
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 3, 2003

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number 000-30419

ON SEMICONDUCTOR 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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12-b-2 of the Exchange Act). Yes No

The number of shares outstanding of each of the issuer's classes of common stock as of the close of business on November 3, 2003:

<u>Class</u>	<u>Number of Shares</u>
Common Stock; \$.01 par value	216,492,830

INDEX

	<u>Page</u>
Part I	3
Financial Information	3
Item 1 Financial Statements	3
Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations	29
Item 3 Quantitative and Qualitative Disclosures About Market Risk	52
Item 4 Controls and Procedures	52
Part II	
Other Information	53
Item 1 Legal Proceedings	53
Item 2 Changes in Securities and Use of Proceeds	54
Item 3 Defaults Upon Senior Securities	54
Item 4 Submission of Matters to a Vote of Security Holders	54
Item 5 Other Information	54
Item 6 Exhibits and Reports on Form 8-K	54
Signatures	57
Exhibits	

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in millions, except share data)

	October 3, 2003	December 31, 2002 (1)
	(unaudited)	
Assets		
Cash and cash equivalents	\$ 183.6	\$ 190.4
Receivables, net (including \$10.2 and \$4.7 due from Motorola)	152.4	115.4
Inventories, net	172.4	163.5
Other current assets	35.2	39.4
Deferred income taxes	7.2	6.4
Total current assets	550.8	515.1
Property, plant and equipment, net	519.9	585.3
Deferred income taxes	1.9	—
Goodwill, net	77.3	77.3
Intangible asset, net	—	26.7
Other assets	39.5	39.0
Total assets	\$ 1,189.4	\$ 1,243.4
Liabilities, Minority Interests, Redeemable Preferred Stock and Stockholders' Equity (Deficit)		
Accounts payable (including \$0.8 and \$0.1 payable to Motorola)	\$ 121.4	\$ 74.1
Accrued expenses (including \$0 and \$0.7 payable to Motorola)	92.7	100.6
Income taxes payable	19.2	11.0
Accrued interest	22.2	43.6
Deferred income on sales to distributors	64.4	70.8
Current portion of long-term debt	23.9	19.8
Total current liabilities	343.8	319.9
Long-term debt (including \$136.7 and \$126.9 payable to Motorola)	1,269.0	1,403.4
Other long-term liabilities	37.5	42.9
Deferred income taxes	—	2.2
Total liabilities	1,650.3	1,768.4
Commitments and contingencies (See Note 9)	—	—
Minority interests in consolidated subsidiaries	26.2	27.0
Series A cumulative, convertible, redeemable preferred stock (\$0.01 par value 100,000 shares authorized, 10,000 shares issued and outstanding; 8% annual dividend rate; liquidation value - \$100.0 plus \$17.6 and \$10.9 of accrued dividends)	116.8	110.1
Common stock (\$0.01 par value, 500,000,000 shares authorized, 216,323,816 and 176,439,900 shares issued and outstanding)	2.2	1.8
Additional paid-in capital	892.0	737.4
Accumulated other comprehensive income (loss)	(6.8)	(34.3)
Accumulated deficit	(1,491.3)	(1,367.0)
Total stockholders' equity (deficit)	(603.9)	(662.1)
Total liabilities, minority interests, redeemable preferred stock and stockholders' equity (deficit)	\$ 1,189.4	\$ 1,243.4

(1) Amounts have been revised from those previously reported to reflect the consolidation of the Company's majority-owned investment in Leshan-Phoenix Semiconductor Company Limited described in Note 1.

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
AND COMPREHENSIVE LOSS
(in millions, except per share data)

	Three Months Ended		Nine Months Ended	
	October 3, 2003	September 27, 2002 (1)	October 3, 2003	September 27, 2002 (1)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues (including \$21.8, \$24.8, \$57.6 and \$65.0 from Motorola)	\$ 264.8	\$ 273.6	\$ 790.5	\$ 825.2
Cost of sales	190.7	194.6	568.6	602.2
Gross profit	74.1	79.0	221.9	223.0
Operating expenses:				
Research and development	16.6	16.9	51.3	50.4
Selling and marketing	14.8	14.9	46.5	44.7
General and administrative	19.0	23.8	61.4	79.7
Amortization of intangible asset	—	3.0	5.9	9.0
Restructuring, asset impairments and other	(3.3)	—	31.3	10.2
Total operating expenses	47.1	58.6	196.4	194.0
Operating income	27.0	20.4	25.5	29.0
Other income (expenses), net:				
Interest expense	(37.8)	(37.6)	(114.7)	(111.2)
Loss on debt prepayment	(2.9)	—	(6.4)	(6.5)
Other income (expenses), net	(40.7)	(37.6)	(121.1)	(117.7)
Loss before income taxes, minority interests and cumulative effect of accounting change	(13.7)	(17.2)	(95.6)	(88.7)
Income tax provision	(1.8)	(3.2)	(6.3)	(11.3)
Minority interests	(0.8)	(0.1)	(0.9)	(2.3)
Net loss before cumulative effect of accounting change	(16.3)	(20.5)	(102.8)	(102.3)
Cumulative effect of accounting change (See Note 3)	—	—	(21.5)	—
Net loss	(16.3)	(20.5)	(124.3)	(102.3)
Less: Redeemable preferred stock dividends	(2.3)	(2.1)	(6.7)	(6.3)
Net loss applicable to common stock	\$ (18.6)	\$ (22.6)	\$ (131.0)	\$ (108.6)
Comprehensive loss:				
Net loss	\$ (16.3)	\$ (20.5)	\$ (124.3)	\$ (102.3)
Foreign currency translation adjustments	2.5	(0.2)	2.8	1.5
Additional minimum pension liability adjustment	—	—	19.6	—
Effects of cash flows hedges	2.2	(0.7)	5.3	1.3
Unrealized losses on deferred compensation plan investments	(0.2)	—	(0.2)	—
Comprehensive loss	\$ (11.8)	\$ (21.4)	\$ (96.8)	\$ (99.5)
Loss per common share:				
Basic	\$ (0.10)	\$ (0.13)	\$ (0.74)	\$ (0.62)
Diluted	\$ (0.10)	\$ (0.13)	\$ (0.74)	\$ (0.62)
Weighted average common shares outstanding:				
Basic	179.5	175.8	177.5	175.4
Diluted	179.5	175.8	177.5	175.4

(1) Amounts have been revised from those previously reported to reflect the consolidation of the Company's majority-owned investment in Leshan-Phoenix Semiconductor Company Limited described in Note 1.

