of land into a single lot. The land title provides that any future transfer of the land by SCG Industries Malaysia Sdn. Bhd. must be approved first by the State Authority, and the land may only be used for the manufacture of electronic components.

5) Property No. 26574 owned by SCG Industries Malaysia Sdn. Bhd. may only be used in the electronic products industry.

6) Lot No. P.T. 12463 owned by SCG Industries Malaysia Sdn. Bhd. may not be transferred, leased or changed without the approval of the State Authority, and may only be used for an electrical substation.

EXHIBIT A

[FORM OF]

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of August 4, 1999, as amended and restated as of _____, 2000 (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among SCG Holding Corporation, Semiconductor Components Industries, LLC, the Lenders party thereto and The Chase Manhattan Bank, as Administrative Agent, Collateral Agent and Syndication Agent, and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper, Inc., as Co-Documentation Agents. Terms defined in the Credit Agreement are used herein with the same meanings.

The Assignor named below hereby sells and assigns, without recourse, to the Assignee named on the reverse hereof, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth on the reverse hereof, the interests set forth on the reverse hereof (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement and other Loan Documents, including, without limitation, the amounts and percentages set forth below of (i) the Commitments of the Assignor on the Assignment Date, (ii) the Loans owing to the Assignor which are outstanding on the Assignment Date and (iii) participations in Letters of Credit, LC Disbursements and Swingline Loans held by the Assignor on the Assignment Date, but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. Each of the Assignee and the Assignor represents and warrants that it is legally authorized to enter into and deliver this agreement and that this agreement constitutes its legal, valid and binding obligation and the Assignor confirms that (a) the Loans being assigned as part of this Assigned Interest have been fully funded by it and (b) it is the legal and beneficial owner of the Assigned Interest, which Assigned Interest is being assigned free and clear of any Lien or adverse claim. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) any documentation required to be delivered by the Assignee pursuant to Section 2.17(e) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The Assignee shall pay the fee payable to the Administrative Agent pursuant to Section 9.04(b) of the Credit Agreement.

This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

Date of Assignment:

Legal Name of Assignor:
Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment
("Assignment Date"):

Commitment	Principal Amount Assigned	Percentage Assigned of Facility and Commitment thereunder (set forth, to at least 8 decimals, as a percentage of the Facility and the aggregate Commitments of all Lenders thereunder)
Tranche A Term Commitment/Loan	$	%
Tranche B Term Commitment/Loan	$	%
Tranche C Term Commitment/Loan	$	%
Tranche D Term Commitment/Loan	$	%
Revolving Credit Commitment/Loans	$	%

The terms set forth above and on the reverse side hereof are hereby agreed to:

[Name of Assignor] , as Assignor

By: _____
Name:
Title:

[Name of Assignee] , as Assignee

By: _____
Name:
Title:

The undersigned hereby consent to the within assignment: 1/

- --------

1/ Consents to be included to the extent required by Section 9.04(b) of the Credit Agreement.

Semiconductor Components Industries, LLC

By: _____

Name:

Title:

The Chase Manhattan Bank, as Administrative Agent,

By: _____

Name:

Title:

The Chase Manhattan Bank, as Issuing Bank,

By: _____

Name:

Title:

The Chase Manhattan Bank, as Swingline Lender,

By: _____

Name:

Title:

EXHIBIT B-1

[Form of Opinion of Cleary, Gottlieb, Steen & Hamilton]

April 3, 2000

The Agents and Lenders party on
the date hereof to the Amended and Restated
Credit Agreement referred to below

Ladies and Gentlemen:

We have acted as special counsel to SCG Holding Corporation, a Delaware corporation ("Holdings"), Semiconductor Components Industries, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Holdings (the "Company"), and each of the subsidiaries of Holdings listed on Schedule I hereto (each such subsidiary individually a "Subsidiary" and collectively, the "Subsidiaries"), in connection with that certain Credit Agreement dated as of August 4, 1999, as amended and restated as of April 3, 2000 (the "Amended and Restated Credit Agreement") among Holdings, the Company, the financial institutions listed therein as Lenders ("Lenders"), The Chase Manhattan Bank, as administrative agent (in such capacity, "Administrative Agent"), and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., as co-documentation agents. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Amended and Restated Credit Agreement. This opinion letter is furnished pursuant to Section 4.01(b) of the Amended and Restated Credit Agreement.

In arriving at the opinions expressed below, we have reviewed the following documents:

(a) an executed copy of the Amended and Restated Credit Agreement;

(b) an executed copy of the Amendment, Consent and Waiver Agreement (the "Amendment, Consent and Waiver Agreement") dated as of the date hereof;

(c) an executed copy of the Security Agreement and an executed copy of Supplement No. 1 thereto (the "Security Agreement Supplement No. 1") dated as of the date hereof;

(d) an executed copy of the Pledge Agreement and an executed copy of Supplement No. 1 thereto (the "Pledge Agreement Supplement No. 1") dated as of the date hereof;

(e) an executed copy of the Guarantee Agreement and an executed copy of Supplement No. 1 thereto (the "Guarantee Agreement Supplement No. 1") dated as of the date hereof;

(f) an executed copy of the Indemnity, Contribution and Subrogation Agreement and an executed copy of Supplement No. 1 thereto (the "Indemnity, Contribution and Subrogation Agreement Supplement No. 1") dated as of the date hereof;

(g) an executed copy of the Reaffirmation Agreement dated as of the date hereof among Holdings, the Company, the Subsidiaries and the Administrative Agent (together with the Amended and Restated Credit Agreement, the Amendment, Consent and Waiver Agreement, the Security Agreement Supplement No. 1, the Pledge Agreement Supplement No. 1, the Guarantee Agreement Supplement No. 1 and the Indemnity, Contribution and Subrogation Agreement Supplement No. 1, the "Loan Documents");

(h) a copy of the Perfection Certificate dated as of the date hereof executed by the Company and Holdings;

(i) copies of UCC financing statements executed by the Company and naming the Company as Debtor and the Collateral Agent as Secured Party, which we assume have been filed prior to the date hereof with the office of the Secretary of State of the State of New York and the county clerks for Dutchess, Suffolk and Monroe counties in the State of New, and remain of record in the foregoing filing offices in the form we have examined (the "New York UCC Filings");

(j) executed copies of each of the documents listed in Exhibit A; and

(k) the other documents delivered by Holdings, the Company, the Subsidiaries, Semiconductor Components Industries of Rhode Island, Inc. ("SCI RI"), Semiconductor Components Industries International of Rhode Island, Inc. ("SCI RI International") and Redbird Acquisition Corp. ("Redbird Acquisition") (each, a "Loan Party," and collectively, the "Loan Parties") at the closing on the date hereof, including copies of (i) the Company's Certificate of Limited Liability Company, certified by the Secretary of State of the State of Delaware, (ii) Holdings' Amended and Restated Certificate of Incorporation, certified by the Secretary of State of the State of Delaware; (iii) the Certificate of Incorporation or the Certificate of Limited Liability Company, as the case may be, of each Subsidiary, certified by the Secretary of State of the State of Delaware; and (iv) the By-Laws or Limited Liability Company Agreement, as the case may be, of each of the Company, Holdings and each Subsidiary, certified by the corporate secretary or an authorized officer, as the case may be, of each of the Company, Holdings or such Subsidiary.

In addition, we have reviewed the originals or copies certified or otherwise identified to our satisfaction of all such corporate and limited liability company records of each of Holdings, the Company and the Subsidiaries and such other instruments and other certificates

of public officials, officers and representatives of each of Holdings, the Company and the Subsidiaries and such other persons, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions expressed below.

In arriving at the opinions expressed below, we have assumed the authenticity of all documents submitted to us as originals and the conformity to the originals of all documents submitted to us as copies. In addition, we have assumed and have not verified the accuracy as to factual matters of each document we have reviewed (including, without limitation, the accuracy of the representations and warranties of each Loan Party in the Loan Documents).

Based on the foregoing, and subject to the further assumptions and qualifications set forth below, it is our opinion that:

1. The Company is validly existing as a limited liability company in good standing under the laws of the State of Delaware.

2. Each of Holdings and each Subsidiary is validly existing as a corporation or a limited liability company, as the case may be, in good standing under the laws of the State of Delaware.

3. Each of the Company, Holdings and each Subsidiary has corporate power or limited liability company power, as the case may be, to own its properties and conduct its business as now conducted, and to enter into each Loan Document to which it is a party and to perform its obligations thereunder.

4. The execution and delivery of each of the Loan Documents to which the Company is a party have been duly authorized by all necessary limited liability company action of the Company, and each of the Loan Documents to which the Company is a party has been duly executed and delivered by the Company. Each of the Loan Documents to which the Company is a party is a valid, binding and enforceable agreement of the Company.

5. The execution and delivery of each of the Loan Documents to which Holdings is a party have been duly authorized by all necessary corporate action of Holdings, and each of the Loan Documents to which Holdings is a party has been duly executed and delivered by Holdings. Each of the Loan Documents to which Holdings is a party is a valid, binding and enforceable agreement of Holdings.

6. The execution and delivery of each of the Loan Documents to which each Subsidiary is a party have been duly authorized by all necessary corporate action or limited liability company action, as the case may be, of each such Subsidiary, and each of the Loan Documents to which such Subsidiary is a party has been duly executed and delivered by such Subsidiary. Each of the Loan Documents to which each Subsidiary is a party is a valid, binding and enforceable agreement of such Subsidiary.

7. Assuming that (i) the execution and delivery of each of the Loan Documents to which SCI RI is a party have been duly authorized by all necessary corporate action of SCI RI and (ii) each of the Loan Documents to which SCI RI is a party has been duly

executed and delivered by SCI RI, each of the Loan Documents to which SCI RI is a party is a valid, binding and enforceable agreement of SCI RI.

8. Assuming that (i) the execution and delivery of each of the Loan Documents to which SCI RI International is a party have been duly authorized by all necessary corporate action of SCI RI International and (ii) each of the Loan Documents to which SCI RI International is a party has been duly executed and delivered by SCI RI International, each of the Loan Documents to which SCI RI International is a party is a valid, binding and enforceable agreement of SCI RI International.

9. Assuming that (i) the execution and delivery of each of the Loan Documents to which Redbird Acquisition is a party have been duly authorized by all necessary corporate action of Redbird Acquisition and (ii) each of the Loan Documents to which Redbird Acquisition is a party has been duly executed and delivered by Redbird Acquisition, each of the Loan Documents to which Redbird Acquisition is a party is a valid, binding and enforceable agreement of Redbird Acquisition.

10. Except for (i) such filings and other actions as may be required to perfect Liens in favor of the Collateral Agent which the Loan Documents purport to create, (ii) such other consents, approvals, authorizations, registrations and filings as have heretofore been obtained or made by the Loan Parties and (iii) with respect to any securities pledged under the Pledge Agreement, any actions as may be required under federal or state securities laws in connection with a disposition of such securities, no authorization, consent, approval or other action by, and no notice to or filing with, any governmental authority of the United States or the State of New York is required by any Loan Party for (a) the execution and delivery of any of the Loan Documents to which such Loan Party is a party or (b) the performance by such Loan Party of its obligations under any Loan Document to which it is a party.

11. The execution, delivery and performance of each of the Loan Documents to which the Company is a party do not contravene or conflict with the Certificate of Limited Liability Company or Limited Liability Company Agreement of the Company. The execution, delivery and performance of each of the Loan Documents to which Holdings is a party do not contravene or conflict with the Amended and Restated Certificate of Incorporation or Amended and Restated By-Laws of Holdings. The execution, delivery and performance of each of the Loan Documents to which each Subsidiary is a party do not contravene or conflict with the Certificate of Incorporation or Certificate of Limited Liability Company, as the case may be, or By-Laws or Limited Liability Company Agreement, as the case may be, of such Subsidiary.

12. Neither the execution nor the delivery by any Loan Party of any of the Loan Documents to which it is a party will (i) result in the violation by such Loan Party of any federal or New York State statute, rule or regulation of general applicability that is binding on such Loan Party or (ii) result in a breach or violation of any of the terms and provisions of, or constitute a default under, any of the agreements of the Loan Parties listed in Exhibit A hereto.

13. None of the Company, Holdings or any Subsidiary is a "holding company" or a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

14. None of the Company, Holdings or any Subsidiary is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

15. The Pledge Agreement and the Pledge Agreement Supplement No. 1, together with the Reaffirmation Agreement, create in favor of the Collateral Agent for the benefit of the Secured Parties valid security interests in the certificates representing the shares of stock and the promissory notes described in Schedule I to the Pledge Agreement Supplement No. 1 (the "Pledged Securities") as security for the payment of the Obligations (as defined in the Pledge Agreement after giving effect to the Reaffirmation Agreement).

16. The Security Agreement and the Security Agreement Supplement No. 1, together with the Reaffirmation Agreement, create in favor of the Collateral Agent for the benefit of the Secured Parties as security for the payment of the Obligations (as defined in the Security Agreement after giving effect to the Reaffirmation Agreement) valid security interests in the Collateral (as defined in the Security Agreement) described in Schedule I to Security Agreement Supplement No. 1 to the extent security interests in such Collateral can be created under Article 9 of the Uniform Commercial Code as in effect in the State of New York (the "NYUCC") (the "Security Agreement Collateral").

17. Upon delivery of the Pledged Securities duly endorsed or, in the case of shares of stock, accompanied by stock powers duly executed in blank, to the Collateral Agent in the State of New York, the Collateral Agent will have a perfected security interest in the Pledged Securities having priority over the claims of other creditors to the extent such priority is determined pursuant to the NYUCC, which security interest will remain a perfected security interest for as long as possession thereof is continuously maintained in the State of New York by the Collateral Agent in accordance with the Pledge Agreement.

18. The New York UCC Filings are effective to perfect the security interest referred to in paragraph 16 (including without limitation with respect to Obligations of the Company in respect of the Tranche D Term Loans) in the Company's rights in that portion of the Security Agreement Collateral a security interest in which is perfected by filing a financing statement in the State of New York under the NYUCC.

In addition, we confirm to you that, based solely on inquiry of the Chief Financial Officer of the Company and of lawyers currently with this firm who have been actively involved in the preparation of the registration statement on Form S-1 originally filed by Holdings on February 18, 2000 with the U.S. Securities and Exchange Commission relating to an offering of shares of Common Stock of Holdings, we know of no legal or governmental proceedings to which the Company or the Subsidiaries is a party that are currently pending before any adjudicative tribunal or that have been threatened by a written communication manifesting an intention to initiate such proceedings received by the management of the Company or by us that are required to be disclosed in such registration statement (as amended to date) that are not so disclosed.

In arriving at the opinions expressed in numbered paragraphs 15 and 16 above, we have assumed that each of the Loan Parties has rights in the subject Collateral, and we note that, with respect to Collateral in which any Loan Party has no present rights, the Pledge Agreement,

the Pledge Agreement Supplement No. 1, the Security Agreement and the Security Agreement Supplement No. 1, as the case may be, will create the security interest referred to in numbered paragraph 15 or 16 only when such Loan Party acquires such rights. We also note that Section 9-103 of the NYUCC provides that perfection and the effect of perfection or non-perfection of a security interest in (a) collateral consisting of goods (other than mobile goods) and chattel paper a security interest in which is perfected by possession, is governed by the law of the jurisdiction in which the goods or the chattel paper are located when the last event on which is based the assertion that the security interest is perfected or unperfected occurs and (b) collateral consisting of accounts, general intangibles, mobile goods and chattel paper a security interest in which is perfected by filing under the Uniform Commercial Code, is governed by the law of the jurisdiction in which the debtor is located.

In arriving at the opinions expressed in numbered paragraph 17 above, we have assumed that (i) the Collateral Agent takes delivery of the Pledged Securities for the benefit of the Secured Parties, without notice of any adverse claim, within the meaning of the NYUCC and (ii) each signature on any endorsement or stock power is genuine and duly authorized. We have also assumed that the Pledged Securities of any Person organized in a jurisdiction other than a State of the United States constitute "securities" within the meaning of the NYUCC.

We express no opinion with respect to the priority of the Collateral Agent's security interests as against (x) any lien or claim arising by operation of law that is given priority over perfected security interests or (y) any lien or claim in favor of the United States or any agency or instrumentality thereof, including without limitation any federal tax liens or liens arising under ERISA, or claims given priority pursuant to 31 U.S.C. Section 3713. In addition, insofar as the security interest secures "future advances" within the meaning of the NYUCC, the priority of such security interest will be subject to the limitations set forth in Sections 9-301(4) and 9-312(7) of the NYUCC.

We express no opinion with respect to Article 9 Collateral of a type described in Section 9-401(1)(a) or (b) of the NYUCC or represented by a certificate of title.

Insofar as the foregoing opinions relate to the valid existence and good standing of the Company, Holdings or any Subsidiary, they are based solely on the certificates of good standing received from the Secretary of State of the State of Delaware. Insofar as the foregoing opinions relate to the validity, binding effect or enforceability of any agreement or obligation of any Loan Party or the creation or perfection of any security interests, we have assumed that each party to such agreement or obligation has satisfied those legal requirements that are applicable to it to the extent necessary to make such agreement or obligation enforceable against it (except that no such assumption is made as to the Company, Holdings or any Subsidiary regarding matters of the federal law of the United States of America, the law of the State of New York, the General Corporation Law of the State of Delaware or the Limited Liability Company Act of the State of Delaware). The foregoing opinions are also subject to applicable bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally and to general principles of equity. In addition, certain of the remedial provisions of the Loan Documents may be further limited or rendered unenforceable by other applicable laws or judicially adopted principles which, however, in our judgment do not make the remedies provided for therein (taken

as a whole) inadequate for the practical realization of the principal benefits purported to be afforded thereby (except for the economic consequences of procedural or other delay).

We note that the designations in (i) Section 9.09(b) of the Amended and Restated Credit Agreement, (ii) Section 7.13(a) of the Security Agreement, (iii) Section 18(a) of the Guarantee Agreement and (iv) Section 22(a) of the Pledge Agreement, of the United States District Court of the Southern District of New York, and any appellate court from any thereof as the venue for actions or proceedings relating to the Amended and Restated Credit Agreement, the Security Agreement, the Guarantee Agreement and the Pledge Agreement, respectively are (notwithstanding the waiver in Section 9.09(c) of the Amended and Restated Credit Agreement, Section 7.13(b) of the Security Agreement, Section 18(b) of the Guarantee Agreement and Section 22(b) of the Pledge Agreement) subject to the power of such courts to transfer actions pursuant to 28 U.S.C. Section 1404(a) or to dismiss such actions or proceedings on the grounds that such a federal court is an inconvenient forum for such action or proceeding.

With respect to (i) the first sentence of Section 9.09(b) of the Amended and Restated Credit Agreement, (ii) the first sentence of Section 7.13(a) of the Security Agreement, (iii) the first sentence of Section 18(a) of the Guarantee Agreement and (iv) the first sentence of Section 22(a) of the Pledge Agreement, we express no opinion as to the subject matter jurisdiction of any United States federal court to adjudicate any action relating to the Loan Documents where jurisdiction based on diversity of citizenship under 28 U.S.C. Section 1332 does not exist.

The foregoing opinions are limited to the federal law of the United States of America, the law of the State of New York, the General Corporation Law of the State of Delaware and the Limited Liability Company Act of the State of Delaware.

We are furnishing this opinion letter to you solely for your benefit in connection with the Loan Documents. This opinion letter is not to be used, circulated, quoted or otherwise referred to for any other purpose. Notwithstanding the foregoing, a copy of this opinion letter may be furnished to, and relied upon by, a permitted transferee who becomes a party to the Amended and Restated Credit Agreement as a Lender thereunder, and you or any such transferee may show this opinion to any governmental authority pursuant to requirements of applicable law or regulations. The opinions expressed herein are, however, rendered on and as of the date hereof, and we assume no obligation to advise you or any such transferee or governmental authority or any other person, or to make any investigations, as to any legal developments or factual matters arising subsequent to the date hereof that might affect the opinions expressed herein.

Very truly yours,

CLEARY, GOTTLIEB, STEEN & HAMILTON

By_____
Stephen H. Shalen, a partner

EXHIBIT B-1

[Form of Opinion of Cleary, Gottlieb, Steen & Hamilton]

SCHEDULE I

SCG International Development LLC

SCG (Malaysia SMP) Holding Corporation

SCG (Czech) Holding Corporation

SCG (China) Holding Corporation

Semiconductor Components Industries Puerto Rico, Inc.

EXHIBIT A

1. Reorganization Agreement by and among Motorola, Inc., Holdings and the Company dated as of May 11, 1999

2. Transition Services Agreement between Motorola, Inc. and the Company dated as of July 31, 1999.

3. Equipment Lease and Repurchase Agreement between Motorola, Inc. and the Company dated as of July 31, 1999.

4. Equipment Passdown Agreement between Motorola, Inc. and the Company dated as of July 31, 1999.

5. SCG Assembly Agreement between Motorola, Inc. and the Company dated as of July 31, 1999.

6. SCG Foundry Agreement between Motorola, Inc. and the Company dated as of July 31, 1999.

7. Motorola Assembly Agreement between Motorola, Inc. and the Company dated as of July 31, 1999.

8. Motorola Foundry Agreement between Motorola, Inc. and the Company dated as of July 31, 1999.

9. Employee Matters Agreement among Motorola, Inc., the Company and Holdings dated as of May 11, 1999.

10. Amended and Restated Intellectual Property Agreement dated as of August 4, 1999 among the Company and Motorola Inc.

11. Indenture dated as of August 4, 1999 among the Company, Holdings and State Street Bank and Trust Company, as trustee.

EXHIBIT B-2

[Form of McDermott, Will & Emery opinion]

April 3, 2000

SCG Holding Corporation
5005 E. McDowell Road
M/D: C302
Phoenix, AZ 85008

Re: Sale of Cherry Semiconductor Corporation

Ladies and Gentlemen:

We have acted as counsel to the Cherry Corporation ("Company"), a Delaware corporation, in connection with the preparation, execution and delivery of the Stock Purchase Agreement, dated as of March 8, 2000, as amended by Letter Agreement dated March 31, 2000 (the "Agreement") among the Company, SCG Holding Corporation and Semiconductor Components Industries, LLC, a Delaware limited liability company ("Buyer"), and certain other instruments and documents related to the Agreement. This opinion is being delivered pursuant to Section 3.3(b) of the Agreement. Capitalized terms used herein and not otherwise defined herein shall have the same meanings herein as ascribed thereto in the Agreement.

In our examination we have assumed the genuineness of all signatures including endorsements, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts material to this opinion which we did not independently establish or verify, we have relied upon statements and representations of the Company, Cherry Semiconductor Corporation, a Rhode Island corporation (the "Subsidiary"), and their respective officers and other representatives and of public officials, including the facts set forth in the Company Officer's Certificate and the Subsidiary Officer's Certificate described below.

In rendering opinions set forth herein, we have examined and relied on originals or copies of the following:

(a) the Agreement;

(b) certificate of the Company executed by the Chief Executive Officer of the Company dated the date hereof a copy of which is attached as Exhibit A hereto (the "Company Officer's Certificate");

(c) certificate of the Subsidiary executed by the President of the Subsidiary dated the date hereof a copy of which is attached as Exhibit B hereto (the "Subsidiary Officer's Certificate");

(d) copies of the Certificate of Incorporation and By-laws of the Company;

(e) copies of the Articles of Incorporation and By-laws of the Subsidiary;

(f) certified copies of certain resolutions of the Boards of Directors of the Company and the Subsidiary regarding the Agreement and related matters; and

(g) certificates from public officials in the states of Delaware, Illinois and Rhode Island as to the good standing of the Company in Delaware and Illinois and the Subsidiary in Rhode Island.

We have also examined such other corporate documents and records, and other certificates, opinions and instruments and have conducted such investigation as we have deemed necessary as a basis for the opinions expressed below. As to factual matters relevant to our opinions, we have, without independent verification, relied upon all of the foregoing.

We are admitted to the Bar in the state of Illinois. We express no opinion as to the laws of any jurisdiction other than (i) the laws of the State of Illinois, (ii) the General Corporation Law of the State of Delaware, (iii) the laws of the state of Rhode Island, (iv) the federal laws of the United States of America to the extent specifically referred to herein, and (v) based solely on the certificates of public officials previously identified with respect to our opinion with respect to the Company's qualifications to do business and good standing.

Our opinions are subject to the following assumptions and qualifications:

(a) the Agreement constitutes the legal, valid and binding obligation of each party to the Agreement (other than the Company) enforceable against such parties (other than the Company) in accordance with its terms;

(b) we express no opinion as to the effect on the opinions herein stated of (i) the compliance or non-compliance of any party (other than the Company) to the Agreement with any state, federal or other laws or regulations applicable to them or (ii) the legal or regulatory status or the nature of the business of such other parties.

(c) In rendering our opinions expressed below, we express no opinion as to the applicability or effect of any preference or similar law on the Agreement or any transaction contemplated thereby;

(d) In rendering our opinions expressed below, we express no opinion as to the ordinances, statutes, administrative decisions, orders, rules and regulations of any municipality, county or other political subdivision of any state (as opposed to the laws of the state itself).

(e) For purposes of this opinion, we have assumed that the representations and warranties of each of the parties to the Agreement are true and correct (other than with respect to legal conclusions opined to herein).

(f) For purposes of this opinion, our knowledge is limited to the knowledge of attorneys at McDermott, Will & Emery that have performed significant services for the Company.

Based upon the foregoing and subject to the limitations, qualifications, exceptions and assumptions set forth herein, we are of the opinion that:

1. The Company is validly existing and in good standing under the laws of the State of Delaware. Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of Rhode Island and has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. Subsidiary is qualified to do business and is in good standing in each jurisdiction in which the properties owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified and in good standing will not have a Material Adverse Effect.

2. The Company has the corporate power and corporate authority to execute, deliver and perform all of its obligations under the Agreement. The execution and delivery of the Agreement and the consummation by the Company of the transactions contemplated thereby have been duly authorized by requisite corporate action on the part of the Company. The Agreement has been duly executed and delivered by the Company.

3. The Agreement constitutes the valid and binding obligation of the Company enforceable against the Company in accordance with its terms subject to the following qualifications;

(i) enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law);

(ii) we express no opinion as to: the enforceability of any rights to contribution or indemnification provided for in the Agreement which are violative of the public policy underlying any law, rule or regulation (including any federal or state securities law, rule or regulation);

(iii) we express no opinion with respect to the enforceability of (a) Section 14.1 of the Agreement to the extent that it provides that provisions of the Agreement may only be waived in writing, (b) Section 12.2 of the Agreement to the extent that any recovery of attorneys' fees is limited to reasonable attorneys' fees, or (c) Section 14.8 of the Agreement to the extent it states that the provisions of the Agreements are severable.

4. The execution and delivery by the Company of the Agreement and performance by the Company of its obligations under the Agreement in accordance with its terms, do not conflict with (i) the Certificate of Incorporation or By-laws of the Company or the Articles of Incorporation or By-laws of the Subsidiary, or (ii) any statute, law, rule, regulation, judgement, decree, order, or injunction of any governmental authority applicable to the Company or Subsidiary, or their respective properties or assets, except for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of liens, security interests, charges or encumbrances that would not have a Material Adverse Effect.

5. No approval, authorization, order or consent of any court or regulatory body, or other governmental body, which has not been obtained or taken and is not in full force and effect, is required to authorize or is required in connection with the execution, delivery or performance of the Agreement by the Company except filings required by the Hart-Scott-Rodino Antitrust Improvements Act and, except for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of liens, security interests, charges or encumbrances that would not have a Material Adverse Effect.

6. The authorized capital stock of the Subsidiary consists of 250,000 shares of Subsidiary Common Stock. As of the date hereof, 160,190 shares of Subsidiary Common Stock were issued and outstanding, all of which were validly issued and are fully paid, nonassessable and free of preemptive rights, and are owned of record by the Company. To our knowledge, the Company has good title to the Subsidiary Common Stock, free and clear of all liens, claims and encumbrances.

7. Except as set forth in the Agreement, there are no outstanding subscriptions, options, calls, contracts, commitments, understandings, restrictions, arrangements, rights of any kind or warrants, including any right of conversion or exchange under any outstanding security, instrument or other agreement, obligating the Subsidiary or the Company to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of the capital of the Subsidiary. There are no voting trusts, proxies or other agreements or understandings of any kind to which Subsidiary or the Company is a party or is bound with respect to the voting of any shares of capital stock of the Subsidiary.

The opinions rendered herein are as of the date hereof. We assume no obligation to update or supplement these opinions to reflect any facts which may hereafter come to our attention or any changes in law which may hereafter occur. This opinion is being furnished only

to you and is solely for your benefit and is not to be used, circulated, quoted, relied upon or otherwise referred to for any purpose or any other person without our prior written consent, except that the Agents and Lenders under the Amended and Restated Credit Agreement dated March 31, 2000 among SCG Holding Corporation, Semiconductor Components Industries, LLC, the Lenders listed therein, the Chase Manhattan Bank as Administrative Agent, Credit Lyonnais New York Branch, DLJ Capital Funding, Inc., and Lehman Commercial Paper Inc. as Co-documentation Agents may rely upon this letter with respect to the opinions set forth in paragraphs 1, 2 and 3 above.

Very truly yours,

McDermott, Will & Emery

Exhibit A

CERTIFICATE OF THE
CHIEF EXECUTIVE OFFICER OF
THE CHERRY CORPORATION

The undersigned, being the duly elected, qualified and acting Chief Executive Officer of The Cherry Corporation, a Delaware corporation (the "Company"), for purposes of the opinions to be rendered by McDermott, Will & Emery in connection with the sale by the Company of the common stock of Cherry Semiconductor Corporation (the "Subsidiary") (unless otherwise defined herein, all terms set forth herein have the same meaning ascribed to such terms in the Stock Purchase Agreement (the "Agreement") dated as of March 8, 2000, as amended by Letter Agreement dated March 31, 2000, by and among the Company, SCG Holding Corporation, a Delaware corporation, and Semiconductor Components Industries, LLC, a Delaware limited liability company), DOES HEREBY CERTIFY as follows:

(a) The authorized, issued and outstanding capital stock of the Subsidiary is as set forth under Section 3.2 of the Stock Purchase Agreement; none of the shares of capital stock of the Subsidiary is subject to preemptive rights, options, calls, subscriptions, restrictions, rights of any kind or warrants, including the right of conversion or exchange under any outstanding security, instrument or other agreement or other rights to subscribe for or purchase any of the Subsidiary Common Stock to be sold by the Company pursuant to the Agreement;

(b) All of the issued and outstanding Subsidiary Common Stock is owned by the Company, and is held free and clear of all liens, encumbrances, equities, claims, security interests, voting trusts or other defects of title whatsoever;

(c) Except as disclosed in or specifically contemplated by the Agreement, there are no other rights calling for the issuance of, and no commitments, understandings, plans or arrangements to issue, any shares of capital stock of the Subsidiary or any security convertible into or exchangeable for capital stock of the Subsidiary;

(d) There are no voting trusts, proxies, or other agreements or understandings of any kind to which Subsidiary or the Company is a party or is bound with respect to Subsidiary Common Stock;

(e) There are no legal or governmental actions, suits or proceedings pending or threatened against the Company or the Subsidiary;

(f) Except as scheduled to the Agreement, there are material legal suits, actions or proceedings to which the Subsidiary is a party;

(g) To my knowledge, the Company and the Subsidiary are in compliance with all laws, rules, regulations, judgments, decrees, orders and statutes of any court or jurisdiction to which they are subject; and

(h) The representations and warranties of the Company set forth in Section 4 of the Agreement are true and correct as of the date hereof.

(i) Attached hereto are true and correct copies of the Certificate of Incorporation and Bylaws of the Company.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the day of , 2000.

Peter B. Cherry
Chief Executive Officer

Exhibit B

CERTIFICATE OF THE
PRESIDENT OF
CHERRY SEMICONDUCTOR CORPORATION

The undersigned, being the duly elected, qualified and acting President of Cherry Semiconductor Corporation, a Rhode Island corporation (the "Subsidiary"), for purposes of the opinions to be rendered by McDermott, Will & Emery in connection with the sale by The Cherry Corporation (the "Company") of the common stock of Cherry Semiconductor Corporation (unless otherwise defined herein, all terms set forth herein have the same meaning ascribed to such terms in the Stock Purchase Agreement (the "Agreement") dated as of March 8, 2000, as amended by Letter Agreement dated March 31, 2000, by and among The Cherry Corporation, SCG Holding Corporation, a Delaware corporation, and Semiconductor Components Industries, LLC, a Delaware limited liability company), DOES HEREBY CERTIFY as follows:

(a) The authorized, issued and outstanding capital stock of the Subsidiary is as set forth under Section 3.2 of the Stock Purchase Agreement; none of the shares of capital stock of the Subsidiary is subject to preemptive rights, options, calls, subscriptions, restrictions, rights of any kind or warrants, including the right of conversion or exchange under any outstanding security, instrument or other agreement or other rights to subscribe for or purchase any of the Subsidiary Common Stock to be sold by the Company pursuant to the Agreement;

(b) All of the issued and outstanding Subsidiary Common Stock is owned by the Company, and is held free and clear of all liens, encumbrances, equities, claims, security interests, voting trusts or other defects of title whatsoever;

(c) Except as disclosed in or specifically contemplated by the Agreement, there are no other rights calling for the issuance of, and no commitments, understandings, plans or arrangements to issue, any shares of capital stock of the Subsidiary or any security convertible into or exchangeable for capital stock of the Subsidiary;

(d) There are no voting trusts, proxies, or other agreements or understandings of any kind to which Subsidiary or the Company is a party or is bound with respect to Subsidiary Common Stock;

(e) There are no legal or governmental actions, suits or proceedings pending or threatened against the Company or the Subsidiary;

(f) Except as scheduled to the Agreement, there are material legal suits, actions or proceedings to which the Subsidiary is a party;

(g) To my knowledge, the Company and Subsidiary are in compliance with all laws, rules, regulations, judgments, decrees, orders and statutes of any court or jurisdiction to which they are subject; and

(h) The representations and warranties of the Company set forth in Section 4 of the Agreement are true and correct as of the date hereof.