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Three Months Ended		Nine Months Ended	
	October 3, 2003	September 27, 2002 (1)	October 3, 2003	September 27, 2002 (1)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities:				
Net loss	\$ (16.3)	\$ (20.5)	\$ (124.3)	\$ (102.3)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	28.0	36.9	100.6	111.0
Write-off of debt issuance costs	2.5	—	6.0	6.5
Amortization of debt issuance costs and debt discount	2.3	2.1	6.9	5.7
Provision for excess inventories	2.1	1.7	8.4	16.4
Cumulative effect of accounting change	—	—	21.5	—
Non-cash impairment write-down of property, plant and equipment	—	3.0	10.5	11.4
Non-cash interest on junior subordinated note payable to Motorola	3.3	3.0	9.8	8.6
Non-cash writedown of intangible asset	—	—	20.8	—
Deferred income taxes	(2.3)	(0.7)	(4.8)	3.9
Stock compensation expense	—	—	0.1	1.3
Other	(3.6)	0.2	(0.4)	3.2
Changes in assets and liabilities:				
Receivables	(22.3)	0.9	(35.0)	(1.4)
Inventories	1.1	(1.2)	(17.3)	6.0
Other assets	(4.0)	(7.1)	0.1	(7.1)
Accounts payable	8.0	(5.6)	46.9	(21.0)
Accrued expenses	7.5	(6.2)	(8.5)	(17.1)
Income taxes payable	2.4	12.1	8.2	9.4
Accrued interest	(5.7)	6.2	(21.4)	22.7
Deferred income on sales to distributors	0.1	(2.7)	(6.4)	(26.8)
Other long-term liabilities	(1.9)	(0.3)	(3.8)	3.9
	<u>1.2</u>	<u>21.8</u>	<u>17.9</u>	<u>34.3</u>
Net cash provided by operating activities				
Cash flows from investing activities:				
Purchases of property, plant and equipment	(16.9)	(9.4)	(41.5)	(37.2)
Acquisition of minority interests in consolidated subsidiaries	—	—	(1.8)	—
Proceeds from sales of property, plant and equipment	13.2	0.8	13.2	3.3
	<u>(3.7)</u>	<u>(8.6)</u>	<u>(30.1)</u>	<u>(33.9)</u>
Net cash used in investing activities				
Cash flows from financing activities:				
Proceeds from debt issuance, net of discount	99.5	—	290.4	290.7
Proceeds from issuance of common stock under the employee stock purchase plan	0.3	—	0.7	1.2
Proceeds from stock option exercises	2.4	—	2.7	0.7
Proceeds from exercise of warrants	1.4	—	1.4	—
Proceeds from issuance of common stock, net of offering expenses	158.1	—	158.1	—
Payment of capital lease obligation	—	—	—	(1.1)
Payment of debt issuance costs	(3.6)	(0.2)	(14.2)	(11.6)
Repayment of long-term debt	(253.8)	—	(434.7)	(283.3)
	<u>4.3</u>	<u>(0.2)</u>	<u>4.4</u>	<u>(3.4)</u>
Net cash provided by (used in) financing activities				
Effect of exchange rate changes on cash and cash equivalents	0.6	(0.1)	1.0	0.8
	<u>2.4</u>	<u>12.9</u>	<u>(6.8)</u>	<u>(2.2)</u>
Net increase (decrease) in cash and cash equivalents				
Cash and cash equivalents, beginning of period	181.2	170.9	190.4	186.0
	<u>\$ 183.6</u>	<u>\$ 183.8</u>	<u>\$ 183.6</u>	<u>\$ 183.8</u>
Cash and cash equivalents, end of period				

(1) Amounts have been revised from those previously reported to reflect the consolidation of the Company's majority-owned investment in Leshan-Phoenix Semiconductor Company Limited described in Note 1.

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1: Background and Basis of Presentation

The accompanying consolidated financial statements include the accounts of ON Semiconductor Corporation and its wholly-owned and majority-owned subsidiaries, (collectively, the "Company"). Investments in companies that represent less than 20% of the related voting stock and over which the Company does not exert significant influence are accounted for on the cost basis. All material intercompany accounts and transactions have been eliminated.

In the second quarter of 2003, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51, ("FIN No. 46"). FIN No. 46 requires that certain variable interest entities ("VIE's") be consolidated by the primary beneficiary, as that term is defined in FIN No. 46. The Company determined that its investment in Leshan-Phoenix Semiconductor Company Limited ("Leshan") meets the definition of a VIE and that the Company is the primary beneficiary; therefore, the investment in Leshan should be consolidated under FIN No. 46. The Company had previously accounted for its investment in Leshan using the equity method. While consolidation of the Company's investment in Leshan did not impact the previously reported net income (loss) or stockholders' equity (deficit), financial information of prior periods has been revised for comparative purposes as allowed by FIN No. 46.

The accompanying unaudited financial statements as of October 3, 2003 and for the three months and nine months ended October 3, 2003 and September 27, 2002, respectively, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of the Company's management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of December 31, 2002 and for the year then ended included in the Company's annual report on Form 10-K for the year ended December 31, 2002 and our Current Report on Form 8-K as filed with the SEC on September 9, 2003.

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. Certain prior period amounts have been revised to conform to the current period presentation. These changes had no impact on previously reported net loss or stockholders' equity (deficit).

Note 2: Liquidity

During the quarter and nine months ended October 3, 2003, the Company incurred a net loss of \$16.3 million and \$124.3 million, respectively, compared to a net loss of \$20.5 million and \$102.3 million, respectively, for the quarter and nine months ended September 27, 2002. The Company's net loss included a net gain from restructuring, asset impairments and other of \$3.3 million for the quarter ended October 3, 2003 and a net charge of \$31.3 million for the nine months ended October 3, 2003, respectively as compared to net charges of \$0 and \$10.2 million for the quarter and nine months ended September 27, 2002, respectively. The Company's net loss for the first nine months of 2003 also included a charge of \$21.5 million relating to a change in accounting principle described in Note 3. Net cash provided by operating activities was \$1.2 million and \$17.9

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

million in the quarter and nine months ended October 3, 2003, respectively, as compared to net cash provided by operating activities of \$21.8 million and \$34.3 million for the quarter and nine months ended September 27, 2002, respectively.

At October 3, 2003, the Company had \$183.6 million in cash and cash equivalents, net working capital of \$207.0 million, term or revolving debt of \$1,292.9 million and a stockholders' deficit of \$603.9 million. The Company's long-term debt includes \$367.9 million under its senior bank facilities; \$292.3 million (net of discount) of its 13% second lien senior secured notes due 2008; \$191.4 million (net of discount) of its 12% first lien senior secured notes due 2010; \$260.0 million of its 12% senior subordinated notes due 2009; \$136.7 million under a 10% junior subordinated note payable to Motorola due 2011; \$23.6 million under a note payable to a Japanese bank due 2010; \$20.0 million under a loan facility with a Chinese bank and \$1.0 million under a capital lease obligation. The Company was in compliance with all of the covenants contained in its various debt agreements as of October 3, 2003 and expects to remain in compliance over the next twelve months.

The Company's ability to service its long-term debt, to remain in compliance with the various covenants and restrictions contained in its credit agreements and to fund working capital, capital expenditures and business development efforts will depend on its ability to generate cash from operating activities which is subject to, among other things, its future operating performance as well as to general economic, financial, competitive, legislative, regulatory and other conditions, some of which may be beyond its control.

If the Company fails to generate sufficient cash from operations, it may need to raise additional equity or borrow additional funds to achieve its longer term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to the Company. Management believes that cash flow from operating activities coupled with existing cash balances will be adequate to fund the Company's operating and capital needs as well as to enable it to maintain compliance with its various debt agreements through October 3, 2004. To the extent that results or events differ from the Company's financial projections or business plans, its liquidity may be adversely impacted.

Note 3: Accounting Change

During the second quarter of 2003, the Company changed its method of accounting for net unrecognized actuarial gains or losses relating to its defined benefit pension obligations. Historically, the Company amortized its net unrecognized actuarial gains or losses over the average remaining service lives of active plan participants, to the extent that such net gains or losses exceeded the greater of 10% of the related projected benefit obligation or plan assets. Effective January 1, 2003, the Company will no longer defer actuarial gains or losses but will recognize such gains and losses during the fourth quarter of each year, which is the period the Company's annual pension plan actuarial valuations are prepared. Management believes that this change is to a preferable accounting method as actuarial gains or losses will be recognized currently in income rather than being deferred.

The impact of this change for periods prior to January 1, 2003 was a charge of \$21.5 million or \$0.12 per share, both before and after income taxes, and has been reflected as the cumulative effect of a change in accounting principle in the Company's consolidated statement of operations and comprehensive loss for the nine months ended October 3, 2003. The effect of the change on the quarter ended October 3, 2003 was to decrease the Company's net loss by \$1.6 million or \$0.01 per share, both before and after income taxes. The effect of the change on the nine months ended October 3, 2003 was to decrease the loss before cumulative effect of accounting change by \$4.8 million or \$0.03 per share, both before and after income taxes, and to increase the net loss by \$16.7 million or \$0.09 per share, both before and after income taxes. Absent the accounting change, the \$21.5 million of net unrecognized actuarial losses at December 31, 2002 would have been recognized as an operating expense in future periods.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

The effect of the accounting change on the quarter and nine months ended September 27, 2002 is as follows (in millions, except per share data):

	<u>Quarter Ended</u>	<u>Nine Months Ended</u>
	<u>September 27,</u>	<u>September 27,</u>
	<u>2002</u>	<u>2002</u>
	<u>(Pro forma)</u>	<u>(Pro forma)</u>
Reported net loss	\$ (20.5)	\$ (102.3)
Add back: Amortization of actuarial losses	1.2	3.7
Pro forma net loss	<u>\$ (19.3)</u>	<u>\$ (98.6)</u>
Loss per share- basic		
Reported net loss	\$ (0.13)	\$ (0.62)
Add back: Amortization of actuarial losses	0.01	0.02
Pro forma net loss	<u>\$ (0.12)</u>	<u>\$ (0.60)</u>
Loss per share- diluted		
Reported net loss	\$ (0.13)	\$ (0.62)
Add back: Amortization of actuarial losses	0.01	0.02
Pro forma net loss	<u>\$ (0.12)</u>	<u>\$ (0.60)</u>
Weighted average common shares outstanding:		
Basic	<u>175.8</u>	<u>175.4</u>
Diluted	<u>175.8</u>	<u>175.4</u>

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

Note 4: Balance Sheet Information

Balance sheet information is as follows (in millions):

	October 3, 2003	December 31, 2002 (1)
Receivables, net:		
Accounts receivable	\$ 154.7	\$ 117.3
Less: Allowance for doubtful accounts	(2.3)	(1.9)
	<u>\$ 152.4</u>	<u>\$ 115.4</u>
Inventories, net:		
Raw materials	\$ 17.2	\$ 15.5
Work in process	109.8	109.8
Finished goods	85.2	81.9
	<u>212.2</u>	<u>207.2</u>
Less: Inventory reserves	(39.8)	(43.7)
	<u>\$ 172.4</u>	<u>\$ 163.5</u>
Property, plant and equipment, net:		
Land	\$ 15.9	\$ 23.6
Buildings	363.6	357.4
Machinery and equipment	1,029.1	1,046.4
	<u>1,408.6</u>	<u>1,427.4</u>
Less: Accumulated depreciation	(888.7)	(842.1)
	<u>\$ 519.9</u>	<u>\$ 585.3</u>
Goodwill, net:		
Goodwill	\$ 95.7	\$ 95.7
Less: Accumulated amortization	(18.4)	(18.4)
	<u>\$ 77.3</u>	<u>\$ 77.3</u>
Intangible asset, net: (See Note 5)		
Developed technology	\$ —	\$ 59.3
Less: Accumulated amortization	—	(32.6)
	<u>\$ —</u>	<u>\$ 26.7</u>
Other assets:		
Debt issuance costs	\$ 36.4	\$ 33.7
Other	3.1	5.3
	<u>\$ 39.5</u>	<u>\$ 39.0</u>
Accrued expenses:		
Accrued payroll	\$ 32.7	\$ 27.9
Sales related reserves	16.7	14.2
Restructuring reserves	9.7	19.5
Other	33.6	39.0
	<u>\$ 92.7</u>	<u>\$ 100.6</u>
Other long-term liabilities:		
Accrued retirement benefits	\$ 30.4	\$ 33.7
Cash flow hedge liability	5.9	8.2
Other	1.2	1.0
	<u>\$ 37.5</u>	<u>\$ 42.9</u>
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustments	\$ 0.8	\$ (2.0)
Minimum pension liability	—	(19.6)
Net unrealized losses and adjustments related to cash flow hedges	(6.8)	(12.1)
Unrealized losses on deferred compensation plan investments	(0.8)	(0.6)
	<u>\$ (6.8)</u>	<u>\$ (34.3)</u>

(1) Amounts have been revised from those previously reported to reflect the consolidation of the Company's majority-owned investment in Leshan-Phoenix Semiconductor Company Limited described in Note 1.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

The activity related to the Company's warranty reserves for the nine months ended October 3, 2003 is as follows (in millions):

Balance as of December 31, 2002	\$ 2.7
Provision	—
Usage	(0.3)
Reserved released	(0.9)
	<hr/>
Balance as of October 3, 2003	\$ 1.5
	<hr/>

Note 5: Restructuring, Asset Impairments and Other

Activity related to the Company's restructuring charges and asset impairments is as follows (in millions):