(i) Attached hereto are true and correct copies of the Certificate of Incorporation and Bylaws of the Subsidiary.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the _____ day of _____, 2000.

Alfred Budnick
President

Exhibit C

GUARANTEE AGREEMENT dated as of August 4, 1999, among SCG HOLDING CORPORATION, a Delaware corporation ("Holdings"), each of the subsidiaries listed on Schedule I hereto (each such subsidiary individually, a "Subsidiary" and, collectively, the "Subsidiaries"; and each such Subsidiary and Holdings, individually, a "Guarantor" and, collectively, the "Guarantors") and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (the "Collateral Agent") for the Secured Parties (as defined in the Security Agreement).

Reference is made to the Credit Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Semiconductor Components Industries, LLC, a Delaware limited liability company (the "Borrower"), Holdings, the lenders from time to time party thereto (the "Lenders"), Chase, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., as co-documentation agents. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Each of the Subsidiaries is a direct or indirect subsidiary of Holdings and acknowledges that it will derive substantial benefit from the making of the Loans by the Lenders and the issuance of Letters of Credit by the Issuing Bank. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit are conditioned on, among other things, the execution and delivery by the Guarantors of a Guarantee Agreement in the form hereof. As consideration therefor and in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit, the Guarantors are willing to execute this Agreement.

Accordingly, the parties hereto agree as follows:

SECTION 1. Guarantee. Each Guarantor unconditionally guarantees, jointly with the other Guarantors and severally, as a primary obligor and not merely as a surety, (a) the due and punctual payment of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements made by the Issuing Bank with respect thereto, interest thereon and obligations to provide, under certain circumstances, cash collateral in connection therewith and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Loan Parties to the Secured Parties under the Credit Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Loan Parties under or pursuant to the Credit Agreement and the other Loan Documents, (c) unless otherwise agreed to in writing by the applicable Lender party thereto, the due and punctual payment and performance of all obligations of the Borrower or any other Loan Party, monetary or otherwise, under each Hedging Agreement entered into with a counterparty that was a Lender (or an Affiliate of a Lender) at the time such Hedging Agreement was entered into and (d) the due and punctual payment and performance of all obligations in respect of overdrafts and related liabilities owed to the Administrative Agent or any of its Affiliates and arising from treasury, depositary and cash management services in connection with any automated clearing house transfers of funds (all the monetary and other obligations referred to in the preceding clauses (a) through (d) being collectively called the "Obligations"). Each Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee notwithstanding any extension or renewal of any Obligation.

SECTION 2. Obligations Not Waived. To the fullest extent permitted by applicable law, each Guarantor waives presentment to, demand of payment from and protest to the Borrower of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment. To the fullest extent permitted by applicable law, the obligations of each Guarantor hereunder shall not be affected by (a) the failure of the Collateral Agent or any other Secured Party to assert any claim or demand or to enforce or exercise any right or remedy against the Borrower or any Guarantor under the provisions of the Credit Agreement, any other Loan Document or otherwise; (b) any recision, waiver (except the effect of any waiver obtained pursuant to Section 12(b)), amendment or modification of, or any release from any terms or provisions of any other Loan Document, any other Guarantee or any other agreement, including with respect to any other Guarantor under this Agreement, or (c) the failure to perfect any security interest in, or release of, any of the security held by or on behalf of the Collateral Agent or any other Secured Party.

SECTION 3. Security. Each of the Guarantors authorizes the Collateral Agent and each of the other Secured Parties to (a) take and hold security for the payment of this Guarantee and the Obligations and exchange, enforce, waive and release any such security, (b) apply such security and direct the order or manner of sale thereof as they in their sole discretion may determine and (c) release or substitute any one or more endorsees, other Guarantors or other obligors.

SECTION 4. Guarantee of Payment. Each Guarantor further agrees that its guarantee constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Collateral Agent or any other Secured Party to any of the security held for payment of the Obligations or to any balance of any deposit account or credit on the books of the Collateral Agent or any other Secured Party in favor of the Borrower or any other Person.

SECTION 5. No Discharge or Diminishment of Guarantee. The obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of the Obligations), including any claim of waiver, release, surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Collateral Agent or any other Secured Party to assert any claim or demand or to enforce any remedy under the Credit Agreement, any other Loan Document or any other agreement, by any waiver or modification of any provision of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Obligations, or the failure to perfect any security interest in, or the release of, any of the security held by or on behalf of the Collateral Agent or any other Secured Party, or by any other act or omission that may or might in any manner or to any extent vary the risk of any Guarantor or that would otherwise operate as a discharge of each Guarantor as a matter of law or equity (other than the indefeasible payment in full in cash of all the Obligations).

SECTION 6. Defenses of Borrower Waived. To the fullest extent permitted by applicable law, each of the Guarantors waives any defense based on or arising out of any defense of the Borrower or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower, other than the final and indefeasible payment in full in cash of the Obligations. The Collateral Agent and the other Secured Parties may, at their election, foreclose on any security held by one or more of them by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with the Borrower or any other guarantor or exercise any other right or remedy available to them against the Borrower or any other guarantor, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Obligations have been fully, finally and indefeasibly paid in cash. Pursuant to applicable law, each of the Guarantors waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of such Guarantor against the Borrower or any other Guarantor or guarantor, as the case may be, or any security.

SECTION 7. Agreement to Pay; Subordination. In furtherance of the foregoing and not in limitation of any other right that the Collateral Agent or any other Secured Party has at law or in equity against any Guarantor by virtue hereof, upon the failure of the Borrower or any other Loan Party to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Collateral Agent or such other Secured Party as designated thereby in cash the amount of such unpaid Obligations. Upon payment by any Guarantor of any sums to the Collateral Agent or any Secured Party as provided above, all rights

of such Guarantor against the Borrower arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior indefeasible payment in full in cash of all the Obligations. If any amount shall erroneously be paid to any Guarantor on account of such subrogation, contribution, reimbursement, indemnity or similar right, such amount shall be held in trust for the benefit of the Secured Parties and shall forthwith be paid to the Collateral Agent to be credited against the payment of the Obligations, whether matured or unmatured, in accordance with the terms of the Loan Documents.

SECTION 8. Information. Each of the Guarantors assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that such Guarantor assumes and incurs hereunder, and agrees that none of the Collateral Agent or the other Secured Parties will have any duty to advise any of the Guarantors of information known to it or any of them regarding such circumstances or risks.

SECTION 9. Representations and Warranties. Each of the Guarantors represents and warrants as to itself that all representations and warranties relating to it contained in the Credit Agreement are true and correct in all material respects.

SECTION 10. Termination. The Guarantees made hereunder (a) shall terminate when all the Obligations have been indefeasibly paid in full and the Lenders have no further commitment to lend under the Credit Agreement, the LC Exposure has been reduced to zero and the Issuing Bank has no further obligation to issue Letters of Credit under the Credit Agreement and (b) shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by any Secured Party or any Guarantor upon the bankruptcy or reorganization of the Borrower, any Guarantor or otherwise.

SECTION 11. Binding Effect; Several Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Guarantors that are contained in this Agreement shall bind and inure to the benefit of each party hereto and their respective successors and assigns. This Agreement shall become effective as to any Guarantor when a counterpart hereof executed on behalf of such Guarantor shall have been delivered to the Collateral Agent, and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Guarantor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of such Guarantor, the Collateral Agent and the other Secured Parties, and their respective successors and assigns, except that no Guarantor shall have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void). In the event that a Guarantor ceases to be a Subsidiary pursuant to a transaction permitted under the Loan Documents, such Guarantor shall be released from its obligations under this Agreement without further action. This Agreement shall be construed as a separate agreement with respect to each Guarantor and may be amended, modified, supplemented, waived or released with respect to any Guarantor without the approval of any other Guarantor and without affecting the obligations of any other Guarantor hereunder.

SECTION 12. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the other Secured Parties under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Guarantor in any case shall entitle such Guarantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Guarantors with respect to which such waiver, amendment or modification relates and the Collateral Agent, subject to any consent required in accordance with Section 9.02 of the Credit Agreement.

SECTION 13. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 14. Notices. All communications and notices hereunder shall be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to each Guarantor shall be given to it at its address or telecopy number set forth in Schedule I, with a copy to the Borrower.

SECTION 15. Survival of Agreement; Severability. (a) All covenants, agreements, representations and warranties made by the Guarantors herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Collateral Agent and the other Secured Parties and shall survive the making by the Lenders of the Loans and the issuance of the Letters of Credit by the Issuing Bank regardless of any investigation made by the Secured Parties or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any other fee or amount payable under this Agreement or any other Loan Document is outstanding and unpaid and as long as the Commitments have not been terminated or the LC Exposure does not equal zero.

(b) In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 16. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 11. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

SECTION 17. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement.

SECTION 18. Jurisdiction; Consent to Service of Process. (a) Each Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Collateral Agent or any other Secured Party may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Guarantor or its properties in the courts of any jurisdiction.

(b) Each Guarantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 14. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 19. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 19.

SECTION 20. Additional Guarantors. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary Loan Party that was not in existence or not a Subsidiary Loan Party on the date of the Credit Agreement is required to enter into this Agreement as a Guarantor upon becoming a Subsidiary Loan Party. Upon execution and delivery after the date hereof by the Collateral Agent and such a Subsidiary of an instrument in the form of Annex 1, such Subsidiary shall become a Guarantor hereunder with the same force and effect as if originally named as a Guarantor herein. The execution and delivery of any instrument adding an additional Guarantor as a party to this Agreement shall not require the consent of any other Guarantor hereunder. The rights and obligations of each Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Guarantor as a party to this Agreement.

SECTION 21. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Secured Party is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other Indebtedness at any time owing by such Secured Party to or for the credit or the account of any Guarantor against any or all the obligations of such Guarantor then existing under this Agreement and the other Loan Documents held by such Secured Party, irrespective of whether or not such Secured Party shall have made any demand under this Agreement or any other Loan Document. The rights of each Secured Party under this Section 21 are in addition to other rights and remedies (including any other rights of setoff) which such Secured Party may have.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

SCG HOLDING CORPORATION,

By_____
Name: Jean-Jacques Morin
Title: Vice President

EACH OF THE SUBSIDIARIES LISTED ON SCHEDULE I HERETO,

By: _____
Name: Jean-Jacques Morin
Title: Vice President

THE CHASE MANHATTAN BANK, as
Collateral Agent,

By_____
Name:
Title:

Schedule I to the
Guarantee Agreement

Guarantor	Address
1.	
2.	
3.	
4.	
5.	
6.	

Annex 1 to the
Guarantee Agreement

SUPPLEMENT NO. [ ] dated as of [ ], to the Guarantee Agreement dated as of August 4, 1999, among SCG HOLDING CORPORATION, a Delaware corporation ("Holdings"), each of the subsidiaries listed on Schedule I thereto (each such subsidiary individually, a "Subsidiary" and, collectively, the "Subsidiaries"; and each such Subsidiary and Holdings, individually, a "Guarantor" and, collectively, the "Guarantors"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as collateral agent (the "Collateral Agent") for the Secured Parties (as defined in the Security Agreement).

A. Reference is made to the Credit Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Semiconductor Components Industries, LLC, a Delaware limited liability company (the "Borrower"), Holdings, the lenders from time to time party thereto (the "Lenders"), The Chase Manhattan Bank, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., as co-documentation agents.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Guarantee Agreement and the Credit Agreement.

C. The Guarantors have entered into the Guarantee Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary Loan Party that was not in existence or not a Subsidiary Loan Party on the date of the Credit Agreement is required to enter into the Guarantee Agreement as a Guarantor upon becoming a Subsidiary Loan Party. Section 20 of the Guarantee Agreement provides that additional Subsidiaries may become Guarantors under the Guarantee Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Guarantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Guarantor under the Guarantee Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Collateral Agent and the New Guarantor agree as follows:

SECTION 1. In accordance with Section 20 of the Guarantee Agreement, the New Guarantor by its signature below becomes a Guarantor under the Guarantee Agreement with the same force and effect as if originally named therein as a Guarantor and the New Guarantor hereby (a) agrees to all the terms and provisions of the Guarantee Agreement applicable to it as a Guarantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Guarantor thereunder are true and correct on and as of the date hereof except to the extent a representation and warranty expressly relates solely to a specific date in which case such representation and warranty shall be true and correct on such date. Each reference to a "Guarantor" in the Guarantee Agreement shall be deemed to include the New Guarantor. The Guarantee Agreement is hereby incorporated herein by reference.

SECTION 2. The New Guarantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Guarantor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Supplement.

SECTION 4. Except as expressly supplemented hereby, the Guarantee Agreement shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guarantee Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision hereof in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 14 of the Guarantee Agreement. All communications and notices hereunder to the New Guarantor shall be given to it at the address set forth under its signature below, with a copy to the Borrower.

SECTION 8. The New Guarantor agrees to reimburse the Collateral Agent for its out-of-pocket expenses in connection with this Supplement, including the reasonable fees, disbursements and other charges of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Guarantor and the Collateral Agent have duly executed this Supplement to the Guarantee Agreement as of the day and year first above written.

[NAME OF NEW GUARANTOR],

By_____
Name:
Title:
Address:

THE CHASE MANHATTAN BANK, as Collateral Agent,

By_____
Name:
Title:

Exhibit D

INDEMNITY, SUBROGATION and CONTRIBUTION AGREEMENT dated as of August 4, 1999, among SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company (the "Borrower"), each subsidiary of SCG Holding Corporation, a Delaware corporation ("Holdings"), listed on Schedule I hereto (each such subsidiary individually, a "Subsidiary" and, each such Subsidiary and Holdings, individually, a "Guarantor" and, collectively, the "Guarantors") and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined in the Security Agreement).

Reference is made to (a) the Credit Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), Chase, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., as co-documentation agents, and (b) the Guarantee Agreement. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. The Guarantors have guaranteed the Obligations (as defined in the Guarantee Agreement) pursuant to the Guarantee Agreement; the Guarantors have granted Liens on and security interests in certain of their assets to secure such guarantees pursuant to (a) the Pledge Agreement and (b) the Security Agreement. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit are conditioned on, among other things, the execution and delivery by the Borrower and the Guarantors of an agreement in the form hereof.

Accordingly, the Borrower, each Guarantor and the Collateral Agent agree as follows:

SECTION 1. Indemnity and Subrogation. In addition to all such rights of indemnity and subrogation as the Guarantors may have under applicable law (but subject to Section 3), the Borrower agrees that (a) in the event a payment shall be made by any Guarantor under the Guarantee Agreement, the Borrower shall indemnify such Guarantor for the full amount of such payment and such Guarantor shall be subrogated to the rights of the Person to whom such payment shall have been made to the extent of such payment and (b) in the event any assets of any Guarantor shall be sold pursuant to any Security Document to satisfy a claim of any Secured Party, the Borrower shall indemnify such Guarantor in an amount equal to the greater of the book value or the fair market value of the assets so sold.

SECTION 2. Contribution and Subrogation. Each Guarantor (a "Contributing Guarantor") agrees (subject to Section 3) that, in the event a payment shall be made by any other

Guarantor under the Guarantee Agreement or assets of any other Guarantor shall be sold pursuant to any Security Document to satisfy a claim of any Secured Party and such other Guarantor (the "Claiming Guarantor") shall not have been fully indemnified by the Borrower as provided in Section 1, the Contributing Guarantor shall indemnify the Claiming Guarantor in an amount equal to the amount of such payment or the greater of the book value or the fair market value of such assets, as the case may be, in each case multiplied by a fraction of which the numerator shall be the net worth of the Contributing Guarantor on the date hereof and the denominator shall be the aggregate net worth of all the Guarantors on the date hereof (or, in the case of any Guarantor becoming a party hereto pursuant to Section 12, the date of the Supplement hereto executed and delivered by such Guarantor). Any Contributing Guarantor making any payment to a Claiming Guarantor pursuant to this Section 2 shall be subrogated to the rights of such Claiming Guarantor under Section 1 to the extent of such payment.

SECTION 3. Subordination. Notwithstanding any provision of this Agreement to the contrary, all rights of each of the Guarantors under Sections 1 and 2 and all other rights of each of the Guarantors in respect of indemnity, contribution or subrogation from any other Loan Party under applicable law or otherwise shall be fully subordinated to the indefeasible payment in full in cash of all Obligations which are then due and payable whether at maturity, by acceleration or otherwise. No failure on the part of the Borrower or any Guarantor to make the payments required by Sections 1 and 2 (or any other payments required under applicable law or otherwise) shall in any respect limit the obligations and liabilities of any Guarantor with respect to its obligations hereunder, and each Guarantor shall remain liable for the full amount of the obligations of such Guarantor hereunder.

SECTION 4. Termination. This Agreement shall survive and be in full force and effect so long as any Obligation is outstanding and has not been indefeasibly paid in full in cash, and so long as the LC Exposure has not been reduced to zero, the Issuing Bank is still obligated to issue Letters of Credit under the Credit Agreement and any of the Commitments under the Credit Agreement have not been terminated, and shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by any Secured Party or any Guarantor upon the bankruptcy or reorganization of the Borrower, any Guarantor or otherwise.

SECTION 5. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. No Waiver; Amendment. (a) No failure on the part of the Collateral Agent or any Guarantor to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Collateral Agent or any Guarantor preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law. None of the Collateral Agent and the Guarantors shall be deemed to have waived any rights hereunder unless such waiver shall be in writing and signed by such parties.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Borrower, the Guarantors and the

Collateral Agent, subject to any consent required in accordance with Section 9.02 of the Credit Agreement.

SECTION 7. Notices. All communications and notices hereunder shall be in writing and given as provided in the Guarantee Agreement and addressed as specified therein.

SECTION 8. Binding Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the parties that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns. Neither the Borrower nor any Guarantor may assign or transfer any of its rights or obligations hereunder (and any such attempted assignment or transfer shall be void) without the consent required in accordance with Section 9.02 of the Credit Agreement. Notwithstanding the foregoing, at the time any Guarantor is released from its obligations under the Guarantee Agreement in accordance with such Guarantee Agreement and the Credit Agreement, such Guarantor will cease to have any rights or obligations under this Agreement.

SECTION 9. Survival of Agreement; Severability. (a) All covenants and agreements made by the Borrower and each Guarantor herein and in the certificates or other instruments prepared or delivered in connection with this Agreement or the other Loan Documents shall be considered to have been relied upon by the Collateral Agent, the other Secured Parties and each Guarantor and shall survive the making by the Lenders of the Loans and the issuance of the Letters of Credit by the Issuing Bank and shall continue in full force and effect as long as the principal of or any accrued interest on any Loans or any other fee or amount payable under the Credit Agreement or this Agreement or under any of the other Loan Documents is outstanding and unpaid and as long as the Commitments have not been terminated or the LC Exposure does not equal zero.

(b) In case any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, no party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 10. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement shall be effective with respect to any Guarantor when a counterpart bearing the signature of such Guarantor shall have been delivered to the Collateral Agent. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 11. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement.

SECTION 12. Additional Guarantors. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary Loan Party that was not in existence or not a Subsidiary Loan Party on the date of the Credit Agreement is required to enter into the Guarantee Agreement as a Guarantor upon becoming a Subsidiary Loan Party. Upon execution and delivery, after the date hereof, by the Collateral Agent and such a Subsidiary of an instrument in the form of Annex 1 hereto, such Subsidiary shall become a Guarantor hereunder with the same force and effect as if originally named as a Guarantor hereunder. The execution and delivery of any instrument adding an additional Guarantor as a party to this Agreement shall not require the consent of any Guarantor hereunder. The rights and obligations of each Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Guarantor as a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first appearing above.

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC.,

By_____
Name: Jean-Jacques Morin
Title: Vice President

EACH OF THE OTHER SUBSIDIARIES LISTED ON SCHEDULE I HERETO, as a Guarantor,

By_____
Name: Jean-Jacques Morin
Title: Vice President

THE CHASE MANHATTAN BANK, as Collateral Agent,

By_____
Name:
Title:

Schedule I to the
Indemnity, Subrogation and
Contribution Agreement

GUARANTORS

Guarantor	Address
1.	
2.	
3.	
4.	
5.	
6.	

Annex 1 to the
Indemnity, Subrogation and
Contribution Agreement

SUPPLEMENT NO. [ ] dated as of [ ], to the Indemnity, Subrogation and Contribution Agreement dated as of August 4, 1999 (as the same may be amended, supplemented or otherwise modified from time to time, the "Indemnity, Subrogation and Contribution Agreement"), among SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company (the "Borrower"), each subsidiary of SCG Holding Corporation, a Delaware corporation ("Holdings"), listed on Schedule I thereto (each such subsidiary individually, a "Subsidiary" and, each such Subsidiary and Holdings, individually, a "Guarantor" and, collectively, the "Guarantors"), and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (the "Collateral Agent") for the Secured Parties (as defined in the Security Agreement).

A. Reference is made to (a) the Credit Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, SCG Holding Corporation, the lenders from time to time party thereto (the "Lenders"), Chase, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., as co-documentation agents, and (b) the Guarantee Agreement.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Indemnity, Subrogation and Contribution Agreement and the Credit Agreement.

C. The Borrower and the Guarantors have entered into the Indemnity, Subrogation and Contribution Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary Loan Party that was not in existence or not a Subsidiary Loan Party on the date of the Credit Agreement is required to enter into the Indemnity, Subrogation and Contribution Agreement as a Guarantor upon becoming a Subsidiary Loan Party. Section 12 of the Indemnity, Subrogation and Contribution Agreement provides that additional Subsidiaries may become Guarantors under the Indemnity, Subrogation and Contribution Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Guarantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Guarantor under the Indemnity, Subrogation and Contribution Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Collateral Agent and the New Guarantor agree as follows:

SECTION 1. In accordance with Section 12 of the Indemnity, Subrogation and Contribution Agreement, the New Guarantor by its signature below becomes a Guarantor under the Indemnity, Subrogation and Contribution Agreement with the same force and effect as if originally named therein as a Guarantor and the New Guarantor hereby agrees to all the terms and provisions of the Indemnity, Subrogation and Contribution Agreement applicable to it as a Guarantor thereunder. Each reference to a "Guarantor" in the Indemnity, Subrogation and Contribution Agreement shall be deemed to include the New Guarantor. The Indemnity, Subrogation and Contribution Agreement is hereby incorporated herein by reference.

SECTION 2. The New Guarantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Guarantor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Except as expressly supplemented hereby, the Indemnity, Subrogation and Contribution Agreement shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, neither party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein and in the Indemnity, Subrogation and Contribution Agreement shall not in any way be affected or impaired (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 7 of the Indemnity, Subrogation and Contribution Agreement. All communications and notices hereunder to the New Guarantor shall be given to it at the address set forth under its signature below, with a copy to the Borrower.

SECTION 8. The New Guarantor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Guarantor and the Collateral Agent have duly executed this Supplement to the Indemnity, Subrogation and Contribution Agreement as of the day and year first above written.

[NAME OF NEW GUARANTOR],

By_____
Name:
Title:
Address:

THE CHASE MANHATTAN BANK, as Collateral Agent,

By_____
Name:
Title:

Schedule I to Supplement No. [ ]
to the Indemnity, Subrogation and
Contribution Agreement

GUARANTOR

Name	Address

EXECUTION COPY

Exhibit E

PLEDGE AGREEMENT dated as of August 4, 1999, among SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company (the "Borrower"), SCG HOLDING CORPORATION, a Delaware corporation ("Holdings"), each subsidiary of Holdings listed on Schedule I hereto (each such subsidiary individually a "Subsidiary Pledgor" and collectively, the "Subsidiary Pledgors"; the Borrower, Holdings and the Subsidiary Pledgors are referred to herein individually as a "Pledgor" and collectively as the "Pledgors") and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (in such capacity, the "Collateral Agent ") for the Secured Parties (as defined in the Security Agreement).

Reference is made to (a) the Credit Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), Chase, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., as co-documentation agents, and (b) the Guarantee Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement") among Holdings, the Subsidiary Pledgors and the Collateral Agent. Capitalized terms used herein and not defined herein shall have meanings assigned to such terms in the Credit Agreement.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. The Pledgors have agreed to guarantee, among other things, all the obligations of the Borrower under the Credit Agreement. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit are conditioned upon, among other things, the execution and delivery by the Pledgors of a Pledge Agreement in the form hereof to secure (a) the due and punctual payment of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements made by the Issuing Bank with respect thereto, interest thereon and obligations to provide under certain circumstances, cash collateral in connection therewith and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Loan Parties to the Secured Parties under the Credit Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Loan Parties under or pursuant to the Credit Agreement and the other Loan Documents, (c) unless otherwise agreed to in writing by the applicable Lender party thereto, the due and punctual payment and performance of all obligations of the Borrower or any other Loan Party, monetary or otherwise, under each Hedging Agreement entered into with a counterparty that was a Lender (or an Affiliate of a Lender) at the time such Hedging Agreement was entered into and (d) the due and punctual payment and performance of all obligations in respect of overdrafts and related liabilities owed to the Administrative Agent or any of its Affiliates and arising from treasury, depositary and cash management services in connection with any automated clearing house transfers of funds (all the monetary and other obligations referred to in the preceding clauses (a) through (d) being referred to collectively as the "Obligations").

Accordingly, the Pledgors and the Collateral Agent, on behalf of itself and each Secured Party (and each of their respective successors or assigns), hereby agree as follows:

SECTION 1. Pledge. As security for the payment and performance, as the case may be, in full of the Obligations, each Pledgor hereby pledges and grants to the Collateral Agent, its successors and assigns, and hereby grants to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, a security interest in all of such Pledgor's right, title and interest in, to and under (a) the Equity Interests owned by it which are listed on Schedule II hereto and any Equity Interests obtained in the future by such Pledgor and the certificates representing all such Equity Interests (the "Pledged Interests"); provided that (i) the Pledged Interests shall not include more than 65% of the issued and outstanding voting stock of any Foreign Subsidiary, (ii) the Pledged Interests shall not include any Equity Interests in any Foreign Joint Venture Company to the extent that such a Pledge is prohibited by the constitutive documents of such Foreign Joint Venture Company or (iii) to the extent that applicable law requires that a Subsidiary of such Pledgor issue directors' qualifying shares, such qualifying shares; (b)(i) the debt securities owned by it which are listed opposite the name of such Pledgor on Schedule II hereto, (ii) any debt securities in the future issued to such Pledgor and (iii) the promissory notes and any other instruments evidencing such debt securities (the "Pledged Debt Securities"); (c) all other property that may be delivered to and held by the Collateral Agent pursuant to the terms hereof; (d) subject to Section 5, all payments of principal or interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed, in respect of, in exchange for or upon the conversion of the securities referred to in clauses (a) and (b) above; (e) subject to Section 5, all rights and privileges of such Pledgor with respect to the securities and other property referred to in clauses (a), (b), (c) and (d) above; and (f) all proceeds of any of the foregoing (the items referred to in clauses (a) through (f) above being collectively referred to as the "Collateral"). Upon delivery to the Collateral Agent, (a) any Pledged Interests, any Pledged Debt Securities or any stock certificates, notes or other securities now or hereafter included in the Collateral (the "Pledged Securities") shall be accompanied by stock powers duly executed in blank or other instruments of transfer satisfactory to the Collateral Agent and by such other instruments and documents as the Collateral Agent may reasonably request and (b) all other property comprising part of the Collateral shall be accompanied by proper instruments of assignment duly executed by the applicable Pledgor and such other instruments or documents as the Collateral Agent may reasonably request. Each delivery of Pledged Securities shall be accompanied by a schedule describing the securities theretofore and then being pledged hereunder, which schedule shall be attached hereto as Schedule II and made a part hereof. Each schedule so delivered shall supersede any prior schedules so delivered.

TO HAVE AND TO HOLD the Collateral, together with all right, title, interest, powers, privileges and preferences pertaining or incidental thereto, unto the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, forever; subject, however, to the terms, covenants and conditions hereinafter set forth.

SECTION 2. Delivery of the Collateral. (a) Each Pledgor agrees promptly to deliver or cause to be delivered to the Collateral Agent any and all Pledged Securities, and any and all certificates or other instruments or documents representing the Collateral.

(b) Each Pledgor will cause any Indebtedness for borrowed money owed to the Pledgor by any Person to be evidenced by a duly executed promissory note that is pledged and delivered to the Collateral Agent pursuant to the terms thereof.

SECTION 3. Representations, Warranties and Covenants. Each Pledgor hereby represents, warrants and covenants, as to itself and the Collateral pledged by it hereunder, to and with the Collateral Agent that:

(a) the Pledged Interests represent that percentage as set forth on Schedule II of the issued and outstanding shares of each class of the Equity Interests of the issuer with respect thereto;

(b) except for the security interest granted hereunder, such Pledgor (i) is and will at all times continue to be the direct owner, beneficially and of record, of the Pledged Securities indicated on Schedule II, (ii) holds the same free and clear of all Liens, (iii) will make no assignment, pledge, hypothecation or transfer of, or create or permit to exist any security interest in or other Lien on, the Collateral, other than pursuant hereto, and (iv) subject to Section 5, will cause any and all Collateral, whether for value paid by such Pledgor or otherwise, to be forthwith deposited with the Collateral Agent and pledged or assigned hereunder;

(c) such Pledgor (i) has the power and authority to pledge the Collateral in the manner hereby done or contemplated and (ii) will defend its title or interest thereto or therein against any and all Liens (other than the Lien created by this Agreement), however arising, of all Persons whomsoever;

(d) no consent of any other Person (including stockholders or creditors of any Pledgor) and no consent or approval of any Governmental Authority or any securities exchange was or is necessary to the validity of the pledge effected hereby;

(e) by virtue of the execution and delivery by the Pledgors of this Agreement, when the Pledged Securities, certificates or other documents representing or evidencing the Collateral are delivered to the Collateral Agent in accordance with this Agreement, the Collateral Agent will have a valid and perfected first lien upon and security interest in such Pledged Securities as security for the payment and performance of the Obligations;

(f) the pledge effected hereby is effective to vest in the Collateral Agent, on behalf of the Secured Parties, the rights of the Collateral Agent in the Collateral as set forth herein;

(g) all of the Pledged Interests have been duly authorized and validly issued and are fully paid and nonassessable;

(h) all information set forth herein relating to the Pledged Interests is accurate and complete in all material respects as of the date hereof; and

(i) the pledge of the Pledged Interests pursuant to this Agreement does not violate Regulation T, U or X of the Federal Reserve Board or any successor thereto as of the date hereof.

SECTION 4. Registration in Nominee Name; Denominations. The Collateral Agent, on behalf of the Secured Parties, shall have the right (in its sole and absolute discretion) to hold the Pledged Securities in its own name as pledgee, the name of its nominee (as pledgee or as subagent) or the name of the Pledgors, endorsed or assigned in blank or in favor of the Collateral Agent. Each Pledgor will promptly give to the Collateral Agent copies of any notices or other communications received by it with respect to Pledged Securities registered in the name of such Pledgor. The Collateral Agent shall at all times have the right to exchange the certificates representing Pledged Securities for certificates of smaller or larger denominations for any purpose consistent with this Agreement.

SECTION 5. Voting Rights; Dividends and Interest, etc. (a) Unless and until an Event of Default shall have occurred and be continuing:

(i) Each Pledgor shall be entitled to exercise any and all voting and/or other consensual rights and powers inuring to an owner of Pledged Securities or any part thereof for any purpose consistent with the terms of this Agreement, the Credit Agreement and the other Loan Documents; provided, however, that such Pledgor will not be entitled to exercise any such right if the result thereof could materially and adversely affect the rights inuring to a holder of the Pledged Securities or the rights and remedies of any of the Secured Parties under this Agreement or the Credit Agreement or any other Loan Document or the ability of the Secured Parties to exercise the same.

(ii) The Collateral Agent shall execute and deliver to each Pledgor, or cause to be executed and delivered to each Pledgor, all such proxies, powers of attorney and other instruments as such Pledgor may reasonably request for the purpose of enabling such Pledgor to exercise the voting and/or consensual rights and powers it is entitled to exercise pursuant to subparagraph (i) above and to receive the cash dividends it is entitled to receive pursuant to subparagraph (iii) below.