	<u>Reserve Balance at 12/31/02</u>	<u>2003 Charges</u>	<u>2003 Usage</u>	<u>2003 Adjustments</u>	<u>Reserve Balance at 10/03/03</u>
<i>September 2003</i>					
Cash employee separation charges	\$ —	\$ 1.4	\$ (0.2)	\$ —	\$ 1.2
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
September 2003 restructuring reserve balance	—				1.2
	<hr/>				<hr/>
<i>June 2003</i>					
Cash employee separation charges	—	0.4	(0.4)	—	—
Cash exit costs	—	1.4	(1.4)	—	—
Non-cash fixed asset write-offs	—	10.5	(10.5)	—	—
Non-cash impairment of other long-lived assets	—	21.3	(21.3)	—	—
	<hr/>				<hr/>
June 2003 restructuring reserve balance	—				—
	<hr/>				<hr/>
<i>December 2002</i>					
Cash employee separation charges	9.9	—	(6.2)	—	3.7
Cash exit costs	1.8	—	(1.1)	—	0.7
	<hr/>				<hr/>
December 2002 restructuring reserve balance	11.7				4.4
	<hr/>				<hr/>
<i>June 2002</i>					
Cash employee separation charges	0.4	—	(0.4)	—	—
Cash exit costs	1.5	—	—	1.0	2.5
	<hr/>				<hr/>
June 2002 restructuring reserve balance	1.9				2.5
	<hr/>				<hr/>
<i>March 2002</i>					
Cash employee separation charges	3.0	—	(2.3)	0.1	0.8
	<hr/>				<hr/>
March 2002 restructuring reserve balance	3.0				0.8
	<hr/>				<hr/>
<i>December 2001</i>					
Cash employee separation charges	0.1	—	—	(0.1)	—
	<hr/>				<hr/>
December 2001 restructuring reserve balance	0.1				—
	<hr/>				<hr/>
<i>June 2001</i>					
Cash exit costs	2.8	—	(1.9)	(0.1)	0.8
	<hr/>				<hr/>
June 2001 restructuring reserve balance	2.8				0.8
	<hr/>				<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 19.5	\$ 35.0	\$ (45.7)	\$ 0.9	\$ 9.7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

The following table reconciles the restructuring charges and asset impairments in the preceding table to the “Restructuring, asset impairments and other” caption on the statement of operations and comprehensive loss for the quarter and nine months ended October 3, 2003:

	<u>Quarter Ended October 3, 2003</u>	<u>Nine Months Ended October 3, 2003</u>
2003 restructuring and asset impairments	\$ 1.4	\$ 35.0
2003 adjustments to prior restructuring charges	(0.1)	0.9
Less: Gain on sale of Guadalajara facility	(4.6)	(4.6)
	<u> </u>	<u> </u>
Total restructuring, asset impairment and other	<u>\$ (3.3)</u>	<u>\$ 31.3</u>

September 2003 Restructuring Program and Other

In September 2003, the Company recorded a \$4.6 million gain in connection with the sale of the Guadalajara, Mexico facility. This gain was partially offset by charges totaling \$1.4 million associated with worldwide restructuring programs to cover employee separation costs relating to the termination of approximately 36 employees, reflecting further reductions in manufacturing and general and administrative personnel in France, Germany, the Czech Republic, Hong Kong and the United States. The Company also recorded a \$0.2 million reversal of amounts previously recorded in connection with the Company’s June 2001 and December 2001 restructuring programs as described below and an additional \$0.1 million charge associated with its March 2002 restructuring program.

As of the end of the third quarter of 2003, all impacted employees had been terminated, and the Company currently expects to pay the remaining employee severance costs by December 2004.

June 2003 Restructuring Program, Asset Impairments and Other

In June 2003, the Company recorded charges totaling \$13.3 million associated with its worldwide restructuring programs. The charges include \$0.4 million to cover employee separation costs relating to the termination of approximately 16 employees, \$1.4 million of lease and contract termination exit costs, \$10.5 million of asset impairments and an additional \$1.0 million associated with a supply contract that was terminated as part of the June 2002 restructuring program.

The employee separation costs reflected further reductions in general and administrative staffing levels primarily in the United States. As of the end of the third quarter of 2003, all impacted employees had been terminated, and the Company had made all severance payments.

The lease and contract termination exit costs relate to the exit of certain sales and administrative offices in Bermuda and Europe and the termination of other purchase and supply agreements. As of the end of third quarter 2003 all associated exit costs had been paid.

The \$10.5 million of asset impairments included \$3.3 million associated with an assembly and test packaging production line in Malaysia which was written down to estimated fair value based on its future net discounted cash flows.. Additionally, the Company identified certain buildings, machinery, software and equipment that would no longer be used internally due to the continued consolidation of manufacturing and general and administrative functions primarily in the United States and recorded a charge of \$7.2 million to write-down the remaining carrying value of these assets to their net realizable value.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

In the second quarter of 2003, the Company also recorded non-cash impairment charges totaling \$21.3 million including \$20.8 million relating to the write-off of the developed technology intangible asset associated with the April 2000 purchase of Cherry Semiconductor Corporation and a \$0.5 million write-off of a cost basis investment. Sustained price declines in certain product lines triggered an impairment analysis of the carrying value of the developed technology and resulted in the Company recording an impairment charge of \$20.8 million. The Company measured the amount of the impairment charge by comparing the carrying value of the developed technology to its estimated fair value. The Company estimated future net cash flows associated with the developed technology using price, volume and cost assumptions that management considered to be reasonable in the circumstances. The Company will no longer incur amortization expense of approximately \$3.0 million per quarter related to this intangible asset. As a result of the impairment of the developed technology, the Company evaluated the recoverability of the related goodwill that arose in connection with the acquisition of Cherry Semiconductor Corporation. The Company determined that the estimated fair value of the reporting unit containing the goodwill exceeded its related carrying amount. Accordingly, the goodwill was not considered to be impaired.

December 2002 Restructuring Program

The remaining restructuring reserves of \$4.4 million at October 3, 2003 are comprised of \$3.7 million and \$0.7 million related to employee separation costs associated with approximately 60 employees and lease termination and other exit costs, respectively. The Company expects to settle its remaining obligations related to this restructuring program by June 2004.

June 2002 Restructuring Program

The remaining restructuring reserve at October 3, 2003 relates to estimated termination charges associated with a supply agreement. The Company is currently in negotiations to settle this obligation and increased the related reserve by \$1.0 million in June 2003 to \$2.5 million.

March 2002 Restructuring Program

The remaining restructuring reserve of \$0.8 million at October 3, 2003 relates to the unpaid separation costs associated with terminated employees to be paid by June 2004. During the third quarter of 2003 the Company accrued an additional \$0.1 million related to the restructuring program based on its analysis of remaining severance benefit payments.

December 2001 Restructuring Program

As of October 3, 2003, all impacted employees had been terminated and all related severance payments had been made. The Company released the remaining reserve of \$0.1 to income during the third quarter of 2003.

June 2001 Restructuring Program

All employees have been terminated under the program and all severance payments have been made. The remaining exit costs are related to the closure of the Guadalajara, Mexico facility which was sold in the third quarter of 2003. In the third quarter of 2003, the Company reversed \$0.1 million of amounts previously accrued based on its analysis of remaining exit costs (which are expected to be paid by June 2004).