(iii) Each Pledgor shall be entitled to receive and retain any and all cash dividends, interest and principal paid on the Pledged Securities to the extent and only to the extent that such cash dividends, interest and principal are permitted by, and otherwise paid in accordance with, the terms and conditions of the Credit Agreement, the other Loan Documents and applicable laws. All noncash dividends, interest and principal, and all dividends, interest and principal paid or payable in cash or otherwise in connection with a partial or total liquidation or dissolution, return of capital, capital surplus or paid-in surplus, and all other distributions (other than distributions referred to in the preceding sentence) made on or in respect of the Pledged Securities, whether paid or payable in cash or otherwise, whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of the issuer of any Pledged Securities or received in exchange for Pledged Securities or any part thereof, or in redemption thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be and become part of the Collateral, and, if received by any Pledgor, shall not be commingled by such Pledgor with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Collateral Agent and shall be forthwith delivered to the Collateral Agent in the same form as so received (with any necessary endorsement).

(b) Upon the occurrence and during the continuance of an Event of Default, all rights of any Pledgor to dividends, interest or principal that such Pledgor is authorized to receive pursuant to paragraph (a)(iii) above shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall subject to the provisions of this paragraph (b) have the sole and exclusive right and authority to receive and retain such dividends, interest or principal. All dividends, interest or principal received by the Pledgor contrary to the provisions of this Section 5 shall be held in trust for the benefit of the Collateral Agent, shall be segregated from other property or funds of such Pledgor and shall be forthwith delivered to the Collateral Agent upon demand in the same form as so received (with any necessary endorsement). Any and all money and other property paid over to or received by the Collateral Agent pursuant to the provisions of this paragraph (b) shall be retained by the Collateral Agent in an account to be established by the Collateral Agent upon receipt of such money or other property and shall be applied in accordance with the provisions of Section 7. After all Events of Default have been cured or waived, the Collateral Agent shall promptly repay to each Pledgor all cash dividends, interest or principal (without interest), that such Pledgor would otherwise be permitted to retain pursuant to the terms of paragraph (a)(iii) above and which remain in such account.

(c) Upon the occurrence and during the continuance of an Event of Default, all rights of any Pledgor to exercise the voting and consensual rights and powers it is entitled to exercise pursuant to paragraph (a)(i) of this Section 5, and the obligations of the Collateral Agent under paragraph (a)(ii) of this Section 5, shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to exercise such voting and consensual rights and powers, provided that, unless otherwise directed by the Required Lenders, the Collateral Agent shall have the right from time to time following and during the continuance of an Event of Default to permit the Pledgors to exercise such rights. After all Events of Default have been cured or waived, each Pledgor will have the right to exercise the voting and consensual rights and powers that it would otherwise be entitled to exercise pursuant to the terms of paragraph (a)(i) above.

SECTION 6. Remedies upon Default. Upon the occurrence and during the continuance of an Event of Default, subject to applicable regulatory and legal requirements, the Collateral Agent may sell the Collateral, or any part thereof, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate. The Collateral Agent shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of any Pledgor, and, to the extent permitted by applicable law, the Pledgors hereby waive all rights of redemption, stay, valuation and appraisal any Pledgor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

The Collateral Agent shall give a Pledgor 10 days' prior written notice (which each Pledgor agrees is reasonable notice within the meaning of Section 9-504(3) of the Uniform Commercial Code as in effect in the State of New York or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of such Pledgor's Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid in full by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by applicable law, private) sale made pursuant to this Section 6, any Secured Party may bid for or purchase, free from any right of redemption, stay or appraisal on the part of any Pledgor (all said rights being also hereby waived and released), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any Obligation then due and payable to it from such Pledgor as a credit against the purchase price, and it may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to such Pledgor therefor. For purposes hereof, (a) a written agreement to purchase the Collateral or any

portion thereof shall be treated as a sale thereof, (b) the Collateral Agent shall be free to carry out such sale pursuant to such agreement and (c) such Pledgor shall not be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose upon the Collateral and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver.

SECTION 7. Application of Proceeds of Sale. The Collateral Agent shall apply the proceeds of any collection or sale of the Collateral, as well as any Collateral consisting of cash, as follows:

FIRST, to the payment of all costs and expenses incurred by the Administrative Agent or the Collateral Agent (in its capacity as such hereunder or under any other Loan Document) in connection with such collection or sale or otherwise in connection with this Agreement or any of the Obligations, including all court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Collateral Agent hereunder or under any other Loan Document on behalf of any Pledgor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Loan Document;

SECOND, to the payment in full of the Obligations (the amounts so applied to be distributed among the Secured Parties pro rata in accordance with the amounts of the Obligations owed to them on the date of any such distribution); and

THIRD, to the Pledgors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. Upon any sale of the Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the purchase money by the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

SECTION 8. Reimbursement of Collateral Agent. (a) Each Pledgor agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, other charges and disbursements of its counsel and of any experts or agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder or (iv) the failure by such Pledgor to perform or observe any of the provisions hereof.

(b) Without limitation of its indemnification obligations under the other Loan Documents, each Pledgor agrees to indemnify the Collateral Agent and the Indemnitees (as defined in Section 9.03 of the Credit Agreement) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, other charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of the other transactions contemplated thereby or (ii) any claim, litigation, investigation or

proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) Any amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section 8 shall remain operative and in full force and effect regardless of the termination of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Obligations, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document or any investigation made by or on behalf of the Collateral Agent or any other Secured Party. All amounts due under this Section 8 shall be payable on written demand therefor and shall bear interest at the rate specified in Section 2.13(c) of the Credit Agreement.

SECTION 9. Collateral Agent Appointed Attorney-in-Fact. Each Pledgor hereby appoints the Collateral Agent the attorney-in-fact of such Pledgor for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the Collateral Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Collateral Agent shall have the right, upon the occurrence and during the continuance of an Event of Default, with full power of substitution either in the Collateral Agent's name or in the name of such Pledgor, to ask for, demand, sue for, collect, receive and give acquittance for any and all moneys due or to become due under and by virtue of any Collateral, to endorse checks, drafts, orders and other instruments for the payment of money payable to the Pledgor representing any interest or dividend or other distribution payable in respect of the Collateral or any part thereof or on account thereof and to give full discharge for the same, to settle, compromise, prosecute or defend any action, claim or proceeding with respect thereto, and to sell, assign, endorse, pledge, transfer and to make any agreement respecting, or otherwise deal with, the same; provided, however, that nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby. The Collateral Agent and the other Secured Parties shall be accountable only for amounts actually received as a result of the exercise of the powers granted to them herein, and neither they nor their officers, directors, employees or agents shall be responsible to any Pledgor for any act or failure to act hereunder, except for their own gross negligence or wilful misconduct.

SECTION 10. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the other Secured Parties under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provisions of this Agreement or consent to any departure by any Pledgor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Pledgor in any case shall entitle such Pledgor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Collateral Agent and the Pledgor or Pledgors with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 9.02 of the Credit Agreement.

SECTION 11. Securities Act, etc. In view of the position of the Pledgors in relation to the Pledged Securities, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar statute hereafter enacted analogous in purpose or effect (such Act and any such similar statute as from time to time in effect being called the "Federal Securities Laws") with respect to any disposition of the Pledged Securities permitted hereunder. Each Pledgor understands that compliance with the Federal Securities Laws might very strictly limit the course of conduct of the Collateral Agent if the Collateral Agent were to attempt to dispose of all or any part of the Pledged Securities, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Securities could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Collateral Agent in any attempt to dispose of all or part of the Pledged Securities under applicable Blue Sky or other state securities laws or similar laws analogous in purpose or effect. Each Pledgor recognizes that in light of such restrictions and limitations the Collateral Agent may, with respect to any sale of the Pledged Securities, limit the purchasers to those who will agree, among other things, to acquire such Pledged Securities for their own account, for investment, and not with a view to the distribution or resale thereof. Each Pledgor acknowledges and agrees that in light of such restrictions and limitations, the Collateral Agent, in its sole and absolute discretion, (a) may proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Securities or part thereof shall have been filed under the Federal Securities Laws and (b) may approach and negotiate with a single potential purchaser to effect such sale, in either case in accordance with a valid exemption from registration under the Federal Securities Laws. Each Pledgor acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Collateral Agent shall incur no responsibility or liability for selling all or any part of the Pledged Securities at a price that the Collateral Agent, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section 11 will apply notwithstanding the existence of a public or private market upon which the quotations or sales prices may exceed substantially the price at which the Collateral Agent sells.

SECTION 12. Registration, etc. Each Pledgor agrees that, upon the occurrence and during the continuance of an Event of Default, if for any reason the Collateral Agent desires to sell any of the Pledged Securities at a public sale, it will, at any time and from time to time, upon the written request of the Collateral Agent, use its reasonable best efforts to take or to cause the issuer of such Pledged Securities to take such action and prepare, distribute and/or file such documents, as are required or advisable in the reasonable opinion of counsel for the Collateral Agent to permit the public sale of such Pledged Securities. Each Pledgor further agrees to indemnify, defend and hold harmless the Collateral Agent, each other Secured Party, any underwriter and their respective officers, directors, affiliates and controlling Persons from and against all loss, liability, expenses, costs of counsel (including, without limitation, reasonable fees and expenses to the Collateral Agent of legal counsel), and claims (including the costs of investigation) that they may incur insofar as such loss, liability, expense or claim arises out of or is based upon any alleged untrue statement of a material fact contained in any prospectus (or any amendment or supplement thereto) or in any notification or offering circular, or arises out of or is based upon any alleged omission to state a material fact required to be stated therein or necessary to make the statements in any thereof not misleading, except insofar as the same may have been caused by any untrue statement or omission based upon information furnished in writing to such Pledgor or the issuer of such Pledged Securities by the Collateral Agent or any other Secured Party expressly for use therein. Each Pledgor further agrees, upon such written request referred to above, to use its reasonable best efforts to qualify, file or register, or cause the issuer of such Pledged Securities to qualify, file or register, any of the Pledged Securities under the Blue Sky or other securities laws of such states as may be requested by the Collateral Agent and keep effective, or cause to be kept effective, all such qualifications, filings or registrations. Each Pledgor will bear all costs and expenses of carrying out its obligations under this Section 12.

Each Pledgor acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section 12 and that such failure would not be adequately compensable in damages, and therefore agrees that its agreements contained in this Section 12 may be specifically enforced.

SECTION 13. Security Interest Absolute. All rights of the Collateral Agent hereunder, the grant of a security interest in the Collateral and all obligations of each Pledgor hereunder, shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument relating to any of the foregoing, (c) any exchange, release or nonperfection of any other collateral, or any release or amendment or waiver of or consent to or departure from any guaranty, for all or any of the Obligations or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Pledgor in respect of the Obligations or in respect of this Agreement (other than the indefeasible payment in full of all the Obligations).

SECTION 14. Termination or Release. (a) This Agreement and the security interests granted hereby shall terminate when all the Obligations have been indefeasibly paid in full and the Lenders have no further commitment to lend under the Credit Agreement, the LC Exposure has been reduced to zero and the Issuing Bank has no further obligation to issue Letters of Credit under the Credit Agreement.

(b) Upon any sale or other transfer by any Pledgor of any Collateral that is permitted under the Credit Agreement to any Person that is not a Pledgor, or, upon the effectiveness of any written consent to the release of the security interest granted hereby in any Collateral pursuant to Section 9.02 of the Credit Agreement, the security interest in such Collateral shall be automatically released.

(c) In connection with any termination or release pursuant to paragraph (a) or (b) or Section 17, the Collateral Agent shall execute and deliver to any Pledgor, at such Pledgor's expense, all documents that such Pledgor shall reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Section 14 shall be without recourse to or warranty by the Collateral Agent.

SECTION 15. Notices. All communications and notices hereunder shall be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to any Subsidiary Pledgor shall be given to it at the address or telecopy number set forth on Schedule I, with a copy to the Borrower.

SECTION 16. Further Assurances. Each Pledgor agrees to do such further acts and things, and to execute and deliver such additional conveyances, assignments, agreements and instruments, as the Collateral Agent may at any time reasonably request in connection with the administration and enforcement of this Agreement or with respect to the Collateral or any part thereof or in order better to assure and confirm unto the Collateral Agent its rights and remedies hereunder.

SECTION 17. Binding Effect; Several Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Pledgor that are contained in this Agreement shall bind and inure to the benefit of its successors and assigns. This Agreement shall become effective as to any Pledgor when a counterpart hereof executed on behalf of such Pledgor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and

thereafter shall be binding upon such Pledgor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of such Pledgor, the Collateral Agent and the other Secured Parties, and their respective successors and assigns, except that no Pledgor shall have the right to assign its rights hereunder or any interest herein or in the Collateral (and any such attempted assignment shall be void), except as expressly contemplated by this Agreement or the other Loan Documents. In the event that a Pledgor ceases to be a Subsidiary pursuant to a transaction permitted under the Loan Documents, such Pledgor shall be released from its obligations under this Agreement without further action. This Agreement shall be construed as a separate agreement with respect to each Pledgor and may be amended, modified, supplemented, waived or released with respect to any Pledgor without the approval of any other Pledgor and without affecting the obligations of any other Pledgor hereunder.

SECTION 18. Survival of Agreement; Severability. (a) All covenants, agreements, representations and warranties made by each Pledgor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Collateral Agent and the other Secured Parties and shall survive the making by the Lenders of the Loans and the issuance of Letters of Credit by the Issuing Bank, regardless of any investigation made by the Secured Parties or on their behalf, and shall continue in full force and effect as long as any Obligation remains unpaid and as long as the Commitments have not been terminated or the LC Exposure does not equal zero.

(b) In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 19. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 20. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute a single contract, and shall become effective as provided in Section 17. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

SECTION 21. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement. Section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting this Agreement.

SECTION 22. Jurisdiction; Consent to Service of Process. (a) Each Pledgor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions

by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Collateral Agent or any other Secured Party may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Pledgor or its properties in the courts of any jurisdiction.

(b) Each Pledgor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 15. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 23. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 24. Additional Pledgors. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary Loan Party that was not in existence or not a Subsidiary Loan Party on the date of the Credit Agreement is required to enter into this Agreement as a Subsidiary Pledgor upon becoming a Subsidiary Loan Party. Upon execution and delivery by the Collateral Agent and a Subsidiary of an instrument in the form of Annex 1, such Subsidiary shall become a Subsidiary Pledgor hereunder with the same force and effect as if originally named as a Subsidiary Pledgor herein. The execution and delivery of such instrument shall not require the consent of any Pledgor hereunder. The rights and obligations of each Pledgor hereunder shall remain in full force and effect notwithstanding the addition of any new Subsidiary Pledgor as a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

By_____
Name: Jean-Jacques Morin
Title: Vice President

SCG HOLDING CORPORATION,

By_____
Name: Jean-Jacques Morin
Title: Vice President

EACH OF THE OTHER SUBSIDIARIES LISTED ON SCHEDULE I HERETO,

By_____
Name: Jean-Jacques Morin
Title: Vice President

THE CHASE MANHATTAN BANK, as Collateral Agent,

By_____
Name:
Title:

Schedule I to the
Pledge Agreement

SUBSIDIARY PLEDGORS

Name	Address
1.	
2.	
3.	
4.	
5.	
6.	

Schedule II to the
Pledge Agreement

CAPITAL STOCK OR OTHER EQUITY INTERESTS

Issuer	Number of Certificate	Registered Owner	Number and Class of Shares or Other Equity Interests	Percentage of Shares or Other Equity Interests

DEBT SECURITIES

Issuer	Amount	Principal Date of Note	Maturity Date

Annex 1 to the
Pledge Agreement

SUPPLEMENT NO. [ ] dated as of [ ], to the PLEDGE AGREEMENT dated as of August 4, 1999, among SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company (the "Borrower"), SCG HOLDING CORPORATION, a Delaware corporation ("Holdings"), and each subsidiary of Holdings listed on Schedule I thereto (each such subsidiary individually a "Subsidiary Pledgor" and collectively, the "Subsidiary Pledgors"; the Borrower, Holdings and the Subsidiary Pledgors are referred to herein individually as a "Pledgor" and collectively as the "Pledgors") and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined in the Security Agreement)

A. Reference is made to (a) the Credit Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), Chase, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., as co-documentation agents, and (b) the Guarantee Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement") among Holdings, the Subsidiary Pledgors and the Collateral Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Pledge Agreement and the Credit Agreement.

C. The Pledgors have entered into the Pledge Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary Loan Party that was not in existence or not a Subsidiary Loan Party on the date of the Credit Agreement is required to enter into the Pledge Agreement as a Subsidiary Pledgor upon becoming a Subsidiary Loan Party. Section 24 of the Pledge Agreement provides that such Subsidiaries may become Subsidiary Pledgors under the Pledge Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Pledgor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Subsidiary Pledgor under the Pledge Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Collateral Agent and the New Pledgor agree as follows:

SECTION 1. In accordance with Section 24 of the Pledge Agreement, the New Pledgor by its signature below becomes a Pledgor under the Pledge Agreement with the same force and effect as if originally named therein as a Pledgor and the New Pledgor hereby agrees (a) to all the terms and provisions of the Pledge Agreement applicable to it as a Pledgor thereunder and (b) represents and warrants that the representations and warranties made by it as a Pledgor there under are true and correct on and as of the date hereof except to the extent a representation and warranty expressly relates solely to a specific date in which case such representation and warranty shall be true and correct on such date. In furtherance of the foregoing, the New Pledgor, as security for the payment and performance in full of the Obligations (as defined in the Pledge Agreement), does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Pledgor's right, title and interest in and to the Collateral (as defined in the Pledge Agreement) of the New Pledgor. Each reference to a "Subsidiary Pledgor" or a "Pledgor" in the Pledge Agreement shall be deemed to include the New Pledgor. The Pledge Agreement is hereby incorporated herein by reference.

SECTION 2. The New Pledgor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it

and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counter parts of this Supplement that, when taken together, bear the signatures of the New Pledgor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Pledgor hereby represents and warrants that set forth on Schedule I attached hereto is a true and correct schedule of all its Pledged Securities.

SECTION 5. Except as expressly supplemented hereby, the Pledge Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, neither party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein and in the Pledge Agreement shall not in any way be affected or impaired (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 15 of the Pledge Agreement. All communications and notices hereunder to the New Pledgor shall be given to it at the address set forth under its signature hereto, below, with a copy to the Borrower.

SECTION 9. The New Pledgor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Pledgor and the Collateral Agent have duly executed this Supplement to the Pledge Agreement as of the day and year first above written.

[NAME OF NEW PLEDGOR],

By_____
Name:
Title:
Address:

THE CHASE MANHATTAN BANK, as Collateral Agent,

By_____
Name:
Title:

Schedule I to
Supplement No. [ ]
to the Pledge Agreement

Pledged Securities of the New Pledgor

CAPITAL STOCK OR OTHER EQUITY INTERESTS

Issuer	Number of Certificate	Registered Owner	Number and Class of Shares or Other Equity Interests	Percentage of Shares or Other Equity Interests

DEBT SECURITIES

Issuer	Amount	Principal Date of Note	Maturity Date

Exhibit F

SECURITY AGREEMENT dated as of August 4, 1999, among SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company (the "Borrower"), SCG HOLDING CORPORATION, a Delaware corporation ("Holdings"), each subsidiary of Holdings listed on Schedule I hereto (each such subsidiary individually a "Subsidiary" or a "Guarantor" and, collectively, the "Subsidiaries" or, with Holdings, the "Guarantors"; the Guarantors and the Borrower are referred to collectively herein as the "Grantors") and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined herein).

Reference is made to (a) the Credit Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), Chase, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., as co-documentation agents and (b) the Guarantee Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement"), among the Guarantors and the Collateral Agent.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Each of the Guarantors has agreed to guarantee, among other things, all the obligations of the Borrower under the Credit Agreement. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit are conditioned upon, among other things, the execution and delivery by the Grantors of an agreement in the form hereof to secure (a) the due and punctual payment of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements made by the Issuing Bank with respect thereto, interest thereon and obligations to provide, under certain circumstances, cash collateral in connection therewith and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Loan Parties to the Secured Parties under the Credit Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Loan Parties under or pursuant to the Credit Agreement and the other Loan Documents, (c) unless otherwise agreed to in writing by the applicable Lender party thereto, the

due and punctual payment and performance of all obligations of the Borrower or any other Loan Party, monetary or otherwise, under each Hedging Agreement entered into with a counterparty that was a Lender (or an Affiliate of a Lender) at the time such Hedging Agreement was entered into and (d) the due and punctual payment and performance of all obligations in respect of overdrafts and related liabilities owed to the Administrative Agent or any of its Affiliates and arising from treasury, depositary and cash management services in connection with any automated clearing house transfers of funds (all the monetary and other obligations described in the preceding clauses (a) through (d) being collectively called the "Obligations").

Accordingly, the Grantors and the Collateral Agent, on behalf of itself and each Secured Party (and each of their respective successors or assigns), hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Definition of Terms Used Herein. Unless the context otherwise requires, all capitalized terms used but not defined herein shall have the meanings set forth in the Credit Agreement.

SECTION 1.02. Definition of Certain Terms Used Herein. As used herein, the following terms shall have the following meanings:

"Account Debtor" shall mean any Person who is or who may become obligated to any Grantor under, with respect to or on account of an Account.

"Accounts" shall mean all "accounts" (as defined in the Uniform Commercial Code as in effect in the State of New York ("UCC")) of any Grantor and shall include any and all right, title and interest of any Grantor to payment for goods and services sold or leased, including any such right evidenced by chattel paper, whether due or to become due, whether or not it has been earned by performance, and whether now or hereafter acquired or arising in the future, including accounts receivable from Affiliates of the Grantors.

"Accounts Receivable" shall mean all Accounts and all right, title and interest in any returned goods, together with all rights, titles, securities and guarantees with respect thereto, including any rights to stoppage in transit, replevin, reclamation and resales, and all related security interests, liens and pledges, whether voluntary or involuntary, in each case whether now existing or owned or hereafter arising or acquired.

"Collateral" shall mean all (a) Accounts Receivable, (b) Documents, (c) Equipment, (d) General Intangibles, (e) Inventory, (f) cash and cash accounts, (g) Investment Property and (h) Proceeds.

"Commodity Account" shall mean an account maintained by a Commodity Intermediary in which a Commodity Contract is carried out for a Commodity Customer.

"Commodity Contract" shall mean a commodity futures contract, an option on a commodity futures contract, a commodity option or any other contract that, in each case, is (a) traded on or subject to the rules of a board of trade that has been designated as a contract market for such a contract pursuant to the federal commodities laws or (b) traded on a foreign commodity board of trade, exchange or market, and is carried on the books of a Commodity Intermediary for a Commodity Customer.

"Commodity Customer" shall mean a Person for whom a Commodity Intermediary carries a Commodity Contract on its books.

"Commodity Intermediary" shall mean (a) a Person who is registered as a futures commission merchant under the federal commodities laws or (b) a Person who in the ordinary course of its business provides clearance or settlement services for a board of trade that has been designated as a contract market pursuant to federal commodities laws.

"Copyright License" shall mean any written agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by any Grantor or which such Grantor otherwise has the right to license, or granting any right to such Grantor under any Copyright now or hereafter owned by any third party, and all rights of such Grantor under any such agreement.

"Copyrights" shall mean all of the following: (a) all copyright rights in any work subject to the copyright laws of the United States or any other country, whether as author, assignee, transferee or otherwise, and (b) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office, including those listed on Schedule II.

"Credit Agreement" shall have the meaning assigned to such term in the preliminary statement of this Agreement.

"Documents" shall mean all instruments, files, records, ledger sheets and documents covering or relating to any of the Collateral.

"Entitlement Holder" shall mean a Person identified in the records of a Securities Intermediary as the Person having a Security Entitlement against the Securities Intermediary. If a Person acquires a Security Entitlement by virtue of Section 8-501(b)(2) or (3) of the Uniform Commercial Code, such Person is the Entitlement Holder.

"Equipment" shall mean "equipment" (as defined in the UCC) of any Grantor and shall include all equipment, furniture and furnishings, and all tangible personal property similar to any of the foregoing, including tools, parts and supplies of every kind and description, and all improvements, accessions or appurtenances thereto, that are now or hereafter owned by any Grantor. The term Equipment shall include Fixtures.

"Financial Asset" shall mean (a) a Security, (b) an obligation of a Person or a share, participation or other interest in a Person or in property or an enterprise of a Person, which is, or is of a type, dealt with in or traded on financial markets, or which is recognized in any area in which it is issued or dealt in as a medium for investment or (c) any property that is held by a Securities Intermediary for another Person in a Securities Account if the Securities Intermediary has expressly agreed with the other Person that the property is to be treated as a Financial Asset under Article 8 of the Uniform Commercial Code. As the context requires, the term Financial Asset shall mean either the interest itself or the means by which a Person's claim to it is evidenced,

including a certificated or uncertificated Security, a certificate representing a Security or a Security Entitlement.

"Fixtures" shall mean all items of Equipment, whether now owned or hereafter acquired, of any Grantor that become so related to particular real estate that an interest in them arises under any real estate law applicable thereto.

"General Intangibles" shall mean all "general intangibles" (as defined in the UCC) of any Grantor and shall include choses in action and causes of action and all other assignable intangible personal property of any Grantor of every kind and nature (other than Accounts Receivable) now owned or hereafter acquired by any Grantor, including corporate or other business records, indemnification claims, contract rights (including rights under leases, whether entered into as lessor or lessee, Hedging Agreements and other agreements), Intellectual Property, goodwill, registrations, franchises, tax refund claims and any letter of credit, guarantee, claim, security interest or other security held by or granted to any Grantor to secure payment by an Account Debtor of any of the Accounts Receivable.

"Intellectual Property" shall mean all intellectual and similar property of any Grantor of every kind and nature now owned or hereafter acquired by any Grantor, including inventions, designs, Patents, Copyrights, Licenses, Trademarks, trade secrets, confidential or proprietary technical and business information, know-how, show-how or other data or information, software and databases and all embodiments or fixations thereof and related documentation, registrations and franchises, and all additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

"Inventory" shall mean "inventory" (as defined in the UCC) of any Grantor and shall include all goods of any Grantor, whether now owned or hereafter acquired, held for sale or lease, or furnished or to be furnished by any Grantor under contracts of service, or consumed in any Grantor's business, including raw materials, intermediates, work in process, packaging materials, finished goods, semi-finished inventory, scrap inventory, manufacturing supplies and spare parts, and all such goods that have been returned to or repossessed by or on behalf of any Grantor.

"Investment Property" shall mean all Securities (whether certificated or uncertificated), Security Entitlements, Securities Accounts, Commodity Contracts and Commodity Accounts of any Grantor, whether now owned or hereafter acquired by any Grantor.

"License" shall mean any Patent License, Trademark License, Copyright License or other license or sublicense to which any Grantor is a party, including those listed on Schedule III (other than those license agreements in existence on the date hereof and listed on Schedule III and those license agreements entered into after the date hereof, which by their terms prohibit assignment or a grant of a security interest by such Grantor as licensee thereunder).

"Obligations" shall have the meaning assigned to such term in the preliminary statement of this Agreement.

"Patent License" shall mean any written agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention on which a Patent, now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, is in existence, or

granting to any Grantor any right to make, use or sell any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of any Grantor under any such agreement.

"Patents" shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including those listed on Schedule IV, and (b) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.

"Perfection Certificate" shall mean a certificate substantially in the form of Annex 2 hereto, completed and supplemented with the schedules and attachments contemplated thereby, and duly executed by an executive officer or Financial Officer of Holdings.

"Proceeds" shall mean "proceeds" (as defined in the UCC) of any Grantor and shall include any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral and any payment received from any insurer or other Person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property which constitutes Collateral, and shall include , (a) any claim of any Grantor against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) (i) past, present or future infringement of any Patent now or hereafter owned by any Grantor, or licensed under a Patent License, (ii) past, present or future infringement or dilution of any Trademark now or hereafter owned by any Grantor or licensed under a Trademark License or injury to the goodwill associated with or symbolized by any Trademark now or hereafter owned by any Grantor, (iii) past, present or future breach of any License and (iv) past, present or future infringement of any Copyright now or hereafter owned by any Grantor or licensed under a Copyright License and (b) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Secured Parties" shall mean (a) the Lenders, (b) the Issuing Bank, (c) the Administrative Agent, (d) the Collateral Agent, (e) each counterparty to a Hedging Agreement entered into with the Borrower or any Loan Party if such counterparty was a Lender (or an Affiliate of a Lender) at the time the Hedging Agreement was entered into, (f) the beneficiaries of each indemnification obligation undertaken by any Grantor under any Loan Document and (g) the successors and assigns of each of the foregoing.

"Securities" shall mean any obligations of an issuer or any shares, participations or other interests in an issuer or in property or an enterprise of an issuer which (a) are represented by a certificate representing a security in bearer or registered form, or the transfer of which may be registered upon books maintained for that purpose by or on behalf of the issuer, (b) are one of a class or series or by its terms is divisible into a class or series of shares, participations, interests or obligations and (c)(i) are, or are of a type, dealt with or traded on securities exchanges or securities markets or (ii) are a medium for investment and by their terms expressly provide that they are a security governed by Article 8 of the Uniform Commercial Code.

"Securities Account" shall mean an account to which a Financial Asset is or may be credited in accordance with an agreement under which the Person maintaining the account undertakes to treat the Person for whom the account is maintained as entitled to exercise rights that comprise the Financial Asset.

"Security Entitlements" shall mean the rights and property interests of an Entitlement Holder with respect to a Financial Asset.

"Security Interest" shall have the meaning assigned to such term in Section 2.01.

"Security Intermediary" shall mean (a) a clearing corporation or (b) a Person, including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

"Trademark License" shall mean any written agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

"Trademarks" shall mean all of the following: (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office, any State of the United States or any similar offices in any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule V, (b) all goodwill associated therewith or symbolized thereby and (c) all other assets, rights and interests that uniquely reflect or embody such goodwill.

SECTION 1.03. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement.

ARTICLE II

Security Interest

SECTION 2.01. Security Interest. As security for the payment or performance, as the case may be, in full of the Obligations, each Grantor hereby bargains, sells, conveys, assigns, sets over, mortgages, pledges, hypothecates and transfers to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, and hereby grants to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, a security interest in, all of such Grantor's right, title and interest in, to and under the Collateral (the "Security Interest"). Without limiting the foregoing, the Collateral Agent is hereby authorized to file one or more financing statements (including fixture filings), continuation statements, filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office or any similar office in any other country) or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest granted by each Grantor, without the signature of any Grantors, and naming any Grantor or the Grantors as debtors and the Collateral Agent as secured party.

SECTION 2.02. No Assumption of Liability. The Security Interest is granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

ARTICLE III

Representations and Warranties

The Grantors jointly and severally represent and warrant to the Collateral Agent and the Secured Parties that:

SECTION 3.01. Title and Authority. Each Grantor has good and valid rights in and title to the Collateral with respect to which it has purported to grant a Security Interest hereunder and has full power and authority to grant to the Collateral Agent the Security Interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person other than any consent or approval which has been obtained.

SECTION 3.02. Filings. (a) The Perfection Certificate has been duly prepared, completed and executed and the information set forth therein is correct and complete in all material respects. Fully executed Uniform Commercial Code financing statements (including fixture filings, as applicable) or other appropriate filings, recordings or registrations containing a description of the Collateral have been delivered to the Collateral Agent for filing in each governmental, municipal or other office specified in Schedule 6 to the Perfection Certificate, which are all the filings, recordings and registrations (other than filings required to be made in the United States Patent and Trademark Office and the United States Copyright Office in order to perfect the Security Interest in Collateral consisting of United States Patents, Trademarks and Copyrights) that are necessary to publish notice of and protect the validity of and to establish a legal, valid and perfected security interest in favor of the Collateral Agent (for the ratable benefit

of the Secured Parties) in respect of all Collateral in which the Security Interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary in any such jurisdiction, except as provided under applicable law with respect to the filing of continuation statements.

(b) Each Grantor shall ensure that fully executed security agreements in the form hereof (or short-form supplements to this Agreement in form and substance satisfactory to the Collateral Agent) and containing a description of all Collateral consisting of Intellectual Property shall have been received and recorded within three months after the execution of this Agreement with respect to United States Patents and United States registered Trademarks (and Trademarks for which United States registration applications are pending) and within one month after the execution of this Agreement with respect to United States registered Copyrights have been delivered to the Collateral Agent for recording by the United States Patent and Trademark Office and the United States Copyright Office pursuant to 35 U.S.C. Section 261, 15 U.S.C. Section 1060 or 17 U.S.C. Section 205 and the regulations thereunder, as applicable, and otherwise as may be required pursuant to the laws of any other necessary jurisdiction in the United States (or any political subdivision thereof) and its territories and possessions, to protect the validity of and to establish a legal, valid and perfected security interest in favor of the Collateral Agent (for the ratable benefit of the Secured Parties) in respect of all Collateral consisting of Patents, Trademarks and Copyrights in which a security interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, or in any other necessary jurisdiction, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary in any such jurisdiction (other than such actions as are necessary to perfect the Security Interest with respect to any Collateral consisting of Patents, Trademarks and Copyrights (or registration or application for registration thereof) acquired or developed after the date hereof).