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

Note 6: Common Stock

On September 23, 2003, the Company completed a public offering (the “September 2003 Equity Offering”) of common stock registered pursuant its shelf registration statement originally filed with the Securities and Exchange Commission on April 24, 2002 (as amended on March 14, 2003). In connection with this offering, the Company issued approximately 37.0 million shares (including approximately 2.2 million shares issued in connection with the underwriters’ exercise of their option to cover over-allotments) at a price of \$4.50 per share. The net proceeds from this offering were \$156.5 million after deducting the underwriting discount of \$8.2 million (\$0.225 per share) and estimated offering expenses of \$1.7 million (including \$1.6 million that were unpaid as of October 3, 2003). The Company used the net proceeds to prepay \$152.7 million of its senior bank facilities and to cover \$3.8 million of costs associated with the amendment to its senior bank facilities as described in Note 8: “Long-Term Debt”. In connection with this prepayment, the Company wrote off \$2.5 million of debt issuance costs.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

Note 7: Loss per Common Share

Basic loss per share is computed by dividing net loss adjusted for dividends accrued on the Company's redeemable preferred stock by the weighted average number of common shares outstanding during the period. Diluted loss per share generally assumes the conversion of the convertible redeemable preferred stock into common stock and also incorporates the incremental impact of shares issuable upon the assumed exercise of stock options if such conversions or exercises are dilutive. The number of incremental shares issuable upon the assumed conversion of the convertible redeemable preferred stock is calculated by applying the if-converted method. The number of incremental shares from the assumed exercise of stock options is calculated by applying the treasury stock method.

Loss per share calculations for the three months and nine months ended October 3, 2003 and September 27, 2002 are as follows (in millions, except per share data):

	Three Months Ended		Nine Months Ended	
	October 3, 2003	September 27, 2002	October 3, 2003	September 27, 2002
Net loss before redeemable preferred stock dividends and cumulative effect of accounting change	\$ (16.3)	\$ (20.5)	\$ (102.8)	\$ (102.3)
Less: Redeemable preferred stock dividends	(2.3)	(2.1)	(6.7)	(6.3)
Net loss applicable to common stock before cumulative effect of accounting change	(18.6)	(22.6)	(109.5)	(108.6)
Cumulative effect of accounting change	—	—	(21.5)	—
Net loss applicable to common stock	\$ (18.6)	\$ (22.6)	\$ (131.0)	\$ (108.6)
Basic weighted average common shares outstanding	179.5	175.8	177.5	175.4
Add incremental shares for :				
Dilutive effect of stock options	—	—	—	—
Convertible redeemable preferred stock	—	—	—	—
Diluted weighted average common shares outstanding	179.5	175.8	177.5	175.4
Loss per share:				
Basic				
Net loss applicable to common stock before cumulative effect of accounting change	\$ (0.10)	\$ (0.13)	\$ (0.62)	\$ (0.62)
Cumulative effect of accounting change	—	—	(0.12)	—
Net loss applicable to common stock	\$ (0.10)	\$ (0.13)	\$ (0.74)	\$ (0.62)
Diluted				
Net loss applicable to common stock before extraordinary loss and cumulative effect of accounting change	\$ (0.10)	\$ (0.13)	\$ (0.62)	\$ (0.62)
Cumulative effect of accounting change	—	—	(0.12)	—
Net loss applicable to common stock	\$ (0.10)	\$ (0.13)	\$ (0.74)	\$ (0.62)

As a result of the net loss experienced for the three months and nine months ended October 3, 2003 and the three months and nine months ended September 27, 2002, the number of incremental common shares relating to the assumed conversion of the convertible redeemable preferred stock (40.9 million, 40.1 million, 37.8 million and 37.1 million, respectively) and employee stock options where the exercise price was less than the average market price of the Company's common shares during the periods, (8.1 million, 3.9 million, 1.6 million, and 2.7 million, respectively) were excluded from the calculation of loss per share as the related impacts were anti-dilutive. Common shares relating to employee stock options where the exercise price exceeded the average

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

market price of the Company's common shares during the periods were also excluded from the diluted earnings per share calculation. These excluded options totaled 6.5 million and 13.1 million in the three months and nine months ended October 3, 2003, respectively, and 14.3 million and 10.5 million in the three months and nine months ended September 27, 2002, respectively.

The Company accounts for employee stock options related to its common stock in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and provides the pro forma disclosures required by Statement of Financial Accounting Standards ("SFAS") No. 123 "Accounting for Stock Based Compensation" ("SFAS No. 123") as amended by SFAS No. 148 "Accounting for Stock Based Compensation – Transition and Disclosure". The Company measures compensation expense relating to non-employee stock awards in accordance with SFAS No. 123.

Had the Company determined employee stock compensation expense in accordance with SFAS No. 123, the Company's net loss for the three months and nine months ended October 3, 2003 and September 27, 2002 would have been increased to the pro forma amounts indicated below (in millions, except per share data):

	Three Months Ended		Nine Months Ended	
	October 3, 2003	September 27, 2002	October 3, 2003	September 27, 2002
Net loss, as reported	\$ (16.3)	\$ (20.5)	\$ (124.3)	\$ (102.3)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	—	—	0.1	1.3
Less: Stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(3.7)	(3.6)	(11.2)	(11.0)
Pro forma net loss	(20.0)	(24.1)	(135.4)	(112.0)
Less: Redeemable preferred stock dividends	(2.3)	(2.1)	(6.7)	(6.3)
Pro forma net loss applicable to common stock	\$ (22.3)	\$ (26.2)	\$ (142.1)	\$ (118.3)
Earnings per share:				
Basic—as reported	\$ (0.10)	\$ (0.13)	\$ (0.74)	\$ (0.62)
Basic—pro forma	\$ (0.12)	\$ (0.15)	\$ (0.80)	\$ (0.67)
Diluted—as reported	\$ (0.10)	\$ (0.13)	\$ (0.74)	\$ (0.62)
Diluted—pro forma	\$ (0.12)	\$ (0.15)	\$ (0.80)	\$ (0.67)

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

The fair value of option grants during the respective periods has been estimated at the date of grant while the fair value of the discount on the shares sold under the 2000 Employee Stock Purchase Plan has been estimated at the beginning of the respective offering periods, both using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	Three Months Ended		Nine Months Ended	
	October 3, 2003	September 27, 2002	October 3, 2003	September 27, 2002
Employee Stock Options				
Expected life (in years)	5	5	5	5
Risk-free interest rate	3.20%	3.89%	3.05%	4.55%
Volatility	1.04	0.70	0.74	0.70
Employee Stock Purchase Plan				
Expected life (in years)	0.25	0.25	0.25	0.25
Risk-free interest rate	0.89%	1.72%	1.10%	1.75%
Volatility	1.04	0.70	0.79	0.70

The weighted-average estimated fair value of employee stock options granted during the third quarters of 2003 and 2002 and the first nine months of 2003 and 2002 was \$2.94, \$1.65, \$1.03 and \$2.20 per share, respectively. The weighted-average estimated fair value of the discount on the shares sold under the 2000 Employee Stock Purchase Plan during the third quarters of 2003 and 2002 and the first nine months of 2003 and 2002 was \$0.85, \$0.50, \$0.46 and \$0.71 per share, respectively.