SECTION 3.03. Validity of Security Interest. The Security Interest constitutes (a) a legal and valid security interest in all the Collateral securing the payment and performance of the Obligations, (b) subject to the filings described in Section 3.02 above, a perfected security interest in all Collateral in which a security interest may be perfected by filing, recording or registering a financing statement or analogous document in the United States (or any political subdivision thereof) and its territories and possessions pursuant to the UCC or other analogous applicable law in such jurisdictions and (c) a security interest that shall be perfected in all Collateral in which a security interest may be perfected upon the receipt and recording of this Agreement with the United States Patent and Trademark Office and the United States Copyright Office, as applicable, within the three month period (commencing as of the date hereof) pursuant to 35 U.S.C. Section 261 or 15 U.S.C. Section 1060 or the one month period (commencing as of the date hereof) pursuant to 17 U.S.C. Section 205 and otherwise as may be required to pursuant to the laws of any other necessary jurisdiction in the United States (or any political subdivision thereof) and its territories and possessions. The Security Interest is and shall be prior to any other Lien on any of the Collateral, other than Liens expressly permitted pursuant to Section 6.02 of the Credit Agreement.

SECTION 3.04. Absence of Other Liens. The Collateral is owned by the Grantors free and clear of any Lien, except for Liens expressly permitted pursuant to Section 6.02 of the Credit Agreement. The Grantor has not filed or consented to the filing of (a) any financing statement or analogous document under the UCC or any other applicable laws covering any Collateral, (b) any assignment in which any Grantor assigns any Collateral or any security agreement or similar

instrument covering any Collateral with the United States Patent and Trademark Office or the United States Copyright Office or (c) any assignment in which any Grantor assigns any Collateral or any security agreement or similar instrument covering any Collateral with any foreign governmental, municipal or other office, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect, except, in each case, for Liens expressly permitted pursuant to Section 6.02 of the Credit Agreement.

ARTICLE IV

Covenants

SECTION 4.01. Records. Each Grantor agrees to maintain, at its own cost and expense, such complete and accurate records with respect to the Collateral owned by it as is consistent with its current practices, but in any event to include complete accounting records indicating all payments and proceeds received with respect to any part of the Collateral, and, at such time or times as the Collateral Agent may reasonably request, promptly to prepare and deliver to the Collateral Agent an updated Perfection Certificate, noting all material changes, if any, since the date of the most recent Perfection Certificate.

SECTION 4.02. Protection of Security. Each Grantor shall, at its own cost and expense, take any and all actions necessary to defend title to the Collateral against all Persons and to defend the Security Interest of the Collateral Agent in the Collateral and the priority thereof against any Lien not expressly permitted pursuant to Section 6.02 of the Credit Agreement.

SECTION 4.03. Further Assurances. Each Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Collateral Agent may from time to time request to better assure, preserve, protect and perfect the Security Interest and the rights and remedies created hereby, including the payment of any fees and taxes required in connection with the execution and delivery of this Agreement, the granting of the Security Interest and the filing of any financing statements (including fixture filings) or other documents in connection herewith or therewith. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be immediately pledged and delivered to the Collateral Agent, duly endorsed in a manner satisfactory to the Collateral Agent.

SECTION 4.04. Inspection and Verification. The Collateral Agent and such Persons as the Collateral Agent may reasonably designate shall have the right to inspect the Collateral, all records related thereto (and to make extracts and copies from such records) and the premises upon which any of the Collateral is located, at reasonable times and intervals during normal business hours upon reasonable advance notice to the respective Grantor and to verify under reasonable procedures the validity, amount, quality, quantity, value, condition and status of the Collateral. The Collateral Agent shall have the absolute right to share any information it gains from such inspection or verification with any Secured Party in accordance with and subject to the provisions set forth in Section 9.12 of the Credit Agreement.

SECTION 4.05. Taxes; Encumbrances. At its option, the Collateral Agent may discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances at any time levied or placed on the Collateral and not permitted pursuant to Section 6.02 of the Credit Agreement, and may pay for the maintenance and preservation of the Collateral, in each case to the extent any Grantor fails to do so as required by the Credit Agreement or this Agreement, and each Grantor jointly and severally agrees to reimburse the Collateral Agent on demand for any payment made or any expense incurred by the Collateral Agent pursuant to the foregoing authorization; provided, however, that nothing in this Section 4.06 shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Collateral Agent or any Secured Party to cure or perform, any covenants or other promises of any Grantor with respect to taxes, assessments, charges, fees, liens, security interests or other encumbrances and maintenance as set forth herein or in the other Loan Documents.

SECTION 4.06. Assignment of Security Interest. If at any time any Grantor shall take a security interest in any property of an Account Debtor or any other Person to secure payment and performance of an Account, such Grantor shall promptly assign such security interest to the Collateral Agent to the extent permitted by any contracts or arrangements to which such property is subject. Such assignment need not be filed of public record unless necessary to continue the perfected status of the security interest against creditors of and transferees from the Account Debtor or other Person granting the security interest.

SECTION 4.07. Continuing Obligations of the Grantors. Each Grantor shall remain liable to observe and perform all the conditions and obligations to be observed and performed by it under each contract, agreement or instrument relating to the Collateral, all in accordance with the terms and conditions thereof, and each Grantor jointly and severally agrees to indemnify and hold harmless the Collateral Agent and the Secured Parties from and against any and all liability for such performance.

SECTION 4.08. Use and Disposition of Collateral. None of the Grantors shall make or permit to be made an assignment, pledge or hypothecation of the Collateral or shall grant any other Lien in respect of the Collateral, except as expressly permitted by Section 6.02 of the Credit Agreement. None of the Grantors shall make or permit to be made any transfer of the Collateral and each Grantor shall remain at all times in possession of the Collateral owned by it, except that (a) Inventory may be sold in the ordinary course of business and (b) unless and until the Collateral Agent shall notify the Grantors that an Event of Default shall have occurred and be continuing and that during the continuance thereof the Grantors shall not sell, convey, lease, assign, transfer or otherwise dispose of any Collateral (which notice may be given by telephone if promptly confirmed in writing), the Grantors may use and dispose of the Collateral in any lawful manner not inconsistent with the provisions of this Agreement, the Credit Agreement or any other Loan Document. Without limiting the generality of the foregoing, each Grantor agrees that it shall not permit any material Inventory to be in the possession or control of any warehouseman, bailee, agent or processor at any time unless such warehouseman, bailee, agent or processor shall have been notified of the Security Interest and shall have agreed in writing to hold the Inventory subject to the Security Interest and the instructions of the Collateral Agent and to waive and release any Lien held by it with respect to such Inventory, whether arising by operation of law or otherwise.

SECTION 4.09. Limitation on Modification of Accounts. None of the Grantors will, without the Collateral Agent's prior written consent, grant any extension of the time of payment of any of the Accounts Receivable, compromise, compound or settle the same for less than the full

amount thereof, release, wholly or partly, any Person liable for the payment thereof or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, compromises or settlements granted or made in the ordinary course of business and consistent with its current practices.

SECTION 4.10. Insurance. The Grantors, at their own expense, shall maintain or cause to be maintained insurance covering physical loss or damage to the Inventory and Equipment in accordance with Section 5.07 of the Credit Agreement. Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, during the continuance of an Event of Default, of making, settling and adjusting claims in respect of Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required hereby or to pay any premium in whole or part relating thereto, the Collateral Agent may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Collateral Agent deems advisable. All sums disbursed by the Collateral Agent in connection with this Section 4.11, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, upon demand, by the Grantors to the Collateral Agent and shall be additional Obligations secured hereby.

SECTION 4.11. Legend. If any Accounts Receivable of any Grantor are evidenced by chattel paper, such Grantor shall legend, in form and manner satisfactory to the Collateral Agent, such Accounts Receivable and its books, records and documents evidencing or pertaining thereto with an appropriate reference to the fact that such Accounts Receivable have been assigned to the Collateral Agent for the benefit of the Secured Parties and that the Collateral Agent has a security interest therein.

SECTION 4.12. Covenants Regarding Patent, Trademark and Copyright Collateral. (a) Each Grantor agrees that it will not, nor will it permit any of its licensees to, do any act, or omit to do any act, whereby any Patent which is material to the conduct of such Grantor's business may become invalidated or dedicated to the public, and agrees that it shall continue to mark any products covered by a Patent with the relevant patent number as necessary and sufficient to establish and preserve its maximum rights under applicable patent laws pursuant to which each such Patent is issued.

(b) Each Grantor (either itself or through its licensees or its sublicensees) will, for each Trademark material to the conduct of such Grantor's business, (i) maintain such Trademark in full force free from any claim of abandonment or invalidity for non-use, (ii) maintain the quality of products and services offered under such Trademark sufficient to preclude any findings of abandonment, (iii) display such Trademark with notice of Federal or foreign registration to the extent necessary and sufficient to establish and preserve its maximum rights under applicable law pursuant to which each such Trademark is issued and (iv) not knowingly use or knowingly permit the use of such Trademark in violation of any third party rights.

(c) Each Grantor (either itself or through licensees) will, for each work covered by a material Copyright, continue to publish, reproduce, display, adopt and distribute the work with appropriate copyright notice as necessary and sufficient to establish and preserve its maximum rights under applicable copyright laws pursuant to which each such Copyright is issued.

(d) Each Grantor shall notify the Collateral Agent immediately if it knows or has reason to know that any Patent, Trademark or Copyright material to the conduct of its business may become abandoned, lost or dedicated to the public, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, United States Copyright Office or any court or similar office of any country) regarding such Grantor's ownership of any Patent, Trademark or Copyright, its right to register the same, or to keep and maintain the same.

(e) In no event shall any Grantor, either itself or through any agent, employee, licensee or designee, file an application for any Patent, Trademark or Copyright (or for the registration of any Trademark or Copyright) with the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, unless it promptly informs the Collateral Agent, and, upon request of the Collateral Agent, executes and delivers any and all agreements, instruments, documents and papers as the Collateral Agent may request to evidence and perfect the Collateral Agent's security interest in such Patent, Trademark or Copyright, and each Grantor hereby appoints the Collateral Agent as its attorney-in-fact to execute and file such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable.

(f) Each Grantor will take all necessary steps that are consistent with the practice in any proceeding before the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, to maintain and pursue each material application relating to the Patents, Trademarks and/or Copyrights (and to obtain the relevant grant or registration) and to maintain each issued Patent and each registration of the Trademarks and Copyrights that is material to the conduct of any Grantor's business, including timely filings of applications for renewal, affidavits of use, affidavits of incontestability and payment of maintenance fees, and, if consistent with good business judgment, to initiate opposition, interference and cancellation proceedings against third parties.

(g) In the event that any Grantor has reason to believe that any Collateral consisting of a Patent, Trademark or Copyright material to the conduct of any Grantor's business has been or is about to be infringed, misappropriated or diluted by a third party, such Grantor promptly shall notify the Collateral Agent and shall, if consistent with good business judgment, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as are appropriate under the circumstances to protect such Collateral.

(h) Upon and during the continuance of an Event of Default, each Grantor shall use its best efforts to obtain all requisite consents or approvals from the licensor of each Copyright License, Patent License or Trademark License to effect the assignment of all of such Grantor's right, title and interest thereunder to the Collateral Agent or its designee.

ARTICLE V

Power of Attorney

Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent and attorney-in-fact, and in such capacity the Collateral Agent shall have the right, with power of substitution for each Grantor and in each Grantor's name or otherwise, for the use and benefit of the Collateral Agent and the Secured Parties, upon the occurrence and during the continuance of an Event of Default (a) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the Collateral; (c) to sign the name of any Grantor on any invoice or bill of lading relating to any of the Collateral; (d) to send verifications of Accounts Receivable to any Account Debtor; (e) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral; (f) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Collateral; (g) to notify, or to require any Grantor to notify, Account Debtors to make payment directly to the Collateral Agent; and (h) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things necessary to carry out the purposes of this Agreement, as fully and completely as though the Collateral Agent were the absolute owner of the Collateral for all purposes; provided, however, that nothing herein contained shall be construed as requiring or obligating the Collateral Agent or any Secured Party to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent or any Secured Party, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken or omitted to be taken by the Collateral Agent or any Secured Party with respect to the Collateral or any part thereof shall give rise to any defense, counterclaim or offset in favor of any Grantor or to any claim or action against the Collateral Agent or any Secured Party. It is understood and agreed that the appointment of the Collateral Agent as the agent and attorney-in-fact of the Grantors for the purposes set forth above is coupled with an interest and is irrevocable. The provisions of this Section shall in no event relieve any Grantor of any of its obligations hereunder or under any other Loan Document with respect to the Collateral or any part thereof or impose any obligation on the Collateral Agent or any Secured Party to proceed in any particular manner with respect to the Collateral or any part thereof, or in any way limit the exercise by the Collateral Agent or any Secured Party of any other or further right which it may have on the date of this Agreement or hereafter, whether hereunder, under any other Loan Document, by law or otherwise.

ARTICLE VI

Remedies

SECTION 6.01. Remedies upon Default. Upon the occurrence and during the continuance of an Event of Default, each Grantor agrees to deliver each item of Collateral to the Collateral Agent on demand, and it is agreed that the Collateral Agent shall have the right to take any of or all the following actions at the same or different times: (a) with respect to any Collateral consisting of Intellectual Property, on demand, to cause the Security Interest to become an assignment, transfer and conveyance of any of or all such Collateral by the applicable Grantors to the Collateral Agent (except to the extent assignment, transfer or conveyance thereof would result in a loss of said Intellectual Property), or to license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any such Collateral throughout the world on such terms and conditions and in such manner as the Collateral Agent shall determine (other than in violation of any then-existing licensing arrangements to the extent that waivers cannot be obtained), and (b) with or without legal process and with or without prior notice or demand for performance, to take possession of the Collateral and without liability for trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral and, generally, to exercise any and all rights afforded to a secured party under the UCC or other applicable law. Without limiting the generality of the foregoing, each Grantor agrees that the Collateral Agent shall have the right, subject to the mandatory requirements of applicable law, to sell or otherwise dispose of all or any part of the Collateral, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate. The Collateral Agent shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal which such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

The Collateral Agent shall give the Grantors 10 days' written notice (which each Grantor agrees is reasonable notice within the meaning of Section 9-504(3) of the Uniform Commercial Code as in effect in the State of New York or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral

Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by law, private) sale made pursuant to this Section, any Secured Party may bid for or purchase, free (to the extent permitted by law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released to the extent permitted by law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any Obligation then due and payable to such Secured Party from any Grantor as a credit against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes hereof a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and no Grantor shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver.

SECTION 6.02. Application of Proceeds. The Collateral Agent shall apply the proceeds of any collection or sale of the Collateral, as well as any Collateral consisting of cash, as follows:

FIRST, to the payment of all costs and expenses incurred by the Administrative Agent or the Collateral Agent (in its capacity as such hereunder or under any other Loan Document) in connection with such collection or sale or otherwise in connection with this Agreement or any of the Obligations, including all court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Collateral Agent hereunder or under any other Loan Document on behalf of any Grantor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Loan Document;

SECOND, to the payment in full of the Obligations (the amounts so applied to be distributed among the Secured Parties pro rata in accordance with the amounts of the Obligations owed to them on the date of any such distribution); and

THIRD, to the Grantors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. Upon any sale of the Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Collateral Agent or of the officer making the sale

shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

SECTION 6.03. Grant of License to Use Intellectual Property. For the purpose of enabling the Collateral Agent to exercise rights and remedies under this Article at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the Collateral Agent an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Grantors) to use, license or sub-license any of the Collateral consisting of Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof. The use of such license by the Collateral Agent shall be exercised, at the option of the Collateral Agent, upon the occurrence and during the continuation of an Event of Default; provided that any license, sub-license or other transaction entered into by the Collateral Agent in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default.

ARTICLE VII

Miscellaneous

SECTION 7.01. Notices. All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to any Guarantor shall be given to it at its address or telecopy number set forth on Schedule I, with a copy to the Borrower.

SECTION 7.02. Security Interest Absolute. All rights of the Collateral Agent hereunder, the Security Interest and all obligations of the Grantors hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument, (c) any exchange, release or non-perfection of any Lien on other collateral, or any release or amendment or waiver of or consent under or departure from any guarantee, securing or guaranteeing all or any of the Obligations, or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Obligations or this Agreement.

SECTION 7.03. Survival of Agreement. All covenants, agreements, representations and warranties made by any Grantor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Secured Parties and shall survive the making by the Lenders of the Loans and the issuance of Letters of Credit by the Issuing Bank, and the execution and delivery to the Lenders of

any notes evidencing such Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect until this Agreement shall terminate.

SECTION 7.04. Binding Effect; Several Agreement. This Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Grantor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of such Grantor, the Collateral Agent and the other Secured Parties and their respective successors and assigns, except that no Grantor shall have the right to assign or transfer its rights or obligations hereunder or any interest herein or in the Collateral (and any such assignment or transfer shall be void) except as expressly contemplated by this Agreement or the other Loan Documents. This Agreement shall be construed as a separate agreement with respect to each Grantor and may be amended, modified, supplemented, waived or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

SECTION 7.05. Successors and Assigns. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Grantor or the Collateral Agent that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

SECTION 7.06. Collateral Agent's Fees and Expenses; Indemnification. (a) Each Grantor jointly and severally agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, disbursements and other charges of its counsel and of any experts or agents, which the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from or other realization upon any of the Collateral, (iii) the exercise, enforcement or protection of any of the rights of the Collateral Agent hereunder or (iv) the failure of any Grantor to perform or observe any of the provisions hereof applicable to it.

(b) Without limitation of its indemnification obligations under the other Loan Documents, each Grantor jointly and severally agrees to indemnify the Collateral Agent and the other Indemnitees against, and hold each of them harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable fees, disbursements and other charges of counsel, incurred by or asserted against any of them arising out of, in any way connected with, or as a result of, the execution, delivery or performance of this Agreement or any claim, litigation, investigation or proceeding relating hereto or to the Collateral, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) Any such amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section 7.06 shall remain operative and in full force and effect regardless of the termination of this Agreement or any other Loan Document, the consummation of the transactions contemplated hereby, the repayment

of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Collateral Agent or any Lender. All amounts due under this Section 7.06 shall be payable on written demand therefor.

SECTION 7.07. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 7.08. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the Collateral Agent, the Administrative Agent, the Issuing Bank and the Lenders under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provisions of this Agreement or any other Loan Document or consent to any departure by any Grantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Grantor in any case shall entitle such Grantor or any other Grantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Collateral Agent and the Grantor or Grantors with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 9.02 of the Credit Agreement.

SECTION 7.09. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.09.

SECTION 7.10. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract (subject to Section 7.04), and shall become effective as provided in Section 7.04. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 7.12. Headings. Article and Section headings used herein are for the purpose of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 7.13. Jurisdiction; Consent to Service of Process. (a) Each Grantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Collateral Agent, the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Grantor or its properties in the courts of any jurisdiction.

(b) Each Grantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 7.01. Nothing in this Agreement will affected the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 7.14. Termination. This Agreement and the Security Interest shall terminate when all the Obligations have been indefeasibly paid in full and the Lenders have no further commitment to lend under the Credit Agreement, the LC Exposure has been reduced to zero and the Issuing Bank has no further obligation to issue Letters of Credit under the Credit Agreement, at which time the Collateral Agent shall execute and deliver to the Grantors, at the Grantors' expense, all Uniform Commercial Code termination statements and similar documents which the Grantors shall reasonably request to evidence such termination. Any execution and delivery of termination statements or documents pursuant to this Section 7.14 shall be without recourse to or warranty by the Collateral Agent. A Grantor shall automatically be released from its obligations hereunder and the Security Interest in the Collateral of such Grantor shall be automatically released in the event that such Grantor ceases to be a Subsidiary pursuant to a transaction

permitted under the Loan Documents, at which time the Collateral Agent shall execute and deliver to any Grantor, at such Grantor's expense, all documents that such Grantor shall reasonably request to evidence such release.

SECTION 7.15. Additional Grantors. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary Loan Party that was not in existence or not a Subsidiary Loan Party on the date of the Credit Agreement is required to enter in to this Agreement as a Grantor upon becoming a Subsidiary Loan Party. Upon execution and delivery by the Collateral Agent and a Subsidiary of an instrument in the form of Annex 3 hereto, such Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein. The execution and delivery of any such instrument shall not require the consent of any Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

By_____
Name: Jean-Jacques Morin
Title: Vice President

SCG HOLDING CORPORATION,

By_____
Name: Jean-Jacques Morin
Title: Vice President

EACH OF THE OTHER GUARANTORS LISTED ON SCHEDULE I HERETO,

By_____
Name: Jean-Jacques Morin
Title: Vice President

THE CHASE MANHATTAN BANK, as Collateral Agent,

By_____
Name:
Title:

Schedule I to the
Security Agreement

GUARANTORS

Guarantors	Address
1.	
2.	
3.	
4.	
5.	
6.	

Schedule II to the
Security Agreement

COPYRIGHTS

Schedule III to the
Security Agreement

LICENSES

Schedule IV to the
Security Agreement

PATENTS

Schedule V to the
Security Agreement

TRADEMARKS

Annex 2 to the
Security Agreement

[Form of]

PERFECTION CERTIFICATE

Reference is made to (a) the Credit Agreement, dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among SCG HOLDING CORPORATION ("Holdings"), SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC (the "Borrower"), the lenders from time to time party thereto (the "Lenders"), THE CHASE MANHATTAN BANK, as administrative agent (in such capacity, the "Administrative Agent") and as collateral agent (in such capacity, the "Collateral Agent"), and CREDIT LYONNAIS NEW YORK BRANCH, DLJ CAPITAL FUNDING, INC. and LEHMAN COMMERCIAL PAPER INC., as co-documentation agents (in such capacity, the "Documentation Agents" and, together with the Administrative Agent and the Collateral Agent, the "Agents") and (b) the Security Agreement, dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Security Agreement") among the Grantors and the Collateral Agent. Capitalized terms used herein but not defined herein having the respective meanings set forth in the Credit Agreement and the Security Agreement.

The undersigned, a Financial Officer of Holdings, hereby certify to the Agents and each other Secured Party as follows:

1. Names. (a) The exact corporate name of each Grantor, as such name appears in its respective certificate of incorporation, is as follows:

(b) Set forth below is each other corporate name each Grantor has had in the past five years, together with the date of the relevant change:

(c) Except as set forth in Schedule 1 hereto, no Grantor has changed its identity or corporate structure in any way within the past five years. Changes in identity or corporate structure would include mergers, consolidations and acquisitions, as well as any change in the form, nature or jurisdiction of corporate organization. If any such change has occurred, include in Schedule 1 the information required by Sections 1 and 2 of this certificate as to each acquiree or constituent party to a merger or consolidation.

(d) The following is a list of all other names (including trade names or similar appellations) used by each Grantor or any of its divisions or other business units in connection with the conduct of its business or the ownership of its properties at any time during the past five years:

(e) Set forth below is the Federal Taxpayer Identification Number of each Grantor:

2. Current Locations. (a) The chief executive office of each Grantor is located at the address set forth opposite its name below:

Grantor	Mailing Address	County	State

(b) Set forth below opposite the name of each Grantor are all locations where such Grantor maintains any books or records relating to any Accounts Receivable (with each location at which chattel paper, if any, is kept being indicated by an "*"):

Grantor	Mailing Address	County	State

(c) Set forth below opposite the name of each Grantor are all the places of business of such Grantor not identified in paragraph (a) or (b) above:

Grantor	Mailing Address	County	State

(d) Set forth below opposite the name of each Grantor are all the locations where such Grantor maintains any Collateral not identified above:

Grantor	Mailing Address	County	State

(e) Set forth below opposite the name of each Grantor are the names and addresses of all Persons other than such Grantor that have possession of any of the Collateral of such Grantor:

Grantor	Mailing Address	County	State

3. Unusual Transactions. All Accounts Receivable have been originated by the Grantors and all Inventory has been acquired by the Grantors in the ordinary course of business.

4. UCC Filings. Duly signed financing statements on Form UCC-1 in substantially the form of Schedule 4 hereto have been prepared for filing in the Uniform Commercial Code filing office in each jurisdiction where a Grantor has Collateral as identified in Section 2 hereof.

5. Schedule of Filings. Attached hereto as Schedule 5 is a schedule setting forth, with respect to the filings described in Section 4 above, each filing and the filing office in which such filing is to be made.

6. Filing Fees. All filing fees and taxes payable in connection with the filings described in Section 4 above have been paid or provided for.

7. Stock Ownership. Attached hereto as Schedule 7 is a true and correct list of all the duly authorized, issued and outstanding Equity Interests of each Subsidiary (including the Borrower) and the record and beneficial owners of such Equity Interests. Also set forth on Schedule 7 is each Equity Interest of Holdings and each Subsidiary (including the Borrower) that represents 50% or less of the equity of the entity in which such investment was made.

8. Notes. Attached hereto as Schedule 8 is a true and correct list of all notes held by Holdings and each Subsidiary (including the Borrower) and all intercompany notes between Holdings and each Subsidiary (including the Borrower) and between each Subsidiary (including the Borrower) and each other such Subsidiary (including the Borrower).

9. Advances. Attached hereto as Schedule 9 is (a) a true and correct list of all advances made by Holdings to any Subsidiary (including the Borrower) or made by any Subsidiary (including the Borrower) to Holdings or to any other Subsidiary (including the Borrower), which advances will be on and after the date hereof evidenced by one or more intercompany notes pledged to the Collateral Agent under the Pledge Agreement and (b) a true and correct list of all unpaid intercompany transfers of goods sold and delivered by or to Holdings or any Subsidiary (including the Borrower).

10. Mortgage Filings. Attached hereto as Schedule 10 is a schedule setting forth, with respect to each Mortgaged Property, (i) the exact corporate name of the entity that owns such property as such name appears in its certificate of formation, (ii) if different from the name identified pursuant to clause (i), the exact name of the current record owner of such property reflected in the records of the filing office for such property identified pursuant to the following clause and (iii) the filing office in which a Mortgage with respect to such property must be filed or recorded in order for the Collateral Agent to obtain a perfected security interest therein.

IN WITNESS WHEREOF, the undersigned have duly executed this certificate on this [ ]th day of [ ].

SCG HOLDING CORPORATION,

by

Name:
Title: [Financial Officer]

Annex 3 to the
Security Agreement

SUPPLEMENT NO. [ ] dated as of [ ], to the Security Agreement dated as of August 4, 1999, among SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company (the "Borrower"), SCG HOLDING CORPORATION, a Delaware corporation ("Holdings"), each subsidiary of Holdings listed on Schedule I thereto (each such subsidiary individually a "Subsidiary" or a "Guarantor" and, collectively, the "Subsidiaries" or, with Holdings, the "Guarantors"; the Guarantors and the Borrower are referred to collectively herein as the "Grantors") and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined therein).

A. Reference is made to (a) the Credit Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), Chase, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., as co-documentation agents, and (b) the Guarantee Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement"), among the Guarantors and the Collateral Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement and the Credit Agreement.

C. The Grantors have entered into the Security Agreement in order to induce the Lenders to make Loans and the Issuing Bank to issue Letters of Credit. Pursuant to Section 5.12 of the Credit Agreement, each Subsidiary Loan Party that was not in existence or not a Subsidiary Loan Party on the date of the Credit Agreement is required to enter in to this Agreement as a Grantor upon becoming a Subsidiary Loan Party. Section 7.15 of the Security Agreement provides that such Subsidiaries may become Grantors under the Security Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Grantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Grantor under the Security Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Collateral Agent and the New Grantor agree as follows:

SECTION 1. In accordance with Section 7.15 of the Security Agreement, the New Grantor by its signature below becomes a Grantor under the Security Agreement with the same force and effect as if originally named therein as a Grantor and the New Grantor hereby (a) agrees to all the terms and provisions of the Security Agreement applicable to it as a Grantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Grantor thereunder are true and correct on and as of the date hereof except to the extent a representation and warranty expressly relates solely to a specific date in which case such representation and warranty shall be true and correct on such date. In furtherance of the foregoing, the New Grantor, as security for the payment and performance in full of the Obligations (as defined in the Security Agreement), does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Grantor's right, title and interest in and to the Collateral of the New Grantor. Each reference to a "Grantor" in the Security Agreement shall be deemed to include the New Grantor. The Security Agreement is hereby incorporated herein by reference.

SECTION 2. The New Grantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Grantor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Grantor hereby represents and warrants that (a) set forth on Schedule I attached hereto is a true and correct schedule of the location of any and all Collateral of the New Grantor and (b) set forth under its signature hereto, is the true and correct location of the chief executive office of the New Grantor.

SECTION 5. Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 7.01 of the Security Agreement. All communications and notices hereunder to

the New Grantor shall be given to it at the address set forth under its signature below, with a copy to the Borrower.

SECTION 9. The New Grantor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Grantor and the Collateral Agent have duly executed this Supplement to the Security Agreement as of the day and year first above written.

[NAME OF NEW GRANTOR],

By_____
Name:
Title:
Address:

THE CHASE MANHATTAN BANK, as
Collateral Agent,

By_____
Name:
Title:

Schedule I
to Supplement No. [ ]
to the Security Agreement

LOCATION OF COLLATERAL

Description	Location

Exhibit G

COLLATERAL ASSIGNMENT dated as of August 4, 1999, between SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company (the "Borrower"), and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties.

Reference is made to the Credit Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, Holdings, the lenders from time to time party thereto (the "Lenders"), Chase, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., as co-documentation agents.

All capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Lenders have agreed to make Loans to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit for the account of the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Each of the Guarantors has agreed to guarantee, among other things, all the obligations of the Borrower under the Credit Agreement. The obligations of the Lenders to make Loans and the Issuing Bank to issue Letters of Credit are conditioned upon, among other things, the execution and delivery by the Borrower of an agreement in the form hereof to secure (a) the due and punctual payment of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements made by the Issuing Bank with respect thereto, interest thereon and obligations to provide, under certain circumstances, cash collateral and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Loan Parties to the Secured Parties under the Credit Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Loan Parties under or pursuant to the Credit Agreement and the other Loan Documents, (c) unless otherwise agreed to in writing by the applicable Lender party thereto, the due and punctual payment and performance of all obligations of the Borrower or any other Loan Party, monetary or otherwise, under each Hedging Agreement entered into with a counterparty that was a Lender (or an Affiliate of a Lender) at the time such Hedging Agreement was entered into and (d) the due and punctual payment and performance of all obligations in respect of overdrafts and related liabilities owed to the Administrative Agent or any of its Affiliates and arising from treasury, depositary and cash management services in connection with any automated clearing house transfers of funds (all the

monetary and other obligations described in the preceding clauses (a) through (d) being collectively called the "Obligations").

Accordingly, the Borrower and the Collateral Agent, on behalf of itself and each Secured Party (and each of their respective successors or assigns), hereby agree as follows:

SECTION 1. Collateral Assignment. As collateral security for the Obligations, the Borrower hereby assigns to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, and hereby grants to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties a security interest in, all of the Borrower's right, title and interest in, to and under the following contracts and instruments, as the same may be modified, amended or supplemented from time to time:

(a) the Transition Agreements; and

(b) such other contracts and instruments of the Borrower as the Collateral Agent shall designate from time to time to the Borrower in writing unless such assignment is prohibited (i) by the terms thereof, and the Borrower cannot reasonably obtain a waiver or an amendment of such prohibition or (ii) by applicable law.

The contracts and instruments listed in clauses (a) and (b), as amended and in effect from time to time, are referred to collectively as the "Assigned Contracts". The security interest assigned by this Section 1 shall include (a) any and all rights to receive and demand payments under any and all Assigned Contracts, (b) any and all rights to receive and compel performance under any and all Assigned Contracts, (c) the right to make all waivers, amendments, determinations and agreements of or under any and all Assigned Contracts, (d) the right to take such action, including commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Assigned Contracts or by law and (e) any and all other rights, interests and claims now existing or hereafter arising under or in connection with any and all Assigned Contracts.

SECTION 2. Agreements, Representations and Warranties. The Borrower further agrees, represents and warrants to the Collateral Agent and the Secured Parties that:

(a) as of the date hereof, the Assigned Contracts are in full force and effect, there being no default thereunder by the Borrower. The Borrower will not permit any waiver, supplement, amendment, change or modification to be made to the Assigned Contracts, without the written consent of the Collateral Agent, except as permitted in accordance with Section 6.11(b) of the Credit Agreement; and

(b) it has the right, power and authority to grant to the Collateral Agent a security interest in its right, title and interest in and to the Assigned Contracts. It has not heretofore hypothecated, assigned, mortgaged, pledged, encumbered or otherwise transferred its right, title or interest under the Assigned Contracts in any manner to any person other than the Collateral Agent, nor will it do so at any time hereafter without the Collateral Agent's prior written consent in each instance. Any such assignment, mortgage, pledge or encumbrance without the Collateral Agent's consent shall be void and of no force or effect.