Note 8: Long-Term Debt

In September 2003, the Company amended its senior bank facilities to, among other things:

- Provide the Company with additional Tranche D term loans under its senior bank facilities aggregating \$100 million, the entire amount of which was borrowed simultaneously with the completion of the equity offering described in Note 6;
- Permit the Company to apply the net proceeds from equity offerings by it or any of its subsidiaries (including the equity offering described in Note 6) and borrowings under the additional Tranche D term loans to prepay scheduled principal installments of all term loan borrowings outstanding under its senior bank facilities in chronological order;
- Reduce from 75% to 50% the percentage of net proceeds from future equity offerings by the Company or any of its subsidiaries that is required to be applied to prepay term loan borrowings outstanding under its senior bank facilities; and,
- Provide the Company with a new \$25 million revolving facility that will mature on August 4, 2006, provide for the issuance of letters of credit in currencies other than U.S. dollars that are to be specified and, in all other respects, have terms substantially similar to those of its existing revolving facility.

The proceeds of the borrowing under the additional Tranche D term loans (which were issued at a discount of \$0.5 million) were used to prepay senior credit facility borrowings as described above. Excluding this discount, costs incurred in connection with this debt refinancing totaled \$3.8 million, of which \$0.4 million was paid to third parties. Such third-party costs were expensed as incurred and included in loss on debt prepayment in the Company's consolidated statement of operations and comprehensive loss for the quarter and nine months

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

ended October 3, 2003. The remaining \$3.4 million of debt refinancing costs are included in other assets in the Company's consolidated balance sheet and will be amortized using the effective interest method.

Long-term debt at October 3, 2003 and December 31, 2002 consists of the following (dollars in millions):

	October 3, 2003		December 31, 2002 (1)	
	Interest Rate	Balance	Interest Rate	Balance
Senior Bank Facilities:				
Tranche A	—	\$ —	6.4375%	\$ 6.6
Tranche B	6.5000%	5.7	6.4375%	209.9
Tranche C	6.5000%	164.9	6.4375%	226.0
Tranche D	6.5000%	197.3	6.4375%	134.1
Revolver	6.5000%	—	6.4375%	125.0
		<u>367.9</u>		<u>701.6</u>
First-Lien Senior Secured Notes due 2010, 13% interest payable semi-annually, net of debt discount of \$8.6		191.4		—
Second-Lien Senior Secured Notes due 2008, 13.7% interest effective February 2003 payable semi-annually, net of debt discount of \$7.7 and \$8.6		292.3		291.4
12% Senior Subordinated Notes due 2009, interest payable semi-annually		260.0		260.0
10% Junior Subordinated Note to Motorola due 2011, interest compounded semi-annually, payable at maturity		136.7		126.9
2.3% Note payable to Japanese bank due 2010		23.6		23.3
Loan facility with a Chinese bank (currently 3.4%)		20.0		20.0
Capital lease obligation		1.0		—
		<u>1,292.9</u>		<u>1,423.2</u>
Less: Current maturities		(23.9)		(19.8)
		<u>\$ 1,269.0</u>		<u>\$ 1,403.4</u>

(1) Amounts have been revised from those previously reported to reflect the consolidation of the Company's majority owned investment in Leshan-Phoenix Semiconductor Company Limited described in Note 1.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

Annual maturities relating to the Company's long-term debt as of October 3, 2003 are as follows (in millions):

Remainder of 2003	\$ 10.6
2004	13.4
2005	3.7
2006	132.2
2007	242.7
Thereafter	890.3
	<hr/>
Total	\$ 1,292.9

In connection with the consolidation of Leshan described in Note 1, the Company's long-term debt now includes a \$20 million loan facility between Leshan and a Chinese Bank. Aggregate loans under this facility, which was entered into in November 2000, are comprised of \$16 million of borrowings denominated in U.S. dollars and \$4 million of borrowings denominated in Chinese Renminbi (based on current exchange rates). Interest on these loans is payable quarterly and accrues at a variable rate based on published market rates in China for six-year term loans (3.4% at October 3, 2003). Scheduled principal payments consist of \$10.5 million due in the fourth quarter of 2003 and \$9.5 million due in the first quarter of 2004; however, the Company is in refinancing discussions with the bank at this time. Under the current agreement the Company has the ability to extend the maturity of this loan for three years under the same terms and conditions.

The Company and SCI LLC, its primary operating subsidiary, are co-issuers of the First-Lien Notes (issued in March 2003), the Second-Lien Notes, and the Senior Subordinated Notes (collectively, "the Notes"). The Company's other domestic subsidiaries (collectively, the "Guarantor Subsidiaries") fully and unconditionally guarantee on a joint and several basis, the Issuers' obligations under the Notes. The Guarantor Subsidiaries include Semiconductor Components Industries of Rhode Island, Inc, an operating subsidiary, as well as holding companies whose net assets consist primarily of investments in the Company's Czech subsidiaries, Leshan and nominal equity interests in certain of the Company's other foreign subsidiaries. The Company's remaining subsidiaries (collectively, the "Non-Guarantor Subsidiaries") are not guarantors of the Notes.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

The Company does not believe that separate financial statements and other disclosures concerning the Guarantor Subsidiaries would provide any additional information that would be material to investors in making an investment decision. Condensed consolidating financial information for the Issuers, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries is as follows (in millions):

	Issuers		Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
	ON Semiconductor Corporation	SCI LLC				
As of October 3, 2003						
Cash and cash equivalents	\$ —	\$ 104.9	\$ —	\$ 78.7	\$ —	\$ 183.6
Receivables, net	—	35.3	—	117.1	—	152.4
Inventories, net	—	23.3	2.4	154.3	(7.6)	172.4
Other current assets	—	3.4	0.2	38.8	—	42.4
Total current assets	—	166.9	2.6	388.9	(7.6)	550.8
Deferred income tax, non current	—	—	—	1.9	—	1.9
Property, plant and equipment, net	—	82.6	32.3	405.0	—	519.9
Goodwill	—	8.1	69.2	—	—	77.3
Investments and other assets	(693.1)	84.6	50.0	0.5	597.5	39.5
Total assets	\$ (693.1)	\$ 342.2	\$ 154.1	\$ 796.3	\$ 589.9	\$ 1,189.4
Accounts payable	\$ —	\$ 40.8	\$ 3.0	\$ 77.6	\$ —	\$ 121.4
Accrued expenses and other current liabilities	—	91.5	1.2	63.4	1.9	158.0
Deferred income on sales to distributors	—	29.8	—	34.6	—	64.4
Total current liabilities	—	162.1	4.2	175.6	1.9	343.8
Long-term debt(1)	743.2	1,248.8	—	20.2	(743.2)	1,269.0
Other long-term liabilities	—	23.1	—	14.4	—	37.5
Intercompany(1)	(949.2)	(556.9)	156.3	403.1	946.7	—
Total liabilities	(206.0)	877.1	160.5	613.3	205.4	1,650.3
Minority interests in consolidated subsidiaries	—	—	—	—	26.2	26.2
Redeemable preferred stock	116.8	—	—	—	—	116.8
Stockholders' equity (deficit)	(603.9)	(534.9)	(6.4)	183.0	358.3	(603.9)
Liabilities, minority interests and stockholders' equity (deficit)	\$ (693.1)	\$ 342.2	\$ 154.1	\$ 796.3	\$ 589.9	\$ 1,189.4