SECTION 3. No Obligations for Collateral Agent. The Borrower specifically acknowledges and agrees that the Collateral Agent does not assume, and shall have no responsibility for, the performance of any obligations to be performed under or with respect to the Assigned Contracts or by it and it hereby agrees to indemnify and hold harmless the Collateral Agent with respect to any and all claims by any person relating to such obligations. The Collateral Agent, in its discretion, may file or record this Agreement. The Collateral

Agent agrees to notify the Borrower promptly after any such filing or recording.

SECTION 4. Remedies upon Default. Upon the commencement and during the continuance of an Event of Default, the Collateral Agent may, at its option, without notice to or demand upon the Borrower (both of which are hereby waived for the purpose of this Section 4), in addition to all other rights and remedies provided under any of the Loan Documents, in its own name or the name of the Borrower, demand, sue upon or otherwise enforce the Assigned Contracts to the same extent as if the Collateral Agent were the party named in the Assigned Contracts, and exercise all other rights of the Borrower under the Assigned Contracts in such manner as it may determine. Any moneys actually received by the Collateral Agent pursuant to the exercise of any of the rights and remedies granted in this Collateral Assignment shall be applied as provided in the Security Agreement.

SECTION 5. Reimbursement of Collateral Agent. (a) The Borrower agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, disbursements and other charges of its counsel and of any experts or agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise, enforcement or protection of any of the rights of the Collateral Agent hereunder or (iv) the failure of the Borrower to perform or observe any of the provisions hereof applicable to it.

(b) Without limitation of its indemnification obligations under the other Loan Documents, the Borrower agrees to indemnify the Collateral Agent and the other Indemnitees against, and hold each of them harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable fees, disbursements and other charges of counsel, incurred by or asserted against any of them arising out of, in any way connected with, or as a result of the execution, delivery or performance of this Agreement or any claim, litigation, investigation or proceeding relating hereto or to any of the Assigned Contracts, whether or not any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee or any Affiliate of such Indemnitee.

(c) Any such amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section 5 shall remain operative and in full force and effect regardless of the termination of this Agreement or any other Loan Document, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Collateral Agent or any Lender. All amounts due under this Section 5 shall be payable upon written demand therefor.

SECTION 6. Collateral Agent Appointed Attorney-in-Fact. Upon the occurrence and during the continuation of an Event of Default, the Collateral Agent shall have the right, as the true and lawful attorney-in-fact and agent of the Borrower, with power of substitution for the

Borrower and in the Borrower's name, the Collateral Agent's name or otherwise for the use and benefit of the Collateral Agent (a) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Assigned Contracts or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the Assigned Contracts; (c) to sign the name of the Borrower on any invoice or bill of lading relating to any of the Assigned Contracts; (d) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Assigned Contracts or to enforce any rights in respect of any Assigned Contracts; (e) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Assigned Contracts; and (f) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Assigned Contracts, and to do all other acts and things necessary to carry out the purposes of this Collateral Assignment, as fully and completely as though the Collateral Agent were the Borrower named in the Assigned Contracts; provided, however, that nothing herein contained shall be construed as requiring or obligating the Collateral Agent or any Secured Party to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent or any Secured Party, or to present or file any claim or notice, or to take any action with respect to the Assigned Contracts or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken or omitted to be taken by the Collateral Agent or any Secured Party with respect to the Assigned Contracts or any part thereof shall give rise to any defense, counterclaim or offset in favor of the Borrower or to any claim or action against the Collateral Agent or any Secured Party. It is understood and agreed that the appointment of the Collateral Agent as the agent and attorney-in-fact of the Borrower for the purposes set forth above is coupled with an interest and is irrevocable. The provisions of this Section 6 shall in no event relieve the Borrower of any of its obligations hereunder or under the other Loan Documents with respect to the Assigned Contracts or any part thereof or impose any obligation on the Collateral Agent or any Secured Party to proceed in any particular manner with respect to the Assigned Contracts or any part thereof, or in any way limit the exercise by the Collateral Agent or any Secured Party of any other or further right that it may have on the date of this Collateral Assignment or hereafter, whether hereunder, under any other Loan Document, by law or otherwise.

SECTION 7. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the Collateral Agent, the Administrative Agent, the Issuing Bank and the Lenders under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provisions of this Agreement or any other Loan Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Collateral Agent and the Borrower with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 9.02 of the Credit Agreement.

SECTION 8. Security Interest Absolute. All rights of the Collateral Agent hereunder and all obligations of the Borrower hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument, (c) any exchange, release or non-perfection of any Lien on other collateral, or any release or amendment or waiver of or consent under or departure from any guarantee, securing or guaranteeing all or any of the Obligations, or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower in respect of the Obligations or this Agreement.

SECTION 9. Termination. This Agreement shall terminate when all the Obligations have been indefeasibly paid in full and the Lenders have no further commitment to lend under the Credit Agreement, the LC Exposure has been reduced to zero and the Issuing Bank has no further commitment to issue Letters of Credit under the Credit Agreement. Upon such termination, the Collateral Agent shall take such action as the Borrower shall reasonably request at the expense of the Borrower to reassign and deliver to the Borrower, without recourse or warranty, the Assigned Contracts and related documents, if any, in which the Collateral Agent shall have any interest under this Collateral Assignment and which shall then be held by the Collateral Agent or be in its possession and the Borrower's obligations hereunder and the security interest of the Collateral Agent in the Assigned Contracts shall terminate. In connection with any termination or release, the Collateral Agent shall execute and deliver to the Borrower, at the Borrower's expense, all Uniform Commercial Code termination statements and similar documents that the Borrower shall reasonably request to evidence such termination. Any execution and delivery of termination statements or documents pursuant to this Section 9 shall be without recourse to or warranty by the Collateral Agent.

SECTION 10. Notices. All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 9.01 of the Credit Agreement.

SECTION 11. Further Assurances. The Borrower covenants to execute and deliver to the Collateral Agent, promptly after demand, such additional assurances, writings or other instruments as may reasonably be required by the Collateral Agent to effectuate the purposes hereof.

SECTION 12. Binding Effect: Several Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the Borrower that are contained in this Agreement shall bind and inure to the benefit of

its successors and assigns. This Agreement shall become effective as to the Borrower when a counterpart hereof executed on behalf of the Borrower shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon the Borrower and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of the Borrower, the Collateral Agent and the other Secured Parties and their respective successors and assigns, except that the Borrower shall have no right to assign or transfer its rights or obligations hereunder or any interest herein (and any such assignment or transfer shall be void) except as expressly contemplated by this Agreement or the other Loan Documents.

SECTION 13. Survival of Agreement: Severability. (a) All covenants. agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Secured Parties and shall survive the making by the Lenders of the Loans and the issuance by the Issuing Bank of Letters of Credit, and the execution and delivery to the Lenders of any notes evidencing such Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect until this Agreement shall terminate.

(b) In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 14. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 15. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract (subject to Section 12), and shall become effective as provided in Section 12. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 16. Jurisdiction; Consent to Service of Process. (a) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in

other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Collateral Agent, the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against the Borrower or its properties in the courts of any jurisdiction.

(b) The Borrower irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 17. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 17.

SECTION 18. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

SEMICONDUCTOR COMPONENTS
INDUSTRIES, LLC,

by

Name: Jean-Jacques Morin
Title: Vice President

THE CHASE MANHATTAN BANK, as
Collateral Agent,

by

Name:
Title:

EXHIBIT H

REAFFIRMATION AGREEMENT, dated as of _____, 2000 (as the same may from time to time be amended, supplemented or otherwise modified, this "Agreement"), among SCG Holding Corporation, a Delaware corporation ("Holdings"), Semiconductor Components Industries, LLC, a Delaware limited liability company (the Borrower"), each Subsidiary of Holdings listed on Schedule I hereto (the "Subsidiaries" and, together with Holdings and the Borrower, the "Reaffirming Parties") and THE CHASE MANHATTAN BANK, as Administrative Agent, Issuing Bank and Collateral Agent (in such capacities, "Chase") for the benefit of the Lenders (such term and each other capitalized term used but not defined herein having the meaning assigned to such term in the Amended and Restated Credit Agreement referred to below).

WHEREAS Holdings, the Borrower, each of the Lenders and Chase have entered into the Credit Agreement, dated as of August 4, 1999, as amended and restated as of _____, 2000 (the "Amended and Restated Credit Agreement");

WHEREAS each Reaffirming Party expects to realize, or has realized, substantial direct and indirect benefits as a result of Holdings and the Borrower entering into the Amended and Restated Credit Agreement and as a result of the Amended and Restated Credit Agreement becoming effective; and

WHEREAS the execution and delivery of this Agreement is a condition precedent to the effectiveness of the Amended and Restated Credit Agreement;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

Reaffirmation/Amendment and Restatement

SECTION 1.01. Reaffirmation. Each of the Reaffirming Parties hereby consents to the Amended and Restated Credit Agreement and hereby confirms its respective guarantees, pledges and grants of security interests, as applicable, and agrees that notwithstanding the effectiveness of the Amended and Restated Credit Agreement such guarantees, pledges and grants of security interests shall continue to be in full force and effect and shall accrue to the benefit of the Lenders and the other Secured Parties under the Amended and Restated Credit Agreement.

SECTION 1.02. Amendment and Restatement. On and after the effectiveness of the Amended and Restated Credit Agreement, (i) each reference in each of the Collateral Assignment, the Pledge Agreement, the Security Agreement, the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement (such agreements referred to herein collectively as the "Collateral Documents") to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Amended and Restated Credit Agreement (as such agreement may be amended, modified or supplemented and in effect from time to time), (ii) the definition of any term defined in any Collateral Document by reference to the terms defined in the Original Credit Agreement shall be amended to be defined by reference to the defined term in the Amended and Restated Credit Agreement, as the same may be amended, modified or supplemented and in effect from time to time, (iii) Schedules I through V to the Security Agreement are hereby amended and restated in their entirety as set forth on Schedules I through V, respectively, hereto and (iv) Schedule II to the Pledge Agreement is hereby amended and restated in its entirety as set forth on Annex II attached hereto.

ARTICLE II

Representations and Warranties

Each Reaffirming Party hereby represents and warrants, which representations and warranties shall survive execution and delivery of this Agreement, as follows:

SECTION 2.01. Organization. Such Reaffirming Party is duly organized and validly existing in good standing under the laws of the jurisdiction of its formation.

SECTION 2.02. Authority; Enforceability. Such Reaffirming Party has the power and authority to execute, deliver and carry out the terms and provisions of this Agreement and has taken all necessary action to authorize the execution, delivery and

performance by it of this Agreement. Such Reaffirming Party has duly executed and delivered this Agreement, and this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 2.03. Loan Documents. The representations and warranties of such Reaffirming Party contained in each Loan Document are true and correct in all material respects on and as of the Restatement Effective Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

ARTICLE III

Miscellaneous

SECTION 3.01. Indemnity. Each Reaffirming Party shall indemnify Chase, each Lender and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any other agreement or instrument contemplated hereby, the performance by the parties hereto and thereto of their respective obligations hereunder and thereunder or the consummation of the transactions contemplated hereby and thereby, or (ii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence or wilful misconduct of such Indemnitee or any Affiliate of such Indemnitee (or any officer, director, employee, advisor or agent of such Indemnitee or any such Indemnitee's Affiliates).

SECTION 3.02. Setoff, etc. In addition to, and without limitation of, any rights of Chase and the Lenders under applicable law, if an Event of Default shall have occurred and be continuing, Chase, each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Reaffirming Party against any of and all the obligations of any Reaffirming Party then existing under this Agreement or any other Loan Document held by Chase or such Lender, irrespective of whether or not Chase or such Lender shall have made any demand under this Agreement or such other

Loan Document. The rights of Chase and each Lender under this Section 3.02 are in addition to other rights and remedies (including other rights of setoff) which Chase or such Lender may have.

SECTION 3.03. Notices. All notices and other communications hereunder shall be made at the addresses, in the manner and with the effect provided in Article IX of the Amended and Restated Credit Agreement; provided that, for this purpose, the address of each Reaffirming Party shall be the one specified for the Borrower under the Amended and Restated Credit Agreement.

SECTION 3.04. Limitation of Liability. To the extent permitted by applicable law, each Reaffirming Party shall not assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the transactions contemplated hereby, any Loan or Letter of Credit or the use of the proceeds thereof.

SECTION 3.05. CHOICE OF LAW; CONSENT TO JURISDICTION. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. EACH REAFFIRMING PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT CHASE OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY REAFFIRMING PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

SECTION 3.06. Loan Document. This Agreement is a Loan Document executed pursuant to the Amended and Restated Credit Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions thereof.

SECTION 3.07. Section Captions. Section captions used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

SECTION 3.08. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 3.09. WAIVER OF JURY TRIAL. EACH OF THE REAFFIRMING PARTIES AND CHASE BY ITS ACCEPTANCE HEREOF HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 3.10. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

SECTION 3.11. Amendment. This Agreement may be waived, modified or amended only be a written agreement executed by each of the parties hereto.

SECTION 3.12. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original but all of which shall

together constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 3.13. No Novation. After the Restatement Effective Date, all the obligations of the Borrower under the Original Credit Agreement shall become obligations under the Amended and Restated Credit Agreement, secured by the Collateral Documents as reaffirmed hereby. Neither this Agreement nor the execution, delivery or effectiveness of the Amended and Restated Credit Agreement shall extinguish the obligations for the payment of money outstanding under the Amended and Restated Credit Agreement or discharge or release the Lien or priority of the Collateral Assignment, the Pledge Agreement or the Security Agreement or any other security therefor. Nothing herein contained shall be construed as a substitution or novation of the obligations outstanding under the Original Credit Agreement or the Amended and Restated Credit Agreement or instruments securing the same, which shall remain in full force and effect, except to any extent modified hereby or by instruments executed concurrently herewith. Nothing implied in this Agreement or in any other document contemplated hereby or thereby shall be construed as a release or other discharge of the Borrower or any Guarantor or any Grantor or any Pledgor or any party to the Indemnity, Subrogation and Contribution Agreement or any party to the Collateral Assignment under any Collateral Document from any of its obligations and liabilities as a "Borrower", "Guarantor", "Grantor", "Pledgor", "party to the Indemnity, Subrogation and Contribution Agreement" or "party to the Collateral Assignment" under the Original Credit Agreement or the Collateral Documents. Each of the Original Credit Agreement and the Collateral Documents shall remain in full force and effect, until and except to any extent modified hereby or in connection herewith and therewith.

IN WITNESS WHEREOF, each Reaffirming Party and Chase have caused this Agreement to be duly executed and delivered as of the date first above written.

SCG HOLDING CORPORATION,

by:

Name:
Title:

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

by:

Name:
Title:

SCG (MALAYSIA SMP) HOLDING CORPORATION,

by:

Name:
Title:

SCG (CZECH) HOLDING CORPORATION,

by:

Name:
Title:

SCG (CHINA) HOLDING CORPORATION,

by:

Name:
Title:

SCG INTERNATIONAL
DEVELOPMENT, LLC

by:

Name:
Title:

SEMICONDUCTOR COMPONENTS
INDUSTRIES PUERTO RICO, INC.,

by:

Name:
Title:

THE CHASE MANHATTAN BANK, as
Administrative Agent, Issuing Bank and
Collateral Agent,

by:

Name:
Title:

Schedule I

Guarantors

Name	Address

Schedule II

Copyrights

Schedule III

Licenses

Schedule IV

Patents

Schedule V

Trademarks

Annex II

Pledged Securities

EXHIBIT 10.3

STOCK PURCHASE AGREEMENT

BY AND BETWEEN

THE CHERRY CORPORATION, SELLER

AND

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, PURCHASER

AND

SCG HOLDING CORPORATION, PARENT OF PURCHASER

TABLE OF CONTENTS

		PAGE
ARTICLE I	THE TRANSACTION	1
1.1.	Sale of Stock	1
ARTICLE II	CONSIDERATION	1
2.1.	Purchase Price	1
2.2.	Payment	1
ARTICLE III	CLOSING	1
3.1.	Closing	1
3.2.	Deliveries by Purchaser	2
3.3.	Deliveries by Seller	2
3.4.	Closing Actions	3
3.5.	Determination of Post-Closing Adjustment	3
3.6.	Post-Closing Adjustment For Tax Benefits	5
ARTICLE IV	REPRESENTATIONS AND WARRANTIES OF SELLER	5
4.1.	Organization and Qualification	6
4.2.	Capitalization	6
4.3.	Authority; Non-Contravention; Approvals	6
4.4.	Financial Information	8
4.5.	Books and Records	8
4.6.	Absence of Undisclosed Liabilities	8
4.7.	Absence of Certain Changes or Events	8
4.8.	Taxes	9
4.9.	Interim Change	9
4.10.	Real Estate	9
4.11.	Real Estate Leases	10
4.12.	Employee Plans	10
4.13.	Material Contracts	11
4.14.	Intellectual Property and Proprietary Information	12
4.15.	Legal Proceedings	13
4.16.	Compliance with Law	14
4.17.	Licenses and Permits	14

TABLE OF CONTENTS
(continued)

		PAGE
4.18.	Employees	14
4.19.	Environmental Matters	14
4.20.	Brokers' Fees	15
4.21.	Disclaimer	15
4.22.	Affiliate Relationships; Indebtedness	16
ARTICLE V	REPRESENTATIONS AND WARRANTIES OF PURCHASER	16
5.1.	Organization and Qualification	16
5.2.	Authority; Non-Contravention; Approvals	16
5.3.	Litigation	17
5.4.	Availability of Funds	18
5.5.	Knowledge of Purchaser	18
5.6.	Purchaser's Business Investigation	18
5.7.	Financial Statements	18
5.8.	Investment Intent	19
5.9.	Brokers' Fees	19
ARTICLE VI	COVENANTS OF SELLER	19
6.1.	Interim Conduct of Business	19
6.2.	Access	20
6.3.	Records and Documents	20
6.4.	Consummation	21
6.5.	Hart-Scott-Rodino Consent	21
6.6.	Notification of Certain Matters	21
6.7.	Acquisition Proposals	21
6.8.	Non-Solicitation	22
ARTICLE VII	COVENANTS OF PARENT AND PURCHASER	22
7.1.	Consummation	22
7.2.	Hart-Scott-Rodino Consent	22
7.3.	Confidentiality	22
7.4.	Records and Documents	23

TABLE OF CONTENTS
(continued)

		PAGE
7.5.	Insurance	23
7.6.	Notification of Breach	23
7.7.	Non-Solicitation	23
7.8.	Conduct of Business by Parent and Subsidiary Pending the Closing	23
7.9.	Control of the Subsidiary's Operations	24
7.10.	Cherry Name	24
7.11.	WARN Act Compliance	26
7.12.	Notification of Certain Matters	26
7.13.	Directors' and Officers' Indemnification	26
7.14.	Trademarks Assignments	27
ARTICLE VIII	TAX MATTERS	27
8.1.	Section 338(h)(10) Elections	27
8.2.	Liability for Taxes	27
8.3.	Tax Proceedings	29
8.4.	Payment of Taxes	29
8.5.	Tax Returns	29
8.6.	Tax Allocation Arrangements	30
8.7.	Cooperation and Exchange of Information	30
8.8.	Conflict	30
ARTICLE IX	ADDITIONAL AGREEMENTS	31
9.1.	Option Plans	31
9.2.	Seller and Subsidiary Benefit Plans	31
9.3.	Certain New Plans	31
9.4.	Funding of Success Bonus	32
9.5.	No Limitation	32
ARTICLE X	CONDITIONS PRECEDENT TO OBLIGATIONS OF PARENT AND PURCHASER	32
10.1.	Accuracy of Warranties and Performance of Covenants	32
10.2.	No Pending Action	33

TABLE OF CONTENTS
(continued)

		PAGE
10.3.	Hart-Scott-Rodino	33
10.4.	Cure Period	33
10.5.	Parent Required Consents and Approvals	33
ARTICLE XI	CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER	33
11.1.	Accuracy of Warranties and Performance of Covenants	33
11.2.	No Pending Action	34
11.3.	Hart-Scott-Rodino	34
11.4.	Cure Period	34
ARTICLE XII	SURVIVAL AND INDEMNIFICATION	34
12.1.	Survival	34
12.2.	Indemnification	34
12.3.	General Provisions Relating to Indemnification	35
12.4.	Characterization as Price Adjustment	38
ARTICLE XIII	TERMINATION	38
13.1.	Termination or Abandonment	38
13.2.	Effect of Termination	38
ARTICLE XIV	GENERAL PROVISIONS	39
14.1.	Amendments and Waiver	39
14.2.	Notices	39
14.3.	Expenses	40
14.4.	Counterparts	40
14.5.	Successors and Assigns; Beneficiaries	40
14.6.	Entire Agreement	41
14.7.	Announcements	41
14.8.	Partial Invalidity	41
14.9.	Governing Law; Jurisdiction	41
14.10.	Other Rules of Construction	41
14.11.	Authorship	41
14.12.	Specific Performance	42

TABLE OF CONTENTS
(continued)

PAGE

14.13. Joint and Several Obligations..... 42

SCHEDULES

3.5 Net Working Capital Amount

4.2 Stock Owned by Subsidiaries

4.3(b) Consents

4.3(c) Seller Required Statutory Approvals

4.4(a) Audited Financial Statements

4.4(b) Interim Financial Statements

4.6 Absence of Undisclosed Liabilities

4.7 Changes 4.8 Taxes 4.9 Interim Change

4.8 Taxes

4.9 Interim Change

4.10 Owned Real Estate

4.11 Real Estate Leases

4.12 Employee Plans

4.13 Material Contracts

4.14(a) Intellectual Property

4.14(b) Infringement of Subsidiary Intellectual Property

4.15 Legal Proceedings

4.16 Compliance with Law

4.18 Employees

4.19 Environmental Matters

4.22 Affiliate Relationship/Indebtedness

5.2 Parent Required Consents and Approvals

5.7 Financial Statements of Purchaser

6.1 Interim Conduct of Business from Agreement Date to Closing

STOCK PURCHASE AGREEMENT

THIS AGREEMENT (the "AGREEMENT") is made and entered into this 8th day of March, 2000, by and between SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company ("PURCHASER"), SCG HOLDING CORPORATION, a Delaware corporation and the parent of the Purchaser ("PARENT"), and THE CHERRY CORPORATION, a Delaware corporation ("SELLER").

WHEREAS, Cherry Semiconductor Corporation, a Rhode Island corporation (including its subsidiaries where applicable, "SUBSIDIARY"), is a wholly-owned subsidiary of Seller;

WHEREAS, Seller desires to sell to Purchaser and Purchaser desires to purchase all of the outstanding capital stock of Cherry Semiconductor Corporation ("SUBSIDIARY COMMON STOCK"), subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements herein contained, the parties agree as follows:

ARTICLE I

THE TRANSACTION

1.1. SALE OF STOCK. Upon the terms and subject to the conditions of this Agreement, at the Closing (as defined below), Seller shall sell, transfer and convey to Purchaser and Purchaser shall purchase all of Seller's right, title and interest in and to the Subsidiary Common Stock free and clear of all liens, claims and encumbrances or other restrictions of any kind other than those arising under state and federal securities laws.

ARTICLE II

CONSIDERATION

2.1. PURCHASE PRICE. The aggregate purchase price for the Subsidiary Common Stock shall be $250 million (the "PURCHASE PRICE").

2.2. PAYMENT. The Purchase Price shall be payable in cash at the Closing by wire transfer of immediately available funds to an account designated by Seller.

ARTICLE III

CLOSING

3.1. CLOSING. The transfer of Subsidiary Common Stock contemplated by this Agreement (the "CLOSING") shall take place at the offices of McDermott, Will & Emery, 227 West Monroe Street, Chicago, Illinois 60606, on (a) the later of (i) the third business day following the date on which the last of the conditions set forth in Articles X and XI is fulfilled or

waived or (ii) the day Seller's accounting systems are capable of recording the Closing (which shall be no later than the last day of the month containing such third business day); or (b) at such other time and place as Purchaser and the Seller shall agree. The date on which the Closing occurs is referred to in this Agreement as the "CLOSING DATE." Upon consummation, the Closing will be deemed to take place as of the close of business on the Closing Date (the "EFFECTIVE TIME").

3.2. DELIVERIES BY PURCHASER. At the Closing, Purchaser shall deliver the following:

(a) Two Hundred Fifty Million Dollars ($250,000,000 U.S.) payable by wire transfer of immediately available funds to an account designated by Seller;

(b) an officer's certificate to the effect that all of Parent and Purchaser's representations and warranties are true and correct in all material respects as if made at and as of the Closing and in the case of representations and warranties made as of a specified date earlier than the Closing Date such date, and to the effect that Parent and Purchaser each have fulfilled all of their respective agreements and covenants and have satisfied all Closing conditions to be performed by them;

(c) secretary certificates of each of Parent and Purchaser as to the resolutions authorizing the transactions contemplated hereby; and

(d) such other instruments or documents as may be reasonably necessary or appropriate to carry out the transactions contemplated hereby.

3.3. DELIVERIES BY SELLER. At the Closing, Seller shall deliver the following:

(a) certificates evidencing all of the Subsidiary Common Stock, with fully executed stock powers;

(b) a legal opinion opining to the subjects of Sections 4.1, 4.2, 4.3(a), 4.3(b)(i) and 4.3(b)(ii) and 4.3(c) to the extent typically covered in opinions of Seller's counsel in transactions of this type and subject to typical exceptions and qualifications;

(c) an officer's certificate to the effect that all of Seller's representations and warranties are true and correct in all material respects as if made at and as of the Closing and in the case of representations and warranties made as of a specified date earlier than the Closing Date, such date and to the effect that Seller has fulfilled all of its agreements and covenants and has satisfied all Closing conditions to be performed by it;

(d) secretary certificate of Seller as to the resolutions authorizing the transactions contemplated hereby;

(e) the minute books and stock records of the Subsidiary; and

(f) such other instruments or documents as may be reasonably necessary or appropriate to carry out the transactions contemplated by this Agreement.

3.4. CLOSING ACTIONS. At the Closing, the articles of incorporation of the Cherry Semiconductor Corporation shall be amended to change the name of the Subsidiary so that neither the word "Cherry" nor any words similar thereto are likely to be confused with the Cherry marks that are part of the name of the Subsidiary.

3.5. DETERMINATION OF POST-CLOSING ADJUSTMENT.

(a) As soon as practicable, but in any event no later than thirty (30) days after the Closing Date, Seller shall cause the Subsidiary to prepare a consolidated balance sheet (the "CLOSING DATE BALANCE SHEET") of the Subsidiary as of the Closing Date. The Closing Date Balance Sheet shall not give effect to the transactions contemplated by this Agreement and shall be prepared in accordance with GAAP consistent with the Subsidiary's Audited Financial Statements (as defined in Section 4.4(a)). After Closing, Purchaser and Subsidiary shall permit Seller and its representatives to have reasonable access to Subsidiary's books and records for preparation of the Closing Date Balance Sheet.

(b) Seller shall cause Arthur Andersen LLC (the "AUDITOR") to audit as soon as practicable but no later than ninety (90) days after the Closing Date the Closing Date Balance Sheet as soon as possible after the completion thereof and Seller shall deliver to the Purchaser upon receipt of the Auditor's opinion with respect thereto, a copy of the Closing Date Balance Sheet and the Auditor's opinion. The Auditor's opinion shall state that the Closing Date Balance Sheet (i) has been audited in accordance with generally accepted auditing standards, (ii) has been prepared in accordance with GAAP and (iii) fairly presents the financial condition of the Subsidiary as of the Closing Date. The fees and expenses of the Auditor shall be paid by the Purchaser.

(c) Concurrently with the delivery of the Auditor's opinion with respect to the Closing Date Balance Sheet, Seller shall cause the Auditor to prepare and deliver to the Purchaser a certificate setting forth the Post-Closing Adjustment (the "AUDITOR'S POST-CLOSING CERTIFICATE"). The "POST-CLOSING ADJUSTMENT" shall be an amount equal to (i) the Net Working Capital of the Subsidiary as of the Closing Date, as determined from the Closing Date Balance Sheet (the "CLOSING DATE NET WORKING CAPITAL AMOUNT"), minus (ii) $27,500,000 minus (iii) the amount of any Indebtedness other than Intercompany Amounts (for purposes of this Agreement the Purchaser agrees that all existing operating leases of Subsidiary, as determined for the Audited Financial Statements, are not capitalized leases).

(d) Following delivery to the Purchaser of the Auditor's Post-Closing Certificate and the Closing Date Balance Sheet, the Purchaser, Seller and their representatives shall have the right to review all such data and materials (including the Auditor's work papers) as is reasonably necessary to enable the Purchaser, Seller and their representatives to verify the accuracy of the Auditor's Post-Closing Certificate and the information contained therein.

(e) If the Purchaser does not give notice in writing to Seller of its objections to any item or items in the Closing Date Balance Sheet or the Auditor's Post-Closing Certificate within forty-five (45) business days after its receipt of the Auditor's Post-Closing Certificate, then the Post-Closing Adjustment shall be deemed to be finally determined for purposes of this Agreement.

(f) If the Purchaser gives notice in writing to Seller of its objections to any item or items in the Closing Date Balance Sheet or the Auditor's Post-Closing Certificate within forty-five (45) business days after its receipt of the Auditor's Post-Closing Certificate, Purchaser and the Seller shall endeavor to resolve all such objections within forty-five (45) business days after receipt of such notice. Each notice of objections shall outline in reasonable detail the basis for each objection and, wherever reasonably possible, the dollar amount involved. If such notice is timely given and Purchaser and the Seller are able to resolve the disputed matters, then the Post-Closing Adjustment as modified in accordance with the parties' agreement shall be deemed to be finally determined for purposes of this Agreement.

(g) If Purchaser and the Seller are unable to resolve all such objections within such forty-five (45) business day period, then Purchaser and the Seller shall select a mutually agreed upon independent accounting firm (the "DISPUTE AUDITOR") (which shall be one of the "Big Five" accounting firms) to determine all items in dispute and to deliver a certificate to Purchaser and the Seller as soon as practicable, which certificate shall include such firm's determination of the Post-Closing Adjustment computed pursuant to and in accordance with the provisions of this Agreement, but which otherwise may be in such form and contain such information as such firm, in its sole discretion, deems necessary or appropriate. In resolving such disputes and providing such certificate, the Dispute Auditor shall employ such procedures as it, in its sole discretion, deems necessary or appropriate in the circumstances.

(h) Upon the receipt by Purchaser and the Seller of the certificate of the Dispute Auditor pursuant to Section 3.5(g), the Post-Closing Adjustment shall be deemed to be finally determined for purposes of this Agreement and shall be binding upon the parties.

(i) The fees and expenses of the Dispute Auditor shall be borne 50% by Purchaser and 50% by the Seller; provided that if the Dispute Auditor determines that one party's position is completely correct then such party shall not pay any of the fees, costs and expenses charged by the Dispute Auditor and the objecting party shall pay all of such fees, costs and expenses of the independent accounting firm.

(j) The Purchase Price shall be decreased by the amount by which the Post-Closing Adjustment is negative or increased by the amount by which the Post-Closing Adjustment is positive. Buyer (if the Post-Closing Adjustment is positive) or Seller (if the Post-Closing Adjustment is negative) shall promptly (and in any event within five (5) business days) after the final determination thereof make payment to the other party by wire transfer in immediately available funds of the amount of such difference, together with interest thereon at a per annum rate of 5% from the Closing Date to the date of payment. The Post-Closing Adjustment shall be

the sole remedy for any matters, facts or circumstances reflected in the calculation of the Post-Closing Adjustment, and such matters, facts or circumstances shall not entitle either party to indemnification rights or other damages.

For purposes of calculating the Net Working Capital Amount, the term "NET WORKING CAPITAL" shall mean Current Assets minus Current Liabilities, as calculated using the methodology set forth on Schedule 3.5. The term "CURRENT ASSETS" and "CURRENT LIABILITIES" shall mean the line items set forth on Schedule 3.5, which items shall be calculated on the same basis as reflected as line items on the Audited Financial Statements; provided that the Intercompany Amount (see below) shall be excluded, and items classified as current solely as a result of the transactions contemplated by this Agreement (such as long term deferred taxes) shall be excluded. All intercompany trade or other intercompany receivables and payables, and all tax accounts, receivables, payables, or cash overdrafts, current or deferred, short or long-term (collectively, the "INTERCOMPANY AMOUNT"), will be forgiven at Closing by the applicable party without compensation.