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

	Issuers		Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
	ON Semiconductor Corporation	SCI LLC				
As of December 31, 2002 (4)						
Cash and cash equivalents	\$ —	\$ 121.5	\$ —	\$ 68.9	\$ —	\$ 190.4
Receivables, net	—	38.2	—	77.2	—	115.4
Inventories, net	—	25.4	0.5	150.8	(13.2)	163.5
Other current assets	—	7.1	0.1	38.6	—	45.8
Total current assets	—	192.2	0.6	335.5	(13.2)	515.1
Property, plant and equipment, net	—	104.4	33.5	447.4	—	585.3
Goodwill and other intangibles, net	—	8.1	95.9	—	—	104.0
Investments and other assets	(596.3)	68.0	47.2	1.3	518.8	39.0
Total assets	\$ (596.3)	\$ 372.7	\$ 177.2	\$ 784.2	\$ 505.6	\$ 1,243.4
Accounts payable	\$ —	\$ 25.3	\$ 1.7	\$ 47.1	\$ —	\$ 74.1
Accrued expenses and other current liabilities	—	134.9	1.6	36.6	1.9	175.0
Deferred income on sales to distributors	—	32.3	—	38.5	—	70.8
Total current liabilities	—	192.5	3.3	122.2	1.9	319.9
Long-term debt(1)	551.4	1,372.2	—	31.2	(551.4)	1,403.4
Other long-term liabilities	—	28.3	—	16.8	—	45.1
Intercompany(1)	(595.7)	(621.7)	158.9	465.0	593.5	—
Total liabilities	(44.3)	971.3	162.2	635.2	44.0	1,768.4
Minority interests in consolidated subsidiaries	—	—	—	—	27.0	27.0
Redeemable preferred stock	110.1	—	—	—	—	110.1
Stockholders' equity (deficit)	(662.1)	(598.6)	15.0	149.0	434.6	(662.1)
Liabilities, minority interests and stockholders' equity (deficit)	\$ (596.3)	\$ 372.7	\$ 177.2	\$ 784.2	\$ 505.6	\$ 1,243.4

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

	Issuers					Total
	ON Semiconductor Corporation	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	
For the quarter ended October 3, 2003						
Revenues	\$ —	\$ 113.2	\$ 8.3	\$ 365.6	\$ (222.3)	\$ 264.8
Cost of sales	—	95.1	11.4	312.5	(228.3)	190.7
Gross profit	—	18.1	(3.1)	53.1	6.0	74.1
Research and development	—	(1.0)	3.2	14.4	—	16.6
Selling and marketing	—	8.0	0.1	6.7	—	14.8
General and administrative	—	3.5	0.1	15.4	—	19.0
Restructuring, asset impairments and other	—	0.2	—	(3.5)	—	(3.3)
Total operating expenses	—	10.7	3.4	33.0	—	47.1
Operating income (loss)	—	7.4	(6.5)	20.1	6.0	27.0
Interest expense, net	—	(26.9)	(4.8)	(6.1)	—	(37.8)
Loss on debt prepayment	—	(2.9)	—	—	—	(2.9)
Equity in earnings	(16.3)	8.4	1.8	(1.0)	7.1	—
Income (loss) before income taxes and minority interests	(16.3)	(14.0)	(9.5)	13.0	13.1	(13.7)
Income tax provision	—	(1.8)	—	—	—	(1.8)
Minority interests	—	—	—	—	(0.8)	(0.8)
Net income (loss)	\$ (16.3)	\$ (15.8)	\$ (9.5)	\$ 13.0	\$ 12.3	\$ (16.3)
For the quarter ended September 27, 2002 (4)						
Revenues	\$ —	\$ 138.6	\$ 10.2	\$ 367.2	\$ (242.4)	\$ 273.6
Cost of sales	—	118.4	15.2	296.9	(235.9)	194.6
Gross profit	—	20.2	(5.0)	70.3	(6.5)	79.0
Research and development	—	5.6	3.6	15.3	(7.6)	16.9
Selling and marketing	—	7.8	0.3	6.8	—	14.9
General and administrative	—	11.7	—	12.1	—	23.8
Amortization of goodwill and other intangibles	—	—	3.0	—	—	3.0
Restructuring and other charges	—	0.6	0.2	(0.8)	—	—
Total operating expenses	—	25.7	7.1	33.4	(7.6)	58.6
Operating income (loss)	—	(5.5)	(12.1)	36.9	1.1	20.4
Interest expense, net	—	(23.6)	(4.7)	(9.3)	—	(37.6)
Equity earnings	(20.5)	8.3	1.1	—	11.1	—
Income (loss) before income taxes and minority interests	(20.5)	(20.8)	(15.7)	27.6	12.2	(17.2)
Income tax benefit (provision)	—	(1.0)	—	(2.2)	—	(3.2)
Minority interests	—	—	0.1	—	(0.2)	(0.1)
Net income (loss)	\$ (20.5)	\$ (21.8)	\$ (15.6)	\$ 25.4	\$ 12.0	\$ (20.5)

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

	Issuers				Eliminations	Total
	ON Semiconductor Corporation (3)	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries		
For the nine months ended Oct 3, 2003						
Revenues	\$ —	\$ 374.9	\$ 60.7	\$ 1,050.2	\$ (695.3)	\$ 790.5
Cost of sales	—	342.3	33.4	893.9	(701.0)	568.6
Gross profit	—	32.6	27.3	156.3	5.7	221.9
Research and development	—	5.7	10.1	35.5	—	51.3
Selling and marketing	—	25.6	0.4	20.5	—	46.5
General and administrative	—	21.8	0.1	39.5	—	61.4
Amortization of goodwill and other intangibles	—	—	5.9	—	—	5.9
Restructuring, asset impairments and other	—	6.2	20.8	4.3	—	31.3
Total operating expenses	—	59.3	37.3	99.8	—	196.4
Operating income (loss)	—	(26.7)	(10.0)	56.5	5.7	25.5
Interest expense, net	—	(77.6)	(14.4)	(22.7)	—	(114.7)
Loss on debt prepayment	—	(6.4)	—	—	—	(6.4)
Equity in earnings	(124.3)	11.9	1.2	(1.0)	112.2	—
Income (loss) before income taxes, minority interests and cumulative effect of accounting change	(124.3)	(98.8)	(23.2)	32.8	117.9	(95.6)
Income tax provision	—	(3.6)	—	(2.7)	—	(6.3)
Minority interests	—	—	—	—	(0.9)	(0.9)
Income (loss) before cumulative effect of accounting change	(124.3)	(102.4)	(23.2)	30.1	117.0	(102.8)
Cumulative effect of accounting change	—	(21.5)	—	—	—	(21.5)
Net income (loss)	\$ (124.3)	\$ (123.9)	\$ (23.2)	\$ 30.1	\$ 117.0	\$ (124.3)
Net cash provided by (used in) operating activities	\$ —	\$ (49.3)	\$ 6.1	\$ 61.1	\$ —	\$ 17.9
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(8.5)	(6.1)	(26.9)	—	(41.5)
Equity injections from Parent	—	(1.8)	—	—	1.8	—
Acquisition of minority interest	—	—	(1.8)	—	—	(1.8)
Proceeds from sales of property, plant and equipment	—	—	—	13.2	—	13.2
Net cash used in investing activities	—	(10.3)	(7.9)	(13.7)	1.8	(30.1)
Cash flows from financing activities:						
Intercompany loans	—	(237.0)	—	237.0	—	—
Intercompany loan repayments	—	275.6	—	(275.6)	—	—
Proceeds from debt issuance, net of discount	—	290.4	—	—	—	290.4
Payment of debt issuance costs	—	(14.2)	—	—	—	(14.2)
Repayment of long term debt	—	(434.7)	—	—	—	(434.7)
Proceeds from issuance of common stock	—	158.1	—	—	—	158.1
Proceeds from exercise of warrants	—	1.4	—	—	—	1.4
Equity injections from Parent	—	—	1.8	—	(1.8)	—
Proceeds from issuance of common stock under the employee stock purchase plan	—	0.7	—	—	—	0.7
Proceeds from stock option exercise	—	2.7	—	—	—	2.7
Net cash provided by (used in) financing activities	—	43.0	1.8	(38.6)	(1.8)	4.4
Effect of exchange rate changes on cash and cash equivalents	—	—	—	1.0	—	1.0
Net increase in cash and cash equivalents	—	(16.6)	—	9.8	—	(6.8)
Cash and cash equivalents, beginning of period	—	121.5	—	68.9	—	190.4
Cash and cash equivalents, end of period	\$ —	\$ 104.9	\$ —	\$ 78.7	\$ —	\$ 183.6

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

	Issuers					Eliminations	Total
	ON Semiconductor Corporation (3)	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries			
For the nine months ended September 27, 2002 (4)							
Revenues	\$ —	\$ 410.0	\$ 36.2	\$ 1,042.0	\$ (663.0)		\$ 825.2
Cost of sales	—	409.3	45.1	823.8	(676.0)		602.2
Gross profit	—	0.7	(8.9)	218.2	13.0		223.0
Research and development	—	16.4	10.4	44.3	(20.7)		50.4
Selling and marketing	—	23.2	1.2	20.3	—		44.7
General and administrative	—	48.1	(0.6)	32.2	—		79.7
Amortization of goodwill and other intangibles	—	—	9.0	—	—		9.0
Restructuring and other charges	—	7.2	0.7	2.3	—		10.2
Total operating expenses	—	94.9	20.7	99.1	(20.7)		194.0
Operating income (loss)	—	(94.2)	(29.6)	119.1	33.7		29.0
Interest expense, net	—	(63.0)	(15.7)	(32.5)	—		(111.2)
Other income and expense (2)	—	(40.4)	—	40.4	—		—
Equity earnings	(102.3)	101.0	3.1	—	(1.8)		—
Loss on debt prepayment	—	(6.5)	—	—	—		(6.5)
Income (loss) before income taxes and minority interests	(102.3)	(103.1)	(42.2)	127.0	31.9		(88.7)
Income tax benefit (provision)	—	(3.0)	—	(8.3)	—		(11.3)
Minority interests	—	—	0.1	—	(2.4)		(2.3)
Extraordinary loss	—	—	—	—	—		—
Net income (loss)	\$ (102.3)	\$ (106.1)	\$ (42.1)	\$ 118.7	\$ 29.5		\$ (102.3)
Net cash provided by (used in) operating activities	\$ —	\$ (174.9)	\$ 0.1	\$ 209.1	\$ —		\$ 34.3
Cash flows from investing activities:							
Purchases of property, plant and equipment	—	(6.4)	(0.2)	(30.6)	—		(37.2)
Proceeds from sales of property, plant and equipment	—	2.6	—	0.7	—		3.3
Net cash used in investing activities	—	(3.8)	(0.2)	(29.9)	—		(33.9)
Cash flows from financing activities:							
Intercompany loans	—	(194.2)	—	194.2	—		—
Intercompany loan repayments	—	350.1	—	(350.1)	—		—
Proceeds from debt issuance, net of discount	—	279.1	—	—	—		279.1
Payments on capital lease obligation	—	(1.1)	—	—	—		(1.1)
Proceeds from redeemable preferred stock, net of issuance costs	—	—	—	—	—		—
Repayment of debt issuance costs	—	—	—	—	—		—
Repayment of long term debt	—	(283.3)	—	—	—		(283.3)
Equity injections from Parent	—	—	—	—	—		—
Proceeds from exercise of stock options and issuance of common stock under the employee stock purchase plan	—	1.9	—	—	—		1.9
Net cash provided by financing activities	—	152.5	—	(155.9)	—		(3.4)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	0.8	—		0.8
Net increase (decrease) in cash and cash equivalents	—	(26.2)	(0.1)	24.1	—		(2.2)
Cash and cash equivalents, beginning of period	—	124.9	0.1	61.0	—		186.0
Cash and cash equivalents, end of period	\$ —	\$ 98.7	\$ —	\$ 85.1	\$ —		\$ 183.8

- (1) For purposes of this presentation, the Senior Subordinated Notes, Second-Lien Notes, and First-Lien Notes have been reflected in the condensed balance sheets of both the Company and SCI LLC with the appropriate offset reflected in the eliminations column. Interest expense and debt discount amortization has been allocated to SCI LLC only.
- (2) Includes the effects of a \$40.4 million intercompany loan write-off in connection with the closure of the Company's Guadalajara, Mexico facility.
- (3) The Company is a holding company and has no operations apart from those of its operating subsidiaries. Additionally, the Company does not maintain a bank account; rather, SCI LLC, its primary operating subsidiary, processes all of its cash receipts and disbursements on its behalf.
- (4) Amounts have been revised from those previously reported to reflect the consolidation of the Company's majority-owned investment in Leshan-Phoenix Semiconductor Company Limited described in Note 1 "Background and Basis of Presentation".

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

Note 9: Commitments and Contingencies

Environmental Contingencies

The Company's 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. As part of the Company's August 4, 1999 recapitalization, Motorola retained responsibility for this contamination, and has agreed to indemnify the Company with respect to remediation and other costs