3.6. POST-CLOSING ADJUSTMENT FOR TAX BENEFITS. Parent shall pay to Seller in immediately available funds an amount equal to the amount of any net reduction in taxes actually realized as a result of (i) Seller's payment of a success bonus in connection with the transactions contemplated hereby, (ii) Seller's payment of any excise parachute taxes on behalf of the Subsidiary, and (iii) the exercise of options on Seller's common stock held by employees of the Subsidiary on or after the Closing Date (collectively, the "TAX BENEFIT"). Within One Hundred Twenty (120) days after the Closing, Purchaser shall deliver to the Seller a certificate setting forth the amount of the Tax Benefit. Purchaser and Subsidiary shall permit Seller and its representatives to have reasonable access to Subsidiary's books and records to verify the Tax Benefit certificate. In the event that Seller gives notice in writing to Purchaser of its objections to the amount of the Tax Benefit, then any dispute arising with respect to the Tax Benefit shall be resolved using the same procedures set forth to resolve disputes under Section 3.5 above.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Purchaser, as of the date hereof, and as of the Closing Date, as set forth below. For purposes of this Agreement, a "MATERIAL ADVERSE EFFECT" shall mean any effect which is materially adverse to the business, assets, properties, operations or financial condition of the Subsidiary, when taken as a whole. For purposes of this Agreement, the phrase "TO THE KNOWLEDGE OF SELLER," or other language of similar effect, shall mean to the actual knowledge of Peter B. Cherry, Dan A. King or Alfred S. Budnick. The exceptions, modifications, descriptions and disclosures in any Schedule attached hereto are made for all purposes of this Agreement and are exceptions to all representations and warranties set forth in this Agreement where it is reasonably clear from the face of such exception, modification, description or disclosure that it specifically relates to such other representation or warranty.

Disclosure of an item in response to one section of this Agreement shall constitute disclosure in response to every section of this Agreement notwithstanding the fact that no express cross-reference is made where it is reasonably clear from the face of such exception, modification, description or disclosure that it specifically relates to such other representation or warranty. Disclosure of any items not otherwise required to be disclosed shall not create any inference of materiality.

4.1. ORGANIZATION AND QUALIFICATION. Seller is a corporation duly organized in good standing and validly existing under the laws of Delaware. Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of Rhode Island and has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. Subsidiary is qualified to do business and is in good standing in each jurisdiction in which the properties owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified and in good standing will not have a Material Adverse Effect.

4.2. CAPITALIZATION.

(a) The authorized capital stock of the Subsidiary consists of 250,000 shares of Subsidiary Common Stock. As of the date of this Agreement, 160,190 shares of Subsidiary Common Stock were issued and outstanding, all of which were validly issued and are fully paid, nonassessable and free of preemptive rights, and are owned by the Seller.

(b) Other than the options (the "OPTIONS") issued and outstanding pursuant to the Subsidiary's 1999 Stock Option Plan, as amended (the "OPTION PLAN") (which shall be terminated at the Closing pursuant to Section 9.1), there are no outstanding subscriptions, options, calls, contracts, commitments, understandings, restrictions, arrangements, rights of any kind or warrants, including any right of conversion or exchange under any outstanding security, instrument or other agreement (together, "RIGHTS"), obligating the Subsidiary or the Seller to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of the capital stock of the Subsidiary. There are no voting trusts, proxies or other agreements or understandings of any kind to which Subsidiary or the Seller is a party or is bound with respect to the voting of any shares of capital stock of the Subsidiary.

(c) Seller has good title to the Subsidiary Common Stock, free and clear of all liens, claims and encumbrances.

(d) Except as set forth on Schedule 4.2, the Subsidiary does not own stock or have any equity investment or other interest in, does not have the right to acquire any such interest, and does not control, directly or indirectly, any corporation, partnership or joint venture.

4.3. AUTHORITY; NON-CONTRAVENTION; APPROVALS.

(a) Seller has full corporate power and authority to enter into this Agreement and, subject to the Seller Required Statutory Approvals (as defined in Section 4.3(c)), to consummate the transactions contemplated hereby. All corporate acts required to be taken by Seller to authorize the execution and delivery of this Agreement and all agreements and transactions contemplated hereby have been duly and properly taken. This Agreement has been duly executed and delivered by the Seller, and, assuming the due authorization, execution and delivery hereof by Parent and Purchaser, constitutes a valid and legally binding agreement of the Seller, enforceable against the Seller in accordance with its terms, except that such enforcement may be subject to (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally and (b) general equitable principles.

(b) The execution and delivery of this Agreement by the Seller do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge, adverse claim, levy, mortgage, pledge, assessment or encumbrance of any kind upon any of the properties or assets of the Seller or the Subsidiary under any of the terms, conditions or provisions of (i) the respective charters or by-laws of the Seller or the Subsidiary, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Seller or the Subsidiary or any of their respective properties or assets, or (iii) any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument, obligation or agreement of any kind to which the Seller or the Subsidiary is now a party or by which the Seller or the Subsidiary or any of their respective properties or assets may be bound or affected. The consummation by the Seller of the transactions contemplated hereby will not result in any violation, conflict, breach, termination, acceleration or creation of liens under any of the terms, conditions or provisions described in clauses (i) through (iii) of the preceding sentence, subject (x) in the case of the terms, conditions or provisions described in clause (ii) above, to obtaining (prior to the Effective Time) the Seller Required Statutory Approvals and (y) in the case of the terms, conditions or provisions described in clause (iii) above, to obtaining (prior to the Effective Time) consents required from commercial lenders, lessors or other third parties as specified on Schedule 4.3(b). Excluded from the foregoing sentences of this paragraph (b), insofar as they apply to the terms, conditions or provisions described in clauses (ii) and (iii) of the first sentence of this paragraph (b), are such violations, conflicts, breaches, defaults, terminations, accelerations or creations of liens, security interests, charges or encumbrances that would not have a Material Adverse Effect.

(c) Except for (i) the filing requirements by the Seller and the termination or expiration of waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR ACT"), and (ii) any required filings with or approvals from applicable state authorities or public service commissions as specified on Schedule 4.3(c) (the filings and

approvals referred to in clauses (i) through (ii) are collectively referred to as the "Seller Required Statutory Approvals"), no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Seller or the consummation by the Seller of the transactions contemplated hereby, other than such declarations, filings, registrations, notices, authorizations, consents or approvals which, if not made or obtained, as the case may be, would not, in the aggregate, have a Material Adverse Effect.

(d) As used in this Agreement, the term "subsidiary" shall mean, when used with reference to any person or entity, any corporation, partnership, joint venture or other entity of which such person or entity (either acting alone or together with its other subsidiaries) owns, directly or indirectly, 50% or more of the stock or other voting interests, the holders of which are entitled to vote for the election of a majority of the board of directors or any similar governing body of such corporation, partnership, joint venture or other entity.

4.4. FINANCIAL INFORMATION.

(a) The audited financial statements of the Subsidiary for the two (2) years ended February 28, 1999 (the "AUDITED FINANCIAL STATEMENTS") attached hereto as Schedule 4.4(a) are (i) accurate and complete in all material respects, (ii) in accordance with the books of account and records of Subsidiary in all material respects, and (iii) prepared in accordance with U.S. generally accepted accounting principles applied on a consistent basis throughout the periods covered thereby ("GAAP"). The Audited Financial Statements fairly present in all material respects the consolidated financial position and results of operations and shareholders' equity and cash flows of the Subsidiary and its consolidated subsidiaries, as of the respective dates thereof and for the respective periods covered thereby.

(b) The interim financial statements (the "INTERIM FINANCIAL STATEMENTS" and together the Audited Financial Statements, the "FINANCIAL STATEMENTS") of the Subsidiary for the nine (9) months ended November 30, 1999 (the "FINANCIAL STATEMENT DATE") attached hereto as Schedule 4.4(b) were prepared from Subsidiary's books of account and records, in accordance with GAAP and consistent with the same accounting principles as used in the preparation of the Financial Statements, except that the Interim Financial Statements have not been audited, are subject to normal year end adjustments and contain no notes which are typically included as part of financial statements prepared in accordance with GAAP. The Interim Financial Statements fairly present in all material respects the consolidated financial position and results of operations and shareholders' equity and cash flows of the Subsidiary and its consolidated subsidiaries, as of the date thereof and for the period covered thereby.

4.5. BOOKS AND RECORDS. The Seller has previously delivered to Parent copies of minutes of (i) all meetings of the stockholder of the Subsidiary (whether annual or special) and (ii) actions by written consent in lieu of a Subsidiary stockholder meeting from March 1, 1997, until the date hereof.

4.6. ABSENCE OF UNDISCLOSED LIABILITIES. Except as set forth on Schedule 4.6 hereto, the Subsidiary had not at November 30, 1999, nor has incurred since that date, any liabilities or obligations of Subsidiary (whether absolute, accrued, contingent or otherwise) of any nature, except (a) liabilities, obligations or contingencies (i) which are accrued or reserved against in the Financial Statements or Interim Financial Statements or reflected in the notes thereto or (ii) which were incurred after November 30, 1999, and were incurred in the ordinary course of business and consistent with past practices, (b) liabilities, obligations or contingencies which (i) would not, in the aggregate, have a Material Adverse Effect or (ii) have been discharged or paid in full prior to the date hereof, and (c) liabilities and obligations which are of a nature not required to be reflected in the financial statements of the Subsidiary prepared in accordance with GAAP consistently applied and which were incurred in the ordinary course of business.

4.7. ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as set forth on Schedule 4.7, since November 30, 1999, there has not been any change in the business, operations, properties, assets, liabilities, financial condition or results of operations of the Subsidiary and its subsidiaries, taken as a whole that would have a Material Adverse Effect, except for changes that affect the industries in which the Subsidiary operates generally. Since November 30, 1999, neither Seller nor the Subsidiary have taken any actions that would be prohibited after the date of this Agreement pursuant to Section 6.1 hereof.

4.8. TAXES.

(a) The Seller and its subsidiaries have (i) duly filed with the appropriate governmental authorities all Tax Returns required to be filed by them for all periods ending on or prior to the Effective Time, other than those Tax Returns the failure of which to file would not have a Material Adverse Effect, and (ii) duly paid in full or made adequate provision for the payment of all Taxes for all past and current periods. There are no unresolved issues of law or fact arising out of a notice of deficiency, proposed deficiency or assessment from the Internal Revenue Services ("IRS") or any other governmental taxing authority with respect to Taxes which, if decided adversely would have a Material Adverse Effect. Except as set forth on Schedule 4.8, neither the Seller nor the Subsidiary has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency other than waivers and extensions which are no longer in effect. Seller has not filed an election under Rev. Proc. 91-11, 1991-1 C.B. 470, as modified by Rev. Proc. 91-39, 1991-2 C.B. 694, or Rev. Proc. 95-39, 1995-2 C.B. 399.

(b) For purposes of this Agreement, the term "Taxes" shall mean all taxes, including, without limitation, income, gross receipts, excise, property, sales, withholding, social security, occupation, use, service, license, payroll, franchise, transfer and recording taxes, fees and charges, windfall profits, severance, customs, import, export, employment or similar taxes, charges, fees, levies or other assessments imposed by the United States, or any state, local or foreign government or subdivision or agency thereof, whether computed on a separate, consolidated, unitary, combined or any other basis, and such term shall include any interest, fines, penalties or additional amounts and any interest in respect of any additions, fines or

penalties attributable or imposed or with respect to any such taxes, charges, fees, levies or other assessments.

(c) For purposes of this Agreement, the term "Tax Return" shall mean any return, report or other document or information required to be supplied to a taxing authority in connection with Taxes.

4.9. INTERIM CHANGE. Except as set forth in Schedule 4.9, since November 30, 1999, the Subsidiary has been operated in the ordinary course, consistent with past operations.

4.10. REAL ESTATE.

(a) Schedule 4.10 sets forth an accurate and complete list of each parcel of real property owned by Subsidiary (the "OWNED REAL ESTATE"). Subsidiary is the sole legal and equitable owner of all right, title and interest in and has title in fee simple to, and is in possession of, all Owned Real Estate which it purports to own, including the buildings, structures and improvements situated thereon and appurtenances thereto, in each case free and clear of all tenancies and other possessory interests, security interests, conditional sale or other title retention agreements, liens, encumbrances, mortgages, pledges, assessments, easements, rights of way, covenants, restrictions, reservations, options, rights of first refusal, defects in title, encroachments and other burdens (together, "ENCUMBRANCES"), except as set forth on Schedule 4.10 or except in such instances as could not reasonably be expected to result in a Material Adverse Effect.

(b) Except for the FAA towers on the Owned Real Estate, no portion of any Owned Real Estate has been condemned, requisitioned or otherwise taken by any public authority, and, to the knowledge of Seller, no such condemnation, requisition or taking is threatened or contemplated.

(c) To Seller's knowledge, the Owned Real Estate is in compliance in all material respects with all applicable zoning, building, health, fire, water, use or similar statutes, codes, ordinances, laws, rules or regulations, except for such instances as could not reasonably be expected to result in a Material Adverse Effect. To Seller's knowledge, the zoning of each parcel of Owned Real Estate permits the existing improvements and the continuation following consummation of the transaction contemplated hereby of the business of the Subsidiary as presently conducted thereon, except for such instances as could not reasonably be expected to result in a Material Adverse Effect.

4.11. REAL ESTATE LEASES . Schedule 4.11 sets forth a list of all real property leased, subleased, licensed and/or occupied by the Subsidiary (the "LEASED REAL ESTATE"). Schedule 4.11 identifies the lease or sublease and street address or other description with respect to each parcel of Leased Real Estate (the "REAL ESTATE LEASES"). The Subsidiary is currently in peaceable possession of the premises covered by each Real Estate Lease. True and correct copies of each Real Estate Lease have been provided to Parent.

4.12. EMPLOYEE PLANS.

(a) Schedule 4.12 lists all of the existing employee compensation and benefit plans and all stock option or other equity based, bonus, incentive and deferred compensation, severance or other termination, employment, consulting and non-competition plans, programs, arrangements or agreements which are entered into, sponsored, maintained or contributed to by Seller or the Subsidiary for the benefit of the employees of the Subsidiary (collectively, the "SELLER BENEFIT PLANS"). With respect to any Seller Benefit Plans: (a) there are no actions, suits or claims (other than routine claims for benefits in the ordinary course) pending or, to the knowledge of Seller, threatened, and Seller does not have any knowledge of any facts which could give rise to any such actions, suits or claims (other than routine claims for benefits in the ordinary course), which could subject Subsidiary or Purchaser to any liability from and after the Closing Date; (b) to the knowledge of Seller, none of Seller or any entity that together with the Seller is treated as a single employer under Section 414(b), (c) or (m) of the Code or any other person has engaged in a prohibited transaction, as such term is defined in Code Section 4975 or ERISA Section 406, which would subject Subsidiary or Purchaser to any taxes, penalties or other liabilities resulting from prohibited transactions under Code Section 4975 or under ERISA Sections 409 or 502(i); (c) no event has occurred and no condition exists that could, directly or indirectly, subject Subsidiary or Purchaser to any tax or penalty under Code Sections 511, 4971, 4972, 4977, 4978, 4978A, 4979, 4979A, 4980B or 5000, or to liability under Title I or Title IV of ERISA; and (d) Seller's Savings and Retirement Plan is intended to qualify under Section 401(a) of the Code and it has received a favorable determination letter issued by the Internal Revenue Service and, to the knowledge of Seller, no event or circumstance exists that has adversely affected or is likely to adversely affect such qualification.

(b) Except as set forth in Schedule 4.12, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, either alone or in combination with another event (whether contingent or otherwise) will (A) entitle any current or former employee, consultant, officer or director of the Subsidiary to any increased or modified benefit or payment; (B) increase the amount of compensation due to any such employee, consultant, officer or director, (C) accelerate the vesting, payment or funding of any compensation, stock-based benefit, incentive or other benefit (other than Seller's Savings and Retirement Plan); (D) result in any "parachute payment" under Section 280G of the Code (whether or not such payment is considered to be reasonable compensation for services rendered); or (E) cause any compensation to fail to be deductible under Section 162(m), or any other provision of the Code.

(c) With respect to those Seller Benefit Plans that are listed on Schedule 4.12 under the heading "Subsidiary Plans" (the "Subsidiary Plans"), (i) each such Subsidiary Plan has been operated and administered in material compliance with all applicable laws, statutes and regulations, except for any failures to comply that, individually or in the aggregate, would not reasonably be expected to result in material liability of the Subsidiary or any of its subsidiaries, (ii) no Subsidiary Plan is intended to qualify under Section 401(a) of the Code or is subject to

Section 412 of the Code or Title IV of ERISA and (iii) all contributions, premiums and expenses due or payable under or in respect of such Subsidiary Plans have been paid on a timely basis or, to the extent not yet due, have been adequately accrued on the Subsidiary's financial statements.

4.13. MATERIAL CONTRACTS. Schedule 4.13 sets forth an accurate list of all Contracts (as defined below) related to the business of the Subsidiary to which the Subsidiary is a party or is otherwise bound meeting any of the descriptions set forth below (the "MATERIAL Contracts"):

(a) all Real Estate Leases requiring annual payments in excess of $250,000;

(b) all lease agreements and management contracts with an annual revenue in excess of $250,000;

(c) all management and service contracts and purchase orders and other contracts for the purchase of materials or services requiring annual payments in excess of $250,000;

(d) all machinery leases, equipment leases and other personal property leases requiring annual payments in excess of $250,000;

(e) all Contracts between or among the Seller and the Subsidiary and any of their respect subsidiaries, affiliates, employees or directors, including any intercompany Indebtedness;

(f) all Contracts with any person containing any provision or covenant prohibiting or materially limiting the ability of the Subsidiary to engage in any business activity or compete with any person or prohibiting or materially limiting the ability of any person to compete with the Subsidiary;

(g) all material partnership, joint venture, strategic alliance or other collaborative Contracts;

(h) all Contracts under which any material Indebtedness of the Subsidiary has been or may be created, incurred, assumed or guaranteed (excluding routine checking account overdraft agreements involving petty cash amounts);

(i) all Contracts that (i) limit or contain restrictions on the ability of the Subsidiary to pay dividends or any other distributions on or otherwise issue, redeem or otherwise dispose of its capital stock, to incur indebtedness, to incur or suffer to exist any encumbrances, to purchase or sell any assets and properties, to change the lines of business in which it participates or engages or to engage in any merger or other business combination or (ii) require the Subsidiary to maintain specified financial ratios or levels of net worth or other indicia of financial condition; and

(j) all other material Contracts not entered into in the ordinary course.

For purposes of this Agreement, "CONTRACT" shall mean any binding contract or agreement, whether written or oral, manifesting an agreement or understanding between two or more parties. "INDEBTEDNESS" of any person means each and every obligation of such person which is either (i) an obligation for borrowed money, (ii) an obligation evidenced by notes, bonds, debentures or similar instruments, (iii) capitalized lease obligations, (iv) cash overdrafts, or (v) any obligation in the nature of guarantees of the obligations described in clauses (i) through (iv) above of any person; provided, however, that Indebtedness shall not mean trade payables or accruals incurred in the ordinary course of business.

Except as set forth on Schedule 4.13, each Material Contract is valid and binding and is in full force and effect as to Subsidiary or Seller, as applicable, assuming the other party thereto is bound which, to Seller's knowledge, is the case for each Material Contract. No event has occurred which is or, after the giving of notice or passage of time, or both, would constitute a material default under or a material breach of any Material Contract by Subsidiary or Seller, as applicable, or, to the knowledge of Seller, by any other party thereto which could reasonably be expected to result in a Material Adverse Effect.

4.14. INTELLECTUAL PROPERTY AND PROPRIETARY INFORMATION.

(a) For purposes of this Agreement, "INTELLECTUAL PROPERTY" shall mean all proprietary and other rights in and to: (i) trademarks, service marks, brand names, certification marks, trade dress, assumed names, trade names and other indications of origin, including all applications for registration therefor and all renewals, modifications and extensions thereof ("TRADEMARKS"); (ii) patents, including design patents and utility patents, reissues, divisions, continuations-in-part and extensions thereof, in each case including all applications therefor ("PATENTS"); (iii) inventors' certificates and invention disclosures; (iv) works of authorship, whether copyrightable or not, copyrights, copyright registrations and applications for registration of copyrights and all renewals, modifications and extensions thereof, mask works, moral rights and design rights ("COPYRIGHTS"); (v) computer systems, including programs, software, object and source code, databases, algorithms, and documentation therefor, in each case including all copyrights therefor ("COMPUTER SYSTEMS"); (vi) trade secrets and other protectible information, including ideas, formulas, compositions, technical documentation, operating manuals and guides, plans, designs, sketches, inventions, production molds, product specifications, engineering reports and drawings, manufacturing and production processes and techniques; drawings, specifications, research records, invention records and technical data; and all other know-how, protected by patent, copyright or trade secret law; (vii) registrations of, and applications to register, any of the foregoing with any Governmental Authority and any renewals or extensions thereof ("REGISTRATIONS"); (viii) the goodwill associated with each of the foregoing; and (viii) any claims or causes of action arising out of or related to any infringement or misappropriation of any of the foregoing; in each case in any jurisdiction.

(b) Immediately after the Closing, Subsidiary shall retain all of its right, title and interest in or rights under Contract to use all material Intellectual Property Rights set forth on Schedule

4.14 (a) and Attachment A to Schedule 4.14(a) and used in or necessary to the conduct of its business as presently conducted, except for the Cherry names and marks identified in paragraph 7.10(a) hereto and subject to the limited trademark license of paragraph 7.10(b) (the "SUBSIDIARY INTELLECTUAL PROPERTY"). To Seller's knowledge, the Subsidiary is not infringing any Intellectual Property of any other person and, to Seller's knowledge, no claim is pending asserting any such infringement. Except for the agreements listed under the caption "Royalties and/or Licenses" on Schedule 4.14(a), the use of the Subsidiary Intellectual Property or the manufacturing and sale of products by the Subsidiary will not require the payment of any royalties by Subsidiary to any person after the acquisition of Subsidiary Common Stock hereunder. Schedule 4.14(a) and Attachment A to Schedule 4.14(a) list all material Patents, Trademarks, Copyrights, Computer Systems (other than commercially-available software used pursuant to a "shrink-wrap" license) and Registrations owned by the Subsidiary and all material Contracts relating to a license or sublicense or other right to use any Subsidiary Intellectual Property granted by or to the Subsidiary. To Seller's knowledge, except as set forth on Schedule 4.14(b), no other person is presently infringing upon any Subsidiary Intellectual Property.

4.15. LEGAL PROCEEDINGS. Except as set forth in Schedule 4.15, (a) neither the Subsidiary nor the Seller is engaged in or a party to any action, suit or other legal proceeding involving the Subsidiary or that will have a material adverse effect on Seller's ability to consummate the transactions contemplated hereby, (b) to the knowledge of Seller, neither the Subsidiary nor the Seller is threatened with any action, suit or other legal proceeding involving the Subsidiary, (c) Seller has no knowledge of any investigation threatened by any governmental or regulatory authority with respect to the Subsidiary or that will have a material adverse effect on Seller's ability to consummate the transactions contemplated hereby, and (d) neither the Seller nor the Subsidiary is subject to any judgment, order, writ, injunction, stipulation or decree of any court or any governmental agency directly applicable thereto affecting the Subsidiary or that will have a material adverse effect on Seller's ability to consummate the transactions contemplated hereby.

4.16. COMPLIANCE WITH LAW. Except as set forth on Schedule 4.16, the operation of the business of the Subsidiary complies as of the date hereof in all material respects with all applicable statutes, codes, laws, ordinances, rules and regulations, except where non-compliance could not reasonably be expected to result in a Material Adverse Effect.

4.17. LICENSES AND PERMITS. Subsidiary currently has all of the licenses and permits from all Federal, state, local and foreign authorities as are necessary for the conduct of the business of the Subsidiary as currently conducted as of the date hereof, except where the failure to have any license or permit could not reasonably be expected to result in a Material Adverse Effect.

4.18. EMPLOYEES.

(a) Subsidiary has paid or properly accrued for all wages, salaries, commissions, bonuses and other cash compensation (other than accrued vacation, holiday and sick pay) to which

employees and former employees of the Subsidiary are entitled to as of the Closing. Schedule 4.18 contains a list of the employees of the Subsidiary as of the date of this Agreement having a base salary in excess of $105,000.

(b) Except as set forth on Schedule 4.18, with respect to the current and former employees of the Subsidiary (i) to the knowledge of Seller, Subsidiary has complied in all material respects with all applicable laws regarding labor, employment and employment practices, terms and conditions of employment, occupational safety and health and wages and hours, except in such instances as could not reasonably be expected to result in a Material Adverse Effect, (ii) Subsidiary is not a party to or bound by, any collective bargaining agreement or other written contract concerning employment, or any affirmative action plan established pursuant to any local, state or federal law or order of any governmental body or court affecting the Subsidiary, and (iii) there is no labor strike or labor dispute, slowdown or stoppage actually pending or to Seller's knowledge, threatened against or affecting the Subsidiary and the Subsidiary has not experienced any labor strikes or material labor disputes, slowdowns or stoppages during the past five years.

4.19. ENVIRONMENTAL MATTERS.

(a) Except as set forth on Schedule 4.19, the location, construction, occupancy, maintenance, operation and use of the Owned Real Estate or the Leased Real Estate, are each in material compliance with all applicable Environmental Laws.

(b) Except as set forth on Schedule 4.19, or as permitted in accordance with any applicable Environmental Laws, there are no Pre-Closing Environmental Conditions.

(c) Except as set forth on Schedule 4.19, neither Subsidiary nor Seller (in respect to the Owned Real Estate, Leased Real Estate or operations or activities of Subsidiary) has received any notice, request for information, complaint or administrative or judicial order in the past three years, and there is no investigation, action, suit or proceeding pending, and no threatened, alleged or asserted actual or potential liability under any Environmental Law or arising from or related to a release or threatened release of Hazardous Materials.

(d) Seller has made available to Parent copies and results of all material reports, studies, analyses, tests or monitoring results possessed or initiated by Seller pertaining to Hazardous Materials in, on or under the Owned Real Estate or the Leased Real Estate or concerning compliance with Environmental Laws (collectively, the "ENVIRONMENTAL REPORTS"). The representations and warranties contained in this Section 4.19 are deemed to be made subject to and modified by the disclosures set forth in Schedule 4.19 and this Section shall not be deemed to be breached with respect to any matter disclosed in Schedule 4.19.

"ENVIRONMENTAL LAWS" means all present federal, regional and local administrative, regulatory and judicial laws, rules, statutes, codes, ordinances, regulations, licenses, permits, rulings, injunctions, decrees and judgments, which are in effect on the date hereof relating to the

protection of human health, safety, natural resources or the environment (including ambient air, surface water, ground water, land surface or subsurface strata).

"HAZARDOUS MATERIALS" shall mean any solid, liquid or gaseous material which is now defined, listed or identified as "HAZARDOUS" (including "SUBSTANCES" or "WASTES"), "TOXIC", a "POLLUTANT" or a "CONTAMINANT" pursuant to any Environmental Law which is applicable to the site in question, including asbestos, chlorinated solvents, polychlorinated biphenyls, radon, fuel oil, petroleum (including its derivatives, by-products or other hydrocarbons) and any other materials, which are dangerous, explosive, corrosive, flammable, infectious, radioactive, carcinogenic or mutagenic or which are prohibited, limited, controlled or regulated under any applicable Environmental Law.

"PRE-CLOSING ENVIRONMENTAL CONDITIONS" shall mean any environmental conditions, environmental liabilities or the presence or release of Hazardous Materials at or related to the Owned Real Estate or the Leased Real Estate or operations thereon prior to the Closing Date; provided that Pre-Closing Environmental Conditions shall not include the presence of tetrachloroethene (PCE) which is either (i) addressed in the Settlement Agreement and Covenant Not To Sue - Re property at 1900 South County Trail Case #97-058 (Brownfield Agreement) or (ii) identified in the Johnson Company reports and studies completed by or on behalf of Purchaser and Parent (including any PCE contamination related to the PCE contamination identified in those reports and studies).

4.20. BROKERS' FEES. Neither the Subsidiary nor Seller have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which Purchaser or the Subsidiary is or will become liable or obligated.

4.21. DISCLAIMER. The representations and warranties set forth in this Article IV are the only representations and warranties made by Seller with respect to the Subsidiary. Except as specifically set forth herein, Seller is selling the Subsidiary to Purchaser "AS IS" and "WHERE IS" and with all faults. EXCEPT AS SPECIFICALLY SET FORTH HEREIN, ALL WARRANTIES, EXPRESS OR IMPLIED, ARE HEREBY DISCLAIMED AND EXCLUDED, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. Seller makes no representation or warranty as to the accuracy or reliability of any forecasts or projections of revenues, sales, expenses or profits of the Subsidiary. Notwithstanding the foregoing, Seller shall not be relieved of any liability for, and this Section 4.21 shall in no way affect, a claim for actual fraud.

4.22. AFFILIATE RELATIONSHIPS; INDEBTEDNESS. At the Closing, except as set forth on Schedule 4.22, the Subsidiary will be in possession of, and have or at the Closing will have marketable title to, valid leasehold interests in or valid rights to use, all real and tangible personal property which is used by Subsidiary in connection with its business and that historically have been held by Seller or any of its affiliates. Except as reflected in the Financial Statements or on

Schedule 4.22, there is no Indebtedness between the Subsidiary and Seller or its affiliates. At the Closing, the Subsidiary will have no Indebtedness to any person, including Seller or any of its affiliates, except for trade payables or accruals incurred in the ordinary course of business.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser and Parent jointly and severally hereby represent and warrant to Seller as of the date hereof, and as of the Closing Date, as set forth below. For purposes of this Agreement, the phrase "to the knowledge of Purchaser or Parent" or other language of similar effect, shall mean to the actual knowledge of Steve Hanson, Dario Sacomani, Samuel Anderson or Ralph Quinsey.

5.1. ORGANIZATION AND QUALIFICATION. Each of Parent and Purchaser is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of the state of its organization and has the requisite power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted.

5.2. AUTHORITY; NON-CONTRAVENTION; APPROVALS. Except as set forth on Schedule 5.2:

(a) Parent and Purchaser each have full corporate power and authority to enter into this Agreement and, subject to the Parent Required Statutory Approvals (as defined in Section 5.2(c)), to consummate the transactions contemplated hereby. All corporate acts required to be taken by Parent and Purchaser to authorize the execution and delivery of this Agreement and all transactions contemplated hereby have been duly and properly taken. This Agreement has been duly executed and delivered by each of Parent and Purchaser, and, assuming the due authorization, execution and delivery hereof by Seller, constitutes a valid and legally binding agreement of each of Parent and Purchaser enforceable against each of them in accordance with its terms, except that such enforcement may be subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally and (ii) general equitable principles.

(b) The execution and delivery of this Agreement by each of Parent and Purchaser do not violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Parent or Purchaser or any of their respective subsidiaries under any of the terms, conditions or provisions of (i) the respective charters or by-laws of Parent or Purchaser or any of their respective subsidiaries, (ii) any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to Parent or Purchaser or any of their respective subsidiaries or any of their respective properties or assets or (iii) any note, bond, mortgage, indenture, deed of

trust, license, franchise, permit, concession, contract, lease or other instrument, obligation or agreement of any kind to which Parent or Purchaser or any of their respective subsidiaries is now a party or by which Parent or Purchaser or any of their respective subsidiaries or any of their respective properties or assets may be bound or affected. The consummation by Parent and Purchaser of the transactions contemplated hereby will not result in any violation, conflict, breach, termination, acceleration or creation of liens under any of the terms, conditions or provisions described in clauses (i) through (iii) of the preceding sentence, subject in the case of the terms, conditions or provisions described in clause (ii) above, to obtaining (prior to the Effective Time) the Parent Required Statutory Approvals. Excluded from the foregoing sentences of this paragraph (b), insofar as they apply to the terms, conditions or provisions described in clauses (ii) and (iii) of the first sentence of this paragraph (b), are such violations, conflicts, breaches, defaults, terminations, accelerations or creations of liens, security interests, charges or encumbrances that would not, in the aggregate, have a material adverse effect on the business, operations, properties, assets, financial condition or results of operations of Parent and its subsidiaries, taken as a whole.

(c) Except for the filing requirements by Parent and the expiration or termination of waiting periods under the HSR Act (the "PARENT REQUIRED STATUTORY APPROVALS"), no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by Parent or Purchaser or the consummation by Parent and Purchaser of the transactions contemplated hereby, other than such declarations, filings, registrations, notices, authorizations, consents or approvals which, if not made or obtained, as the case may be, would not, in the aggregate, have a material adverse effect on the business, operations, properties, assets, financial condition or results of operations of Parent and its subsidiaries, taken as a whole.

5.3. LITIGATION. Neither Parent nor Purchaser is engaged in or a party to, or, to the knowledge of Parent, threatened with any action or suit or other legal proceeding that would have a material adverse effect on its ability to consummate this Agreement and the transactions contemplated thereby. Parent has no knowledge of any investigation threatened by any governmental or regulatory authority that would have a material adverse effect on its ability to consummate this Agreement and the transactions contemplated thereby. Neither Parent, Purchaser nor any of their respective subsidiaries is subject to any judgment or decree of any court or any governmental agency directly applicable thereto that would have a material adverse effect on its ability to consummate this Agreement and the transactions contemplated thereby.

5.4. AVAILABILITY OF FUNDS. Prior to the date hereof, Parent has delivered to Seller true and correct copies of the commitment letter and related documents (the "Financing Commitments") providing for the financing of the transactions contemplated hereby (the "Financing"). The Financing Commitments are binding commitments and have not been amended or modified or withdrawn or rescinded in any respect. The funds to be made available to Purchaser through the Financing, together with funds otherwise available to Purchaser, will be sufficient to enable Parent and Purchaser to consummate the transactions contemplated hereby on

a timely basis. Except for the consents and approvals described on Schedule 5.2, neither Parent nor Purchaser know of any facts or circumstances that would affect their ability to complete the Financing.

5.5. KNOWLEDGE OF PURCHASER. Except as disclosed to Seller, neither Parent nor Purchaser has any actual knowledge of any information which makes, or if known to Seller would make, any representation, warranty or covenant of Seller contained herein untrue. Except as disclosed to Seller, neither Parent nor Purchaser has any knowledge of any facts or circumstances which would constitute a breach of any representation, warranty or covenant of Seller contained herein, or which would, with the passage of time or adequate notice or both, constitute such a breach, or which would entitle either Parent or Purchaser to make a claim for indemnification under this Agreement. Parent and Purchaser have reviewed and understand the terms and use restrictions of the Lemelson License set forth on Schedule 4.14, including an option for Subsidiary to acquire at its expense, after the Sale of Subsidiary Common Stock, extended license rights during a limited ninety (90) day period specified in the Lemelson License. Parent and Purchaser understand and agree that the terms of the Lemelson License shall be maintained in confidence as provided therein.

5.6. PURCHASER'S BUSINESS INVESTIGATION. Parent and Purchaser have conducted such investigation of the Subsidiary as they have deemed necessary in order to make an informed decision concerning the transactions contemplated hereby. Parent and Purchaser have reviewed all of the documents, records, reports and other materials identified in the Schedules hereto, and is familiar with the content thereof. Parent and Purchaser acknowledge that they have been given access to and has visited and examined the assets and operations of the Subsidiary and the premises of the Subsidiary and are familiar with the condition thereof. For the purpose of conducting these investigations, Parent and Purchaser have employed the services of their own agents, representatives, experts and consultants. In all matters affecting the condition of the Subsidiary's assets or the contents of the documents, records, reports or other materials in connection with the transactions contemplated hereby, Parent and Purchaser are relying upon the advice and opinion offered by their own agents, representatives, experts, consultants, employees and officers. All materials and information requested by Parent and Purchaser have been provided to Parent and Purchaser to Parent's satisfaction.

5.7. FINANCIAL STATEMENTS. The audited income statement of the Parent for the period ended December 31, 1999, and the balance sheet at the end of such period attached hereto as Schedule 5.7, were prepared in conformity with generally accepted accounting principles (except as set forth therein) and when taken as a whole, present fairly, in all material respects, the financial position of the Parent at the date indicated therein and the results of operations for the period indicated therein.

5.8. INVESTMENT INTENT. Purchaser and Parent acknowledge that the Subsidiary Common Stock has not been, and will not be as of the Closing Date, registered under the Securities Act of 1933, as amended, or the securities laws of any state or other regulatory body and is being offered and sold in reliance upon federal and state exemptions. Purchaser and

Parent are acquiring the Subsidiary Common Stock for their own account with the present intention of holding such securities for investment purposes and not with a view to or for sale in connection with any public distribution of such securities in violation of any federal or state securities laws. Purchaser and Parent are sophisticated investors, familiar with the business so that they are capable of evaluating the merits and risks of their investment in the Subsidiary Common Stock. Purchaser and Parent have had the opportunity to investigate on their own the business of the Subsidiary and the management and financial affairs of the Subsidiary and have had the opportunity to review the Subsidiary's operations and facilities.

5.9. BROKERS' FEES. Neither Parent nor Purchaser have any liability or obligation to pay any fees or commissions to any broker, employee, finder or agent with respect to the transactions contemplated by this Agreement for which Seller could become liable or obligated.

ARTICLE VI

COVENANTS OF SELLER

6.1. INTERIM CONDUCT OF BUSINESS. Except as set forth on Schedule 6.1 or as otherwise specifically provided herein, from the date hereof until the Closing, Seller shall operate the Subsidiary consistent with past practice and in the ordinary course of business in all material respects, and shall use reasonable efforts to preserve intact the Subsidiary's business organizations and assets and maintain its rights, franchises and existing relations with customers, suppliers, employees and business associates. Except as expressly contemplated by this Agreement, as required by a governmental authority of competent jurisdiction or as set forth on Schedule 6.1, without the prior written consent of Purchaser, Seller will not, and will cause Subsidiary not to:

(a) Capital Stock. (i) Issue, sell, pledge, dispose of or encumber, or authorize or propose the issuance, sale, pledge, disposition or encumbrance of, any shares of its capital stock or any Rights, (ii) enter into any agreement with respect to the foregoing, (iii) permit any additional shares of capital stock to become subject to Options, other Rights or similar stock-based employee rights or (iv) permit the exercise of any Options.

(b) Dividends, Etc. Make, declare, pay or set aside for payment any dividend, or declare or make any distribution on any shares of Subsidiary Common Stock or directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of Subsidiary Common Stock.

(c) Compensation; Employment Agreements; Etc. Enter into or amend any employment, consulting, severance or similar agreements or arrangements with any of the directors, officers or employees or former directors, officers or employees of the Subsidiary, or grant any salary or wage increase, make any award or grant under the Option Plan or any similar plan of the Seller or increase any employee benefit (including incentive or bonus payments) relating to any employee

of Subsidiary, except (i) in the ordinary course of business consistent with past practices, (ii) for changes required by law, or (iii) to satisfy contractual obligations existing as of the date hereof.

(d) Benefit Plan. Enter into or amend in any material respect (except (i) as may be required by applicable law, (ii) to satisfy contractual obligations existing as of the date hereof or (iii) as expressly provided for herein) any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, bonus, group insurance or other employee benefit, incentive or welfare plan disproportionately affecting employees of the Subsidiary.

(e) Acquisitions and Dispositions.

(i) Other than the acquisition of assets used in the operations of the business of the Subsidiary in the ordinary course, acquire on behalf of the Subsidiary all of the assets, business or properties of any other entity.

(ii) Other than in the ordinary course of business consistent with past practices, sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any portion of its assets, business or properties.

(f) Indebtedness and Encumbrances. Other than in the ordinary course of business consistent with past practices, incur any Indebtedness or voluntarily incur any Encumbrance on any assets or properties of the Subsidiary.

(g) Capital Expenditures. Commit or authorize to be made after Closing capital expenditures or commitments on behalf of the Subsidiary for additions to property, plant or equipment constituting capital assets in an aggregate amount exceeding $1,000,000.

6.2. ACCESS. From the date hereof through the Closing Date, Seller shall give Parent and its representatives access during normal business hours and under reasonable circumstances to all properties and records of the Subsidiary, to senior employees of Subsidiary (which shall mean Al Budnick and those employees who report directly to Al Budnick), and all financial and other information in its possession relating to the Subsidiary as Parent may from time to time reasonably request. Parent shall not contact any other employee or any customer, supplier, landlord or tenant of Seller without the prior consent of an authorized officer of Seller, which will not be unreasonably withheld.

6.3. RECORDS AND DOCUMENTS. Following the Closing Date, Seller shall grant to Parent and its representatives, at Parent's reasonable request, reasonable access to and the right to make copies at its expense of those records and documents in Seller's possession related to the Subsidiary as may be reasonably necessary for Purchaser's operation of the Subsidiary after the Closing. Seller shall deliver to Purchaser copies of Subsidiary's year end audited financial statements for the year ended February 29, 2000 upon their completion and shall use its commercially reasonable efforts to deliver such financial statements before the Closing Date.

6.4. CONSUMMATION. Subject to the terms and conditions provided herein, Seller agrees to use all reasonable efforts to take, or cause to be taken all actions and to do, or cause to be done all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement in accordance with its terms; except that this covenant shall not require Seller to make any payment or incur any economic burden not provided for herein.

6.5. HART-SCOTT-RODINO CONSENT. As promptly as possible, but in any event not later than five (5) business days after the execution hereof, Seller shall file with the Federal Trade Commission (the "FTC") and the Antitrust Division of the United States Department of Justice (the "ANTITRUST DIVISION") a premerger notification in accordance with the HSR Act with respect to the sale of the Subsidiary pursuant to this Agreement. Seller shall furnish promptly to the FTC and the Antitrust Division any additional information requested by either of them pursuant to the HSR Act in connection with such filings and shall diligently take, or cooperate in the taking of, all steps that are necessary or desirable and proper to expedite the termination of the waiting period under the HSR Act. 6.6. NOTIFICATION OF CERTAIN MATTERS. Seller agrees to give prompt notice to Parent of, and to use its reasonable best efforts to prevent or promptly remedy, (i) the occurrence or failure to occur of any event which occurrence or failure to occur would reasonably be likely to cause any of its representations or warranties in this Agreement to be untrue or inaccurate in any material respect at the Effective Time and (ii) any material failure on its part to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 6.6 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

6.7. ACQUISITION PROPOSALS. Seller shall immediately cease and cause to be terminated any activities, discussions or negotiations conducted prior to the date of this Agreement with any parties other than Purchaser with respect to any Acquisition Proposal. Seller shall not, and shall cause its subsidiaries and the officers, directors, agents and advisors of Seller and its Subsidiaries not to, initiate, solicit or encourage inquiries or proposals with respect to, or engage in any negotiations concerning, or provide any confidential information to, or have any discussions with, any person relating to, any Acquisition Proposal. For the purposes of this Agreement, "ACQUISITION PROPOSAL" shall mean (a) a merger or consolidation, or any similar transaction, involving the Subsidiary, (b) a purchase or other acquisition of substantially all of the business assets of the Subsidiary, (c) a purchase or other acquisition (including by way of merger, consolidation, share exchange, tender or exchange offer or otherwise) of beneficial ownership of the Subsidiary Common Stock, (d) any substantially similar transaction, or (e) any inquiry or indication of interest with respect to any of the foregoing, in each case other than the transactions contemplated by this Agreement. Seller shall notify Parent immediately upon receipt of any Acquisition Proposal (including the material terms thereof except for the identity of the parties).

6.8. NON-SOLICITATION. For the period beginning on the date hereof and ending three (3) years from the earlier to occur of the Closing or the date this Agreement is terminated, none of Seller nor any of its representatives (as defined in the Confidentiality Agreement dated January 13, 2000) will (a) solicit for employment or employ any employees of the Subsidiary or cause any employees of the Subsidiary to leave the employment of the Subsidiary and work for the Seller or any or its representatives; provided, however, that the foregoing shall not apply to employees of the Subsidiary hired by the Seller or any of its representatives as a result of the use of general solicitation (such as an advertisement) not specifically directed to employees of the Subsidiary, or (b) intentionally and purposefully interfere with any relationships between Subsidiary and its existing customers, lessors, lessees or suppliers.

ARTICLE VII

COVENANTS OF PARENT AND PURCHASER

7.1. CONSUMMATION. Subject to the terms and conditions provided herein, Parent and Purchaser each agree to use all reasonable efforts to take, or cause to be taken all actions and to do, or cause to be done all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement in accordance with its terms.

7.2. HART-SCOTT-RODINO CONSENT. As promptly as possible, but in any event not later than five (5) business days after the execution hereof, Parent and Purchaser shall file with the FTC and the Antitrust Division, including payment of the required filing fee, a premerger notification in accordance with the HSR Act with respect to the purchase of the Subsidiary pursuant to this Agreement. Parent and Purchaser shall furnish promptly to the FTC and the Antitrust Division any additional information requested by either of them pursuant to the HSR Act in connection with such filings and shall diligently take, or cooperate in the taking of, all steps that are necessary or desirable and proper to expedite the termination of the waiting period under the HSR Act.

7.3. CONFIDENTIALITY. In addition to its obligations under the Confidentiality Agreement dated January 13, 2000 (the "CONFIDENTIALITY AGREEMENT"), which Parent and Purchaser agree shall remain in full force and effect, Parent and Purchaser each agree that they will not disclose, nor will they permit any of their employees, agents or representatives to disclose, to any third party any confidential information obtained from Seller or the Subsidiary in connection with this Agreement, including any information provided pursuant to Section 6.2, or the fact that discussions regarding this transaction are taking place, except as required by law or regulation. Upon consummation of the transactions contemplated hereby, solely with respect to confidential information relating to the Subsidiary, obligations under the Confidentiality Agreement and this Section 7.3 shall terminate. If this Agreement is terminated without consummation of the transactions contemplated hereunder, promptly after termination, Parent and Purchaser shall each destroy or return to Seller all such confidential information, including any copies, extracts or other reproductions in whole or in part. Such return or destruction shall

be certified in writing to Seller by an authorized officer of Parent. The provisions of this Section 7.3 shall survive any termination of this Agreement.

7.4. RECORDS AND DOCUMENTS. Following the Closing Date, Parent and Purchaser shall each grant to Seller and its representatives, at Seller's reasonable request, reasonable access to and the right to make copies at its expense of those records and documents covering any period prior to the Closing related to the Subsidiary as may be reasonably necessary for litigation, preparation of financial statements, the 338(h)(10) election, tax returns and audits or other valid business purposes. If either Parent or Purchaser elect to dispose of such records for six years after the Closing, Parent or Purchaser as applicable shall first give Seller sixty (60) days' written notice, during which period Seller shall have the right to take such records without further consideration; provided, however, that Purchaser may maintain such books, records and other data in microfiche, magnetic or other readily reproducible form in lieu of retaining the originals thereof.

7.5. INSURANCE. Purchaser shall procure and maintain insurance with carriers and in a form and with such limits as may be reasonably appropriate for the business as conducted by Purchaser. In addition, for a period of six (6) years following the Closing, Seller and its successors and assigns shall be named as additional insureds on all such liability insurance policies carried by Purchaser. Purchaser shall provide Seller with a certificate of insurance evidencing the foregoing. All premiums, assessments and other charges incurred in maintaining such insurance in full force and effect, as well as the payment of any deductibles or self-insured retentions, shall be the sole responsibility of Parent and Purchaser.

7.6. NOTIFICATION OF BREACH. Purchaser shall promptly notify Seller of any information which makes, or if known to Seller would make, any representation, warranty or covenant of Seller contained herein untrue. If a breach is cured (whether or not subject of a notice) prior to the Closing, such breach shall be deemed not to have occurred for all purposes of this Agreement.

7.7. NON-SOLICITATION. For the period beginning on the date hereof and ending three (3) years from the earlier to occur of the Closing or the date this Agreement is terminated, none of Purchaser nor Parent nor any of their respective representatives (as defined in the Confidentiality Agreement) will (a) solicit for employment or employ any employees of the Seller or any of its subsidiaries or cause any employees of the Seller or any of its subsidiaries to leave the employment of Seller or any of Seller's subsidiaries and work for the Subsidiary, Purchaser or Parent or any of their representatives; provided, however, that the foregoing shall not apply to employees of the Seller hired by the Subsidiary, Purchaser or Parent or any of their representatives as a result of the use of general solicitation (such as an advertisement) not specifically directed to employees of the Seller or the Seller's subsidiaries, or (b) intentionally or purposefully interfere with any relationships between the Seller and its subsidiaries, existing customers, lessors, lessees or suppliers.

7.8. CONDUCT OF BUSINESS BY PARENT AND SUBSIDIARY PENDING THE CLOSING. Except as otherwise contemplated by this Agreement, after the date hereof and prior to the Closing Date or earlier termination of this Agreement, both Purchaser and Parent shall not, and shall cause its subsidiaries to not, take any actions which could reasonably be expected to affect its ability to fund the Purchase.

7.9. CONTROL OF THE SUBSIDIARY'S OPERATIONS. Nothing contained in this Agreement shall give to either Parent or Purchaser, directly or indirectly, rights to control or direct the Subsidiary's operations prior to the Effective Time. Prior to the Effective Time, the Subsidiary shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision of its operations.

7.10. CHERRY NAME.

(a) Purchaser and Parent each hereby acknowledge that, except for the limited trademark license of paragraph 7.10(b) to Subsidiary for inventory and products being manufactured, nothing herein, including the sale of the Subsidiary Common Stock made hereunder, shall provide Purchaser, Parent or Subsidiary with any right, license, claim or interest in the names and marks "Cherry", "Cherry Semiconductor Corporation", "Cherry Semiconductor", "CSC", CHERRY and design and the Three Cherry and Leaf Design (the "Cherry Marks"). Except as provided in paragraph 7.10(b), promptly after the Closing Date and no later than 90 days after the Closing Date, Parent, Purchaser and Subsidiary shall remove or otherwise obliterate the Cherry Marks from all signs, letterhead, business cards, advertising media, promotional materials, manuals, packaging, labels, documents, products or things held by, sold, offered for sale or used by or for Subsidiary. On or promptly after the Closing Date, Purchaser and Subsidiary shall take whatever action is necessary at their expense to amend all licenses and permits and other deeds and registrations of Subsidiary to reflect the Subsidiary's name change (or to obtain new ones, if any terminate by operation of law) and Seller will cooperate with Purchaser and Subsidiary to effect such transfer. Within ninety (90) days after the Closing, Purchaser shall provide Seller with appropriate documentation showing that, except as allowed under paragraph 7.10(b), the name "Cherry Semiconductor Corporation" or any name similar thereto or similar to any of the Cherry Marks are no longer listed as the permit, license holder or the registrant for any licenses, permits or other registrations of the Subsidiary or displayed on any products, documents or other things held by, sold, offered for sale or used by or for the Subsidiary.

(b) (i) Seller hereby grants to Subsidiary a limited, worldwide, paid-up, royalty free, nonexclusive license to use, for a transition period of six (6) months after the Closing, any trademark owned by Seller and used by Subsidiary as of the Closing Date as a visible trademark on or in association with Subsidiary's products current as of the Closing Date and on or in association with materials (including printed materials, advertising materials, data sheets, application notes, packing slips, packing materials, and electronic materials) used on or before the Closing Date in connection with the sale, offering for sale, distribution, or advertising of any such products of Subsidiary (collectively, the "Cherry Products"). The aforementioned license shall apply only to trademarks that are visible to a purchaser of the Cherry Products ("Licensed

Visible Trademarks"). This license is personal to Subsidiary, shall not be sublicensed and shall not be assigned except as part of the sale, merger or other disposition of Subsidiary's entire business, and is granted for the six (6) month transition period to allow Subsidiary to dispose of any inventory that bears any Licensed Visible Trademark and to change tooling that places any Licensed Visible Trademark on Cherry Products.

(ii) Notwithstanding Section 7.10(b)(i), for any Cherry Product that must be re-qualified with a product purchaser when a Licensed Visible Trademark on the Cherry Product or its packaging is changed or removed, Subsidiary shall be permitted, for up to one and one half (1 1/2) years after Closing, to use Licensed Visible Trademarks in order to continue advertising, selling and distributing Cherry Products during the period of such re-qualification.

(iii) Seller hereby grants to Subsidiary a limited, worldwide, paid-up, royalty free, nonexclusive license to use any trademark owned by Seller and used by Subsidiary as of the Closing Date on any Cherry Product, or on "Items" such as equipment, software, or materials used in connection with the manufacture, sale, offering for sale, distribution, or advertising of Cherry Products, provided that the Items are not sold or given to purchasers or persons or entities outside of Subsidiary's business and the Cherry Products are sold or given to purchasers or persons or entities outside of Subsidiary's business only with encapsulated trademarks of Seller which are not visible to purchasers or such outside persons or entities in the ordinary course of use of such products ("Licensed Nonviewed Trademarks"). Subsidiary and its successors and assigns agree to remove the Licensed Nonviewed Trademarks when any such Cherry Product or Items are replaced by redesigned substitute products or Items or are discontinued. This license shall terminate with the discontinuance or replacement of the Cherry Products or Items bearing such Licensed Nonviewed Trademarks. The license of this subparagraph is personal to Subsidiary, shall not be sublicensed and shall not be assigned, except as part of the sale, merger or other disposition of Subsidiary's entire business.

(iv) During the period of time that any Licensed Visible Trademark is used in connection with any Cherry Product, or any Licensed Nonviewed Trademark is included in encapsulated Cherry Products or Items not provided to purchasers or persons or entities outside Subsidiary's business, such Cherry Products or Items manufactured by Subsidiary shall meet the quality control standards required by Seller and used by Subsidiary prior to the Closing ("Quality Standards"). So long as any Licensed Visible Trademark is used by Subsidiary, or any Licensed Nonviewed Trademark is included in encapsulated Cherry Products provided to purchasers or other persons or entities outside of Subsidiary's business or used in association with Items not shown to purchasers or other persons or entities outside of Subsidiary's business, Seller shall have the right at reasonable times and on reasonable notice to conduct, during regular business hours, an examination of Cherry Products and Items manufactured and used by Subsidiary and bearing the Licensed Visible Trademark or

Licensed Nonviewed Trademark (including those in-process, assembled or tested) at Subsidiary's facilities to determine the compliance of such Cherry Products and Items with the Quality Standards. If at any time such Cherry Products and Items fail to conform to the Quality Standards, Seller shall so notify Subsidiary in writing. Upon such notification, Subsidiary shall immediately take such steps as are necessary to promptly restore the Cherry Products and Items to the required Quality Standards or, if unable to do so within a reasonable time, cease to use the Licensed Visible Trademark or Licensed Nonviewed Trademark on such Cherry Products and Items until such Quality Standards can be achieved.

(v) Seller hereby grants to Subsidiary the right to use after the Closing all part numbers, model numbers and the like, with or without a prefix, in use by Subsidiary prior to the Closing to identify Cherry Products to customers after closing. Subsidiary shall further have the right to create and use additional part or model numbers for any series or numbering scheme in use by Subsidiary as of the Closing.

(vi) Parent, Purchaser and Subsidiary shall indemnify and hold Seller harmless against all third party claims arising after Closing for damage or injury arising from third party use of products manufactured, distributed or sold by Subsidiary that bear the Licensed Visible Trademarks or Licensed Nonviewed Trademarks pursuant to the trademark license contained in this Section 7.10 (the "Trademark License"), provided, however, that nothing contained in this Section 7.10 shall limit or preclude any rights of Parent, Purchaser or Subsidiary to be indemnified, defended or held harmless under this Agreement, including, without limitation, under Section 12.2(b).

7.11. WARN ACT COMPLIANCE. Parent and Purchaser shall retain full responsibility for compliance with the Worker's Adjustment and Retraining Notification Act of 1988, as amended, and be solely responsible for furnishing any required notice of any "PLANT CLOSING" or "MASS LAYOFF", as applicable, which arise as a result of any facility closings, reductions in work force or termination or other action, that Parent, Purchaser or their affiliates may cause or initiate on or after the Closing Date with respect to the Subsidiary and shall jointly and severally indemnify Seller for any liability, expense and cost related thereto, including reasonable attorneys' fees related thereto.

7.12. NOTIFICATION OF CERTAIN MATTERS. Each of Parent and Purchaser agrees to give prompt notice to Seller of, and to use its reasonable best efforts to prevent or promptly remedy, (i) the occurrence or failure to occur of any event which occurrence or failure to occur would reasonably be likely to cause any of its representations or warranties in this Agreement to be untrue or inaccurate in any material respect at the Effective Time and (ii) any material failure on its part to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 7.12 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice

7.13. DIRECTORS' AND OFFICERS' INDEMNIFICATION. For a period of six years from the Effective Time, the Subsidiary shall, to the fullest extent permitted under applicable law, indemnify and hold harmless, each present and former director, officer, employee and agent of the Subsidiary or any of its subsidiaries against any loss, damage, cost or expense (including attorneys fees), judgments and fines and amounts paid in settlement in connection with any actual or threatened claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of, relating to or in connection with any action or omission occurring prior to the Effective Time. The obligations of the Subsidiary under this Section 7.13 are solely those of the Subsidiary and in no event shall any claim may be made against Parent or Purchaser with respect thereto. Neither Parent nor Purchaser shall take any action which would materially impair the Subsidiary's ability to comply with its obligations under this Section 7.13.

7.14. TRADEMARKS ASSIGNMENTS. Within ninety (90) days after the Closing, Purchaser shall cause Subsidiary to amend all of its trademark and copyright registration, and assignments for issued patents, if any, set forth on Attachment A hereto and all licenses on Schedule 4.14(a) and all permits held by the Subsidiary, at Subsidiary's expense post-Closing, to reflect the name change of the Subsidiary after the acquisition of Subsidiary Common Stock.

ARTICLE VIII

TAX MATTERS

8.1. SECTION 338(H)(10) ELECTIONS. At Purchaser's request, Seller (as the common parent of the affiliated group that includes Subsidiary (the "Seller Group")) shall within the time period prescribed by law for the filing thereof, join with Parent in making a timely, irrevocable and effective election under Section 338(h)(10) of the Code and similar elections under state and local income tax law, if applicable (collectively, the "Section 338(h)(10) Elections") with respect to Purchaser's purchase of the Subsidiary Common Stock. Purchaser shall prepare an Internal Revenue Service Form 8023 with respect to Purchaser's purchase of the Subsidiary Common Stock and such form shall be duly executed by an authorized person for each of Parent and Seller in connection with the Closing. Purchaser shall prepare the state and local tax forms, if any, necessary for effectuating the Section 338(h)(10) Elections in the applicable states (the "State Forms") and any schedules (the "Tax Schedules") required to be attached to the Internal Revenue Service Form 8023 or the State Forms (collectively, the "Forms"). Seller shall provide any cooperation the Purchaser shall reasonably require in preparing the Tax Schedules and State Forms and shall execute any State Forms presented to it by Purchaser. Purchaser shall duly and timely file the Forms (together with the applicable Tax Schedules) as prescribed by Treasury Regulation Section 1.338(h)(10)-1 (as in effect and as it may hereafter be amended) or the corresponding provisions of state and local income tax law. Parent, Purchaser and Seller shall prepare all relevant Tax Returns in a manner consistent with the Tax Schedules.

8.2. LIABILITY FOR TAXES

(a) Except to the extent such Taxes are taken into account as a liability in the determination of the Closing Date Net Working Capital Amount, Seller shall be liable for, and shall indemnify and hold Parent, Purchaser and the Subsidiary harmless from, (i) any Taxes caused by or resulting from the sale of the Subsidiary Common Stock (including, without limitation, all Taxes arising from the Section 338(h)(10) Elections), (ii) any Taxes imposed on or incurred by the Subsidiary arising out of the inclusion of the Subsidiary in the Seller Group, any predecessor group or any combined, consolidated, unitary or similar group (a "Group") prior to the Closing Date, or with respect to the Taxes of any other person as successor or transferee, by contract or otherwise, (iii) any Taxes imposed on or incurred by the Subsidiary (or any Group with respect to the taxable items of the Subsidiary) for any taxable period ending on or before the Closing Date (or the portion, determined as described in paragraph (c) of this Section 8.2, of any such Taxes for any taxable period beginning on or before and ending after the Closing Date which is allocable to the portion of such period occurring on or before the Closing Date (the "Pre-Closing Period")) except for Taxes arising from transactions by the Subsidiary outside the ordinary course of business on the Closing Date after the Closing, (iv) any sales, use, value added, transfer, real property transfer or gain, gross receipts, excise, stamp, documentary or similar Taxes arising from the transactions contemplated in this Agreement, (v) any Taxes arising out of a breach of the representations contained in Section 4.8 hereof and (vi) any attorneys' fees or other costs incurred by Purchaser or the Subsidiary in connection with any payment from Seller under this paragraph (a) of Section 8.2.

(b) Parent and Purchaser shall be liable for, and shall indemnify and hold Seller harmless from, (i) any Taxes imposed on or incurred by or with respect to the Subsidiary for which Seller is not liable under paragraph (a) of this Section 8.2 and (ii) any attorneys' fees or other costs incurred by Seller in connection with any payment from Parent and Purchaser under this paragraph (b) of Section 8.2.

(c) Whenever it is necessary for purposes of paragraph (a) or (b) of this Section 8.2 to determine the portion of any Taxes imposed on or incurred by the Subsidiary (or any Group) for a taxable period beginning on or before and ending after the Closing Date which is allocable to the Pre-Closing Period, the determination shall be made, in the case of property, ad valorem or similar Taxes (which are not measured by, or based upon, production) or franchise or capital Taxes (which are not measured by, or based upon, net income), on a per diem basis, except any consequences of the Section 338(h)(10) Elections shall be excluded, and, in the case of other Taxes, by assuming that the Pre-Closing Period constitutes a separate taxable period of the Subsidiary and by taking into account the actual taxable events occurring during such period (except that exemptions, allowances and deductions for a taxable period beginning on or before and ending after the Closing Date that are calculated on an annual or periodic basis, such as the deduction for depreciation, shall be apportioned to the Pre-Closing Period ratably on a per diem basis, any deductions resulting from any payments made by Subsidiary or Seller under

Sections 9.1 or 9.4 below shall be allocated to the Pre-Closing Periods and any consequences of the Section 338(h)(10) Elections shall be excluded).

(d) Seller and Purchaser will, to the extent permitted by applicable law, elect with the relevant taxing authorities to close all taxable periods of the Subsidiary as of the close of business on the Closing Date.

(e) Purchaser agrees to pay to Seller any refund received after the Closing Date by Parent, Purchaser or Subsidiary, in respect of any Taxes for which Seller is liable under paragraph (a) of this Section 8.2, except to the extent such refund is taken into account as an asset in the determination of the Post-Closing Adjustment. Seller agrees to pay to Purchaser any refund received by Seller in respect of any Taxes for which Parent or Purchaser is liable under paragraph (b) of this Section 8.2. The parties shall cooperate in order to take all necessary steps to claim any such refund. Any such refund received by a party for the account of the other party shall be paid to such other party within thirty (30) days after such refund is received.

(f) (i) Seller and Purchaser agree that any payment made with respect to Taxes pursuant to this Section 8.2 or as an indemnity under Article XII shall be treated by the parties on their Tax Returns as an adjustment to the Purchase Price for the Subsidiary Common Stock.

(ii) If, contrary to the intent of the parties as expressed hereof, any payment made pursuant to this Agreement is treated as taxable income of the recipient, then the payor shall indemnify and hold harmless the recipient from any liability for Taxes attributable to the recipient of such payment. For purposes of this Section, the indemnified party will be considered to be liable for Tax in respect of any payment treated as taxable income at the highest marginal tax rate then in effect for corporations in the jurisdiction so characterizing the payment for the year such payment is considered to be earned by the indemnified party.

8.3. TAX PROCEEDINGS. In the event Purchaser or the Subsidiary or any of their affiliates receives notice (the "Proceeding Notice") of any examination, claim, adjustment or other proceeding with respect to the liability of the Subsidiary for Taxes for any period for which Seller is or may be liable under paragraph (a) of Section 8.2, Purchaser shall notify Seller in writing thereof (the "Purchaser Notice") no later than the earlier of (a) thirty (30) days after the receipt by Purchaser, the Subsidiary or any of their affiliates of the Proceeding Notice, or (b) ten (10) days prior to the deadline for responding to the Proceeding Notice. As to any such Taxes for which Seller acknowledges in writing that it is solely liable under paragraph (a) of Section 8.2, Seller shall be entitled at its expense to control or settle the contest of such examination, claim, adjustment or other proceeding, provided Seller notifies Purchaser in writing that it desires to do so no later than the earlier of (i) thirty (30) days after receipt of the Purchaser Notice, or (ii) five (5) days prior to the deadline for responding to the Proceeding Notice. The parties shall cooperate with each other and with their respective affiliates, and will consult with each other, in the negotiation and settlement of any proceeding described in this Section 8.3.

8.4. PAYMENT OF TAXES. All Taxes with respect to the Subsidiary shall be paid by the party that is legally responsible therefor. Except as otherwise provided in this Article VIII, any amount to which a party is entitled under this Article VIII shall be promptly paid to such party by the party obligated to make such payment following written notice to the party so obligated stating that the Taxes to which such amount relates are due and providing details supporting the calculation of such amount.

8.5. TAX RETURNS. (a) All Tax Returns which relate to any income Taxes of the Subsidiary shall be prepared and filed by the party that is legally responsible therefor. For all other Tax Returns, Seller shall be responsible for the timely filing (taking into account any extensions received from the relevant tax authorities) of all such Tax Returns required by law to be filed by the Subsidiary or any of its Subsidiaries, on or prior to the Closing Date. All taxable items of the Subsidiary for the period beginning on March 1 of the calendar year in which the Closing occurs and extending through the Closing (and, to the extent required in the applicable regulations, through the close of business on the Closing Date, but in no event including items arising from transactions by the Subsidiary outside the ordinary course of business after the Closing) will be included in the consolidated federal income Tax Return of the Seller Group will be correct and complete in all material respects and will be reported on a basis consistent with previously filed Tax Returns. All Taxes indicated as due and payable on such Tax Returns shall be paid by Seller as and when required by law. Purchaser and its affiliates, including the Subsidiary, shall cooperate with Seller and shall make available all necessary records and timely take all action necessary to allow Seller and its affiliates to prepare and file the Tax Returns which they are responsible for preparing and filing under this Section 8.5.

(b) The Subsidiary (or, where relevant, the combined or consolidated group of which the Subsidiary is a member) shall be responsible for the timely filing (taking into account any extensions received from the relevant tax authorities) of all Tax Returns required by law to be filed by the Subsidiary after the Closing Date, it being understood that all Taxes indicated as due and payable or such returns shall be the responsibility of the Purchaser or the Subsidiary, except for such Taxes which are the responsibility of Seller pursuant to Section 8.2, which Seller shall pay as and when required by law.

8.6. TAX ALLOCATION ARRANGEMENTS. Effective as of the Closing, all liabilities and obligations between the Subsidiary, on one hand, and Seller and any affiliates thereof, on the other hand, under any tax indemnity, sharing, allocation or similar agreement or arrangement in effect prior to the Closing shall be extinguished in full, and any liabilities or rights existing under any such agreement or arrangement shall cease to exist and shall no longer be enforceable. Seller and its affiliates shall execute any documents necessary to effectuate the provisions of this Section 8.6.

8.7. COOPERATION AND EXCHANGE OF INFORMATION. Each party will provide, or cause to be provided, to the other party copies of all correspondence received from any taxing authority by such party or any of its affiliates in connection with the liability of the Subsidiary for Taxes for any period for which such other party is or may be liable under paragraph (a) or (b) of

Section 8.2. The parties will provide each other with such cooperation and information as they may reasonably request of each other in preparing or filing any Tax Return or claim for refund, in determining a liability or a right of refund or in conducting any audit or other proceeding in respect of Taxes imposed on the parties or their respective affiliates. The parties and their affiliates will preserve and retain all Tax Returns, schedules, work papers and all material records or other documents relating to any such Tax Returns, claims, audits or other proceedings until the expiration of the statutory period of limitations (including extensions) of taxable periods to which such documents relate and until the final determination of any payments which may be required with respect to such periods under this Agreement and shall make such documents available to the other party or any affiliate thereof, and their respective officers, employees and agents, upon reasonable notice and at reasonable times, it being understood that such representatives shall be entitled to make copies of any such books and records relating to the Subsidiary as they shall deem necessary. Any information obtained pursuant to this Section 8.7 shall be kept confidential, except as may be otherwise necessary in connection with the filing of Tax Returns or claims for refund or in conducting any audit or other proceeding. Each party shall provide the cooperation and information required by this Section 8.7 at its own expense.

8.8. CONFLICT. In the event of a conflict between the provisions of this Article VIII and any other provisions of this Agreement, the provisions of this Article VIII shall control.

ARTICLE IX

ADDITIONAL AGREEMENTS

9.1. OPTION PLANS. Simultaneously with the Closing, the Seller shall take such action as may be necessary to cause each Option to be canceled in exchange for a cash payment, in full satisfaction thereof, in the amount equal to that which would have been received in the transactions contemplated hereby by the option holder had the Option been exercised immediately prior to the Effective Time, less the aggregate exercise price which such option holder would have been required to pay upon such exercise (the "OPTION CASH-OUT AMOUNT"). Seller shall pay Subsidiary prior to the Closing, and Subsidiary shall pay to each holder of an Option simultaneously with the Closing, the Option Cash-Out Amount. Effective as of the Effective Time and subject to the consummation of the transactions contemplated hereby, Seller shall, or shall cause the Subsidiary to, terminate the Option Plan.

9.2. SELLER AND SUBSIDIARY BENEFIT PLANS. From and after the Closing, Seller shall remain solely responsible for all liabilities and obligations under (i) the Seller Benefit Plans (other than those Seller Benefit Plans that are Subsidiary Plans) and (ii) the agreements listed on Schedule 4.12 under the heading "Agreements Regarding Section 4999 Payments" and shall honor the obligations thereunder in respect of the employees and former employees of the Subsidiary or any of its subsidiaries. Notwithstanding the foregoing, (i) with respect to those Subsidiary Plans that are cash bonus or other incentive compensation plans, the Seller shall remain responsible for, and shall indemnify the Subsidiary from and against or pay or reimburse the Subsidiary for, any Damages in excess of the amounts reserved therefor on the Closing Date

Balance Sheet accrued or payable under such bonus or incentive compensation plans in respect of any periods preceding the Closing Date and (ii) with respect to the Option Plan (including, without limitation, Damages relating to claims made by holders of Options in respect of the Option Cash-Out Amount) and the agreements listed on Schedule 4.12 under the heading "Success Bonus Agreements", the Seller shall remain responsible for, and shall indemnify the Subsidiary from and against or pay or reimburse the Subsidiary for, any liabilities payable by the Subsidiary in respect of the Option Plan or agreements in excess of the amount contributed by the Seller to the Subsidiary prior to the Closing to fund the amounts payable under such Plan (in accordance with Section 9.1 hereof) and agreements.

9.3. CERTAIN NEW PLANS.

(a) Prior to the Closing Date, the Seller shall cause the Subsidiary to establish a defined contribution plan and related trust (the "SUBSIDIARY 401(K) PLAN") that is qualified under Sections 401(a) and 401(k) of the Code and that contains terms and conditions that are substantially the same as the terms and conditions of The Cherry Corporation Savings and Retirement Plan and related trust, as in effect on the date hereof (the "CHERRY 401(K) PLAN"), except that the Subsidiary 401(k) Plan shall cover only employees of the Subsidiary. Prior to the Closing Date and in connection with the establishment of the Subsidiary 401(k) Plan, the Seller shall cause the trustee under the Cherry 401(k) Plan to transfer to the trust forming part of the Subsidiary 401(k) Plan assets, in cash and/or pro rata in kind, at fair market value, equal to the aggregate account balances (both vested and unvested) of the employees of the Subsidiary who are participants in the Cherry 401(k) Plan immediately prior to such transfer and otherwise in accordance with the requirements of Section 414(l) of the Code.

(b) Prior to the Closing Date, the Seller shall cause the Subsidiary to establish a non-qualified deferred compensation program and related grantor trust (the "SUBSIDIARY DEFERRED COMPENSATION PROGRAM") that contains terms and conditions that are substantially the same as the terms and conditions of The Cherry Corporation Deferred Compensation Program and related grantor trust, as in effect on the date hereof (the "CHERRY DEFERRED COMPENSATION PROGRAM"), except that the Subsidiary Deferred Compensation Program shall cover only employees of the Subsidiary who are participants in the Cherry Deferred Compensation Program on the date hereof (the "DEFERRED COMPENSATION PROGRAM PARTICIPANTS"). Prior to the Closing Date and in connection with the establishment of the Subsidiary Deferred Compensation Program, the Seller shall cause the trustee under the Cherry Deferred Compensation Program to transfer to the trust forming part of the Subsidiary Deferred Compensation Program assets, in cash and/or pro rata in kind, at fair market value, equal to the aggregate account balances of the Deferred Compensation Program Participants, valued as of the actual date of transfer.

9.4. FUNDING OF SUCCESS BONUS. Seller shall pay Subsidiary prior to the Closing an amount equal to amounts required to paid under the Success Bonus Agreements as a result of the transactions contemplated hereby, and Subsidiary shall pay all such amounts to the employees

entitled to receive payments under the Success Bonus Agreements promptly after the Effective Time.

9.5. NO LIMITATION. Notwithstanding anything to the contrary contained in this Agreement, there shall be no limitation on the Seller's obligations under this Article IX or the indemnification relating thereto. Without limiting the generality of the foregoing, the Seller's obligations under this Article IX or to indemnify Parent and Purchaser for any breach thereof shall not be limited in any respect by operation of the provisions of Section 5.5 or Section 12.3 of this Agreement.

ARTICLE X

CONDITIONS PRECEDENT TO OBLIGATIONS OF PARENT AND PURCHASER

The obligation of Parent and Purchaser to consummate the transactions contemplated by this Agreement is subject to fulfillment prior to or at the Closing of the following conditions (unless waived in writing in the sole discretion of Parent and Purchaser):

10.1. ACCURACY OF WARRANTIES AND PERFORMANCE OF COVENANTS. The representations and warranties of Seller contained herein shall be accurate in all Material Respects (except that the representation and warranty contained in the first sentence of Section 4.7 shall be true and correct in all respects) when made and as of the Closing Date (except as to matters arising from the date of this Agreement through Closing in the ordinary course of business). Seller shall have performed all obligations and complied in all Material Respects with each and all of the covenants, agreements and conditions required to be performed or complied with on or prior to the Closing. Seller shall have delivered an Officer's Certificate confirming the matters in each of the foregoing sentences; provided, however, that such certificate may disclose any facts or circumstances arising after the date hereof which would cause any representations and warranties to be incorrect or agreements or covenants to be unfulfilled and if Parent and Purchaser nevertheless decide to Close, the breach or failure shall be deemed cured and may not be relied upon by Parent and Purchaser to avoid any of its obligations hereunder, impose any liabilities or obligations upon Seller or otherwise recover from Seller with respect thereto.

10.2. NO PENDING ACTION. No action, suit, proceeding or investigation before any court, administrative agency or other governmental authority shall be pending or threatened wherein an unfavorable judgment, decree or order would prevent the carrying out of this Agreement or any of the transactions contemplated hereby, declare unlawful the transactions contemplated hereby or cause such transactions to be rescinded.

10.3. HART-SCOTT-RODINO. The waiting period under the HSR Act required to permit the consummation of the transactions provided for herein shall have expired or early termination shall have been granted.

10.4. CURE PERIOD. If any of the conditions set forth in Section 10.1 are not satisfied in all Material Respects, Seller shall have until the date specified in Section 13.1(c) to cure such condition (the "CURE PERIOD"). "MATERIAL RESPECT" with respect to Section 10.1 being one which, disregarding any reference to materiality or Material Adverse Effect contained in the relevant representation, warranty or covenant, has a material impact on the value of the Subsidiary or on the ability of the Subsidiary to carry on the business of the Subsidiary in substantially the same manner as it was carried on by the Subsidiary immediately prior to the Closing. If Seller does not cure such condition within the Cure Period and Purchaser and Parent choose not to waive such condition, then Parent and Purchaser's sole remedy under the Agreement shall be as set forth in Article XIII.

10.5. PARENT REQUIRED CONSENTS AND APPROVALS. The consents and approvals described on Schedule 5.2 (the "PARENT REQUIRED CONSENTS AND APPROVALS") shall have been obtained in form and substance reasonably satisfactory to Parent and shall be in full force and effect.

ARTICLE XI

CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER

The obligation of Seller to consummate the transactions contemplated by this Agreement is subject to fulfillment prior to or at the Closing of the following conditions (unless waived in writing in the sole discretion of Seller):

11.1. ACCURACY OF WARRANTIES AND PERFORMANCE OF COVENANTS. The representations and warranties of Purchaser and Parent contained herein shall be accurate in all Material Respects when made and as of the Closing Date. Purchaser and Parent shall have each performed all obligations and complied in all Material Respects with each and all of the covenants, agreements and conditions required to be performed or complied with on or prior to the Closing. Purchaser and Parent shall each have delivered an Officer's Certificate confirming the matters set forth in each of the foregoing sentences.

11.2. NO PENDING ACTION. No action, suit, proceeding or investigation before any court, administrative agency or other governmental authority shall be pending or threatened wherein an unfavorable judgment, decree or order would prevent the carrying out of this Agreement or any of the transactions contemplated hereby, declare unlawful the transactions contemplated hereby or cause such transactions to be rescinded.

11.3. HART-SCOTT-RODINO. The waiting period under the HSR Act required to permit the consummation of the transactions provided for herein shall have expired or early termination shall have been granted.

11.4. CURE PERIOD. Other than with respect to the deliveries required by Section 3.2 and Section 5.7, if any of the conditions set forth in Section 11.1 are not satisfied in all Material

Respects, Purchaser shall have until the date specified in Section 13.1(d) to cure such condition. "MATERIAL RESPECT" with respect to Section 11.1 being one which has a material effect on Purchaser's ability to consummate this Agreement and the transactions contemplated herein. If Purchaser does not cure such condition within the cure period set forth above and Seller chooses not to waive such condition, Seller's sole remedy under the Agreement shall be as set forth in Article XIII.

ARTICLE XII

SURVIVAL AND INDEMNIFICATION

12.1. SURVIVAL. All covenants and agreements contained in this Agreement shall survive until fully performed or for as long as provided therein. All representations and warranties contained in this Agreement or in any agreement or other document delivered pursuant hereto shall survive the Closing, and thereafter shall expire and be of no force or effect, through June 30, 2001; provided that (i) the representations and warranties set forth in Section 4.19 (the "ENVIRONMENTAL REPRESENTATIONS") shall survive until the fifth anniversary of the Closing Date and (ii) the representations and warranties set forth in Section 4.8 (the "Tax Representations") shall survive for ninety (90) days after the expiration of the applicable statute of limitations. Thereafter, such representations, warranties, covenants and agreements shall be of no further force or effect. Any claim for indemnification that is asserted by written notice as provided in Article XII (which shall survive until the claim is resolved) within the survival period shall survive until resolved pursuant to a final non-appealable judicial determination or otherwise.

12.2. INDEMNIFICATION.

(a) Subject to the provisions and limitations contained herein, Purchaser and Parent shall jointly and severally indemnify, defend and hold harmless Seller from and against any and all loss, liabilities, damage, cost or expense (including reasonable attorneys' fees and expenses and fees and expenses of accountants and other experts or other reasonable expenses of litigation or other proceedings or of any claim, default or assessment), judgments and fines (collectively, "DAMAGES") caused by or arising out of any breach of a representation or warranty or failure to fulfill any covenant or agreement of either Purchaser or Parent contained herein.

(b) Subject to the provisions and limitations contained herein, Seller shall indemnify and hold harmless Purchaser from and against any Damages caused by or arising out of any breach of a representation or warranty or failure to fulfill any covenant or agreement of Seller contained herein.

12.3. GENERAL PROVISIONS RELATING TO INDEMNIFICATION.

(a) (i) Except as provided in Section 12.3(a)(ii) below with respect to the Environmental Representations and as set forth in the last sentence of this Section 12.3(a)(i),

Seller shall not be required to make any payments pursuant to this Article XII, unless and until the aggregate amount of all claims against Seller pursuant to this Article XII shall exceed an amount equal to $2,500,000 (the "THRESHOLD AMOUNT"), as to which Seller shall be responsible only for the excess over the Threshold Amount. The maximum aggregate amount recoverable from Seller with respect to any claims relating to this Agreement or the transactions contemplated hereby shall not exceed $25,000,000 (which amount is inclusive of the amounts set forth in Section 12.3(a)(ii) below but exclusive of the amounts set forth in the subsequent sentence of this Section 12.3(a)(i)). The limitations set forth in the first two sentences of this Section 12.3(a)(i) shall not apply to the Post-Closing Adjustment Amount or any claim for indemnification arising out of or relating to a breach of the representations, warranties and covenants set forth in Sections 4.1, 4.2 or 4.3, the Tax Representations, Article VIII and Article IX and the maximum amount recoverable with respect to Sections 4.1, 4.2 or 4.3, the Tax Representations, Article VIII and Article IX shall be an amount equal to the Purchase Price.

(ii) Solely with respect to the Environmental Representations, Seller shall not be required to make any payments pursuant to this Article XII with respect to the Environmental Representations, unless and until the aggregate amount of all claims against Seller solely with respect to the Environmental Representations shall exceed an amount equal to $500,000 (the "ENVIRONMENTAL THRESHOLD AMOUNT"), as to which Seller shall be responsible only for the excess over the Environmental Threshold Amount. Notwithstanding the amounts set forth in Section 12.3(a)(i), the maximum aggregate amount recoverable from Seller with respect to any claims relating to breaches of the Environmental Representations or relating to the environmental conditions of the Real Estate and the Leased Real Estate shall not exceed $5,000,000. For avoidance of doubt, the parties hereby confirm that Seller shall not be required to defend, indemnify or hold harmless Purchaser with respect to any Damages related to the presence of tetrachloroethene (PCE) which is either (i) addressed in the Settlement Agreement and Covenant Not To Sue - Re property at 1900 South County Trail Case #97-058 (Brownfield Agreement) or (ii) identified in the Johnson Company reports and studies completed by or on behalf of Purchaser and Parent (including any PCE contamination related to the PCE contamination identified in those reports and studies).

(iii) Except with respect to the payment of the purchase price and amounts related to breaches of the obligations under Sections 5.1, 5.2, 7.5, 7.10, 7.11, 7.13 and 13.2, Purchaser shall not be required to make any payments pursuant to this Article XII, unless and until the aggregate amount of all claims against Purchaser pursuant to this Article XII shall exceed an amount equal to the Threshold Amount, as to which Purchaser shall be responsible only for the excess over the Threshold Amount. The maximum aggregate amount recoverable from Purchaser with respect to any claims relating to this Agreement or the transactions contemplated hereby shall not exceed an amount equal to $25,000,000. The limitations set forth in the first two sentences of this Section 12.3(a)(iii) shall not apply to any claim for indemnification arising out of or relating to a breach of the representations, warranties and covenants set forth in Sections 5.1, 5.2, 7.5, 7.10, 7.11, 7.13 and 13.2 and the maximum amount

recoverable with respect Sections 5.1, 5.2, 7.5, 7.10, 7.11 and 7.13 shall be an amount equal to the Purchase Price.

(b) The party seeking indemnification shall give written notice to the indemnifying party of the facts and circumstances giving rise to any claim for indemnification as soon as reasonably possible but in any event within thirty (30) days after it obtains knowledge of the basis for a claim for indemnification hereunder. The party entitled to indemnification shall take all reasonable steps to mitigate all indemnifiable liabilities and damages upon and after becoming aware of any event which could reasonably be expected to give rise to any liabilities and damages that are indemnifiable hereunder. No party shall be entitled to indemnification to the extent of any insurance, actual reduction in tax paid or other benefits actually received as a result of the facts and circumstances relating to any indemnifiable claim. If any Damages are covered by insurance, then Purchaser shall use all reasonable efforts to recover the amount of such Damages from the insurer of such insurance which recovery shall reduce the amount of Damages hereunder in which event Damages shall include the amount of any increase in insurance premiums directly resulting from the recovery. In the event the Indemnified Party receives amounts from the insurer after a claim for indemnification has been paid hereunder, then such amounts shall be paid to the Indemnifying Party.

(c) With respect to each third party claim subject to this Article XII (a "THIRD PARTY CLAIM"), the party seeking indemnification (the "INDEMNIFIED PARTY") must give prompt notice to the indemnifying party (the "INDEMNIFYING PARTY") of the Third Party Claim, provided that the failure to so notify shall not relieve the Indemnifying Party of its obligations hereunder except to the extent the indemnifying party is prejudiced thereby. The Indemnifying Party may, at its sole cost and expense, upon notice to the Indemnified Party within thirty (30) days after the Indemnifying Party receives notice of the Third Party Claim, assume the defense of the Third Party Claim, with counsel of its choice reasonably acceptable to the Indemnified Party. The Indemnifying Party shall not consent to a settlement of, or the entry of any judgment arising from, any Third Party Claim, unless (i) the settlement or judgment is solely for money damages not requiring an acknowledgment of fault from the Indemnified Party and the Indemnifying Party admits in writing its liability to hold the Indemnified Party harmless from Damages arising from the settlement, or (ii) the Indemnified Party consents thereto, which consent shall not be unreasonably withheld. The Indemnifying Party shall provide the Indemnified Party with thirty (30) days prior notice before it consents to a settlement of, or the entry of a judgment arising from, any Third Party Claim. The Indemnified Party shall be entitled to participate in the defense of (but not control) any Third Party Claim, the defense of which is assumed by the Indemnifying Party, with its own counsel and at its own expense. The parties shall cooperate in the defense of any Third Party Claim and the relevant records of each party shall be made available on a timely basis. If the Indemnifying Party does not assume the defense of any such claim or proceeding resulting therefrom in accordance with the terms hereof, the Indemnified Party may defend such claim or proceeding in a reasonable manner, including settling such claim or proceeding on such terms as the Indemnified Party may deem appropriate after giving thirty (30) days' notice of the

same to the Indemnifying Party and obtaining the consent of the Indemnifying Party, which consent shall not be unreasonably withheld.

(d) No party shall have any obligation to indemnify another party or otherwise have liability hereunder for consequential damages, special damages, incidental damages, indirect damages, lost profits or similar items.

(e) Seller shall have no liability under this Article XII to the extent arising from actions taken or not taken by Parent, Purchaser or its affiliates after the Closing Date.

(f) Neither Parent nor Purchaser shall bring a claim or be entitled to indemnification with respect to a breach of any representation, warranty, covenant or agreement of which either Parent or Purchaser had actual knowledge at the date of this Agreement of the facts and circumstances of the breach underlying such claim and the extent of such breach.

(g) To the extent that Seller discharges any claim for indemnification hereunder, Seller shall be subrogated to all rights of both Parent and Purchaser against third parties.

(h) After the Closing, the indemnification rights provided hereunder and the provisions of Section 3.5, Section 7.5, Section 7.10, Section 7.11, Section 7.13, Section 14.12, Article VIII and Article IX shall be the exclusive remedy of Seller, Parent and Purchaser with respect to any dispute arising out of or related to this Agreement.

(i) If during the five year period commencing on the Closing Date, Seller shall experience a Change of Control, then in connection with the closing of such Change of Control transaction, Seller shall provide Purchaser with either (i) a letter of credit payable to Purchaser in an amount equal to the maximum amount then recoverable by Purchaser for a breach of the Environmental Representation to ensure payment by Purchaser in the event of any valid claim for indemnification hereunder or (ii) sufficient evidence reasonably satisfactory to Purchaser that the purchaser and/or surviving entity of such Change of Control transaction has a sufficient financial net worth to satisfy Seller's indemnification obligations hereunder. A "CHANGE OF CONTROL" shall mean (i) a transaction in which all of the shares of Seller's common stock are exchanged for cash or other securities of a third party and such transaction results in the Seller's stockholders holding less than fifty percent (50%) of the voting power of the surviving entity, (ii) Seller's consolidation with or merger into any other person pursuant to which Seller shall not be the continuing or surviving corporation, or (iii) a sale or transfer of all or substantially all of the Seller's assets.

12.4. CHARACTERIZATION AS PRICE ADJUSTMENT. All amounts paid pursuant to this Agreement by one party to another party (other than interest payments) shall be treated by such parties as an adjustment to the Purchase Price.

ARTICLE XIII

TERMINATION

13.1. TERMINATION OR ABANDONMENT. Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be terminated and abandoned at any time prior to the Closing:

(a) by the mutual written consent of Seller and Parent;

(b) by Seller or Parent if any court of competent jurisdiction or governmental body, authority or agency having jurisdiction shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and nonappealable;

(c) by Parent, if one or more of the conditions to the obligation of Purchaser and Parent to Close has not been fulfilled by May 31, 2000, or if Subsidiary shall have suffered a Material Adverse Effect that does not generally affect the industry in which Subsidiary operates and which is not capable of cure;

(d) by Seller, if one or more of the conditions to the obligation of Seller to Close has not been fulfilled by May 31, 2000; and

(e) by Seller, if all of the conditions precedent to the obligations of Parent and Purchaser to Close that are set forth in ARTICLE X of this Agreement (other than Section 10.5) have been fulfilled and Parent or Purchaser fails to waive the conditions precedent set forth in Section 10.5 of this Agreement within 5 business days of receipt of written notice from Seller that all other conditions precedent set forth in ARTICLE X have been fulfilled.

13.2. EFFECT OF TERMINATION.

(a) If any party terminates this Agreement pursuant to Section 13.1 above, all obligations of the parties hereunder shall terminate without any liability of any party to any other party (except for any liability of any party then in breach and except with respect to Section 13.2(b)); provided, however, that the provisions of Section 7.3, Section 13.1, this Section 13.2 and Section 14.3 shall survive termination of this Agreement. Nothing in this Section 13.2(a) shall relieve any party from liability for any willful or intentional breach of this Agreement.

(b) In the event that:

(i) all of the conditions precedent to the obligations of Parent and Purchaser set forth in ARTICLE X of this Agreement have been fulfilled, and either Parent or Purchaser fails to consummate the transactions contemplated by this Agreement and

Seller is willing and able to consummate the transactions contemplated hereby and has furnished Parent with a written demand to effect the Closing which is not complied with within 3 business days of delivery of such notice; or

(ii) Parent terminates this Agreement for failure to satisfy the conditions in Section 10.5 if all of the other conditions precedent to the obligations of Parent and Purchaser to Close that are set forth in ARTICLE X have been fulfilled or Seller terminates this Agreement pursuant to Section 13.1(e),

then Parent or Purchaser shall pay Seller $2.5 million in immediately available funds within 3 business days of Seller's delivery of notice (in the case of the foregoing clause (i)) or Seller's termination (in the case of the foregoing clause (ii)). The Parties agree that the amount provided for in this Section 13.2(b) is in the nature of liquidated damages and does not constitute a penalty. The parties agree that such amount is reasonably intended to compensate the Seller for its expenses incurred in connection with the negotiation of this Agreement and any lost opportunity resulting from the Buyer's failure to consummate the transactions contemplated hereby and, upon payment of such amount by the Purchaser, the Seller and Subsidiary waive any and all rights to any payments, damages, amounts, costs, fees or other expenses, and agree that they shall not bring any action, suit or proceeding of any kind to recover any amounts in connection with any breach by Parent or Purchaser of this Agreement.

ARTICLE XIV

GENERAL PROVISIONS

14.1. AMENDMENTS AND WAIVER. No amendment, waiver or consent with respect to any provision of this Agreement shall in any event be effective, unless the same shall be in writing and signed by the parties hereto, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

14.2. NOTICES. All notices, requests, demands and other communications hereunder shall be in writing and shall be, personally delivered or sent by facsimile transmission with confirming copy sent by overnight courier (such as Express Mail, Federal Express, etc.) and a delivery receipt obtained and addressed to the intended recipient as follows:

(a) If to Seller:

Mr. Peter B. Cherry
The Cherry Corporation
3600 Sunset Avenue
Waukegan, IL 60087
Facsimile No.: (847) 360-3390

With copies to:

Mr. William J. Quinlan
McDermott, Will & Emery
227 West Monroe Street
Chicago, IL 60606
Facsimile No.: (312) 984-3669

(b) If to Purchaser or Parent:

On Semiconductor
5005 E. McDowell Rd.
M/D: C302
Phoenix, AZ 85008
Attention: Chief Executive Officer
Facsimile No.: (602) 244-4830

With copies to:

Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, NY 10006
Attention: Paul J. Shim
Facsimile No.:

On Semiconductor
5005 E. McDowell Rd.
M/D: A700
Law Department
Phoenix, AZ 85008
Attention: General Counsel
Facsimile No.: (602) 244-5601

Any party may change its address or add or change parties for receiving notice by written notice given to the others named above. Notices shall be deemed given as of the date of receipt.

14.3. EXPENSES. Except as otherwise expressly provided herein, each party to this Agreement shall pay its own costs and expenses in connection with the transactions contemplated hereby.

14.4. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.5. SUCCESSORS AND ASSIGNS; BENEFICIARIES. This Agreement shall bind and inure to the benefit of the parties named herein and their respective successors and assigns. No party may assign any rights, benefits, duties or obligations under this Agreement without the prior written consent of the other party; provided, however, Parent and Purchaser may assign this Agreement to an existing affiliate of Purchaser as long as (i) the Parent and Purchaser agree to remain liable for all obligations of Parent and Purchaser hereunder and (ii) the assignee has funds that are sufficient to enable assignee to consummate the transactions contemplated hereby on a timely basis. No third party shall be entitled to enforce any provision hereof; and no third party is intended to benefit from this Agreement. In the event of a merger, consolidation, sale of assets, change of control, or similar transaction involving any party to this Agreement, such party shall cause its successor or transferee (as the case might be) to assume all its obligations and duties under this Agreement.

14.6. ENTIRE AGREEMENT. This Agreement and the Confidentiality Agreement and the documents referred to herein contain the entire agreement and understanding among the parties with respect to the transactions contemplated hereby and supersede all other agreements, understandings and undertakings among the parties on the subject matter hereof.

14.7. ANNOUNCEMENTS. No announcement of the specific terms of this Agreement shall be made by any party without the written approval of the other party (which approval shall not be unreasonably withheld), except for filings required under the HSR Act and as otherwise required by applicable law.

14.8. PARTIAL INVALIDITY. In the event that any provision of this Agreement shall be held invalid or unenforceable by any court or competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

14.9. GOVERNING LAW; JURISDICTION. This Agreement shall be interpreted in accordance with the substantive laws of the State of Delaware applicable to contracts made and to be performed wholly within said State. All disputes, legal actions, suits and proceedings arising out of or relating to this Agreement shall be brought in a federal district or state court located in Chicago, Illinois. Each party hereby consents to the jurisdiction of the federal district or state court in Chicago, Illinois. Each party hereby irrevocably waives all claims of immunity from jurisdiction and any right to object on the basis that any dispute, action, suit or proceeding brought in the federal district or state court of Chicago, Illinois has been brought in an improper or inconvenient venue or forum.

14.10. OTHER RULES OF CONSTRUCTION. References in this Agreement to sections, schedules, attachments and exhibits are to sections of, and schedules, attachments and exhibits to, this Agreement unless otherwise indicated. Words in the singular include the plural and in the plural include the singular. The word "INCLUDING" shall mean including, without limitation. The section and other headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

14.11. AUTHORSHIP. The parties hereto agree that the terms and language of this Agreement were the result of negotiations between the parties and, as a result, there shall be no presumption that any ambiguities in this Agreement shall be resolved against either party. Any controversy over construction of this Agreement shall be decided without regard to events of authorship or negotiation.

14.12. SPECIFIC PERFORMANCE. Parent, Purchaser and Seller recognize that any breach of the terms of this Agreement may give rise to irreparable harm to Parent, Purchaser or Seller for which money damages would not be an adequate remedy, and accordingly agree that, in addition to other remedies, the non-breaching party shall be entitled to enforce the terms of this Agreement by a decree of specific performance without the necessity of proving the inadequacy of a remedy of money damages.

14.13. JOINT AND SEVERAL OBLIGATIONS. Even if not expressly stated in the particular instance, each of Parent and Purchaser are jointly and severally liable for all of the obligations of the other provided for or referred to herein.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by a duly authorized officer all as of the date first written above.

PURCHASER:	SELLER:
SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC	THE CHERRY CORPORATION
By: /s/ James Thorburn	By: /s/ Peter Cherry
Its: Senior Vice Pres. & Chief Operating Officer	Its: Chairman & President

PARENT:

SCG HOLDING CORPORATION

By: /s/ James Thorburn
Its: Senior Vice Pres. & Chief Operating Officer

SCHEDULES

3.5	Net Working Capital Amount
4.2	Stock Owned by Subsidiaries
4.3(b)	Consents
4.3(c)	Seller Required Statutory Approvals
4.4(a)	Audited Financial Statements
4.4(b)	Interim Financial Statements
4.6	Absence of Undisclosed Liabilities
4.7	Changes
4.8	Taxes
4.9	Interim Change
4.10	Owned Real Estate
4.11	Real Estate Leases
4.12	Employee Plans
4.13	Material Contracts
4.14(a)	Intellectual Property
4.14(b)	Infringement of Subsidiary Intellectual Property
4.15	Legal Proceedings
4.16	Compliance with Law
4.18	Employees
4.19	Environmental Matters
4.22	Affiliate Relationship/Indebtedness
5.2	Parent Required Consents and Approvals
5.7	Financial Statements of Purchaser
6.1	Interim Conduct of Business from Agreement Date to Closing

Exhibit 23.1

[KPMG LETTERHEAD]

Consent of Independent Auditors

We consent to the inclusion in Amendment No. 2. to the Registration Statement on Form S-1 of SCG Holding Corporation dated January 31, 2000 on the combined balance sheets of the Semiconductor Components Group of Motorola, Inc. as of December 31, 1997 and 1998 and the combined statements of revenues less direct and allocated expenses before taxes for each of the years in the three-year period ended December 31, 1998 and for the period from January 1, 1999 through August 3, 1999, and to the reference to our firm under the heading “Experts” in the prospectus.

/s/ KPMG LLP

Phoenix, Arizona

April 7, 2000

Exhibit 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our reports dated February 17, 2000 relating to the consolidated financial statements and financial statement schedule of SCG Holding Corporation and its subsidiaries as of December 31, 1999 and for the period from August 4, 1999 through December 31, 1999, which appear in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

PricewaterhouseCoopers LLP

Phoenix, Arizona

April 6, 2000

* Filed herewith.

** Previously filed.

*** To be filed by amendment.

† Schedules or other attachments to these exhibits not filed herewith shall be furnished to the Commission upon request.

†† Portions of these exhibits have been omitted pursuant to a request for confidential treatment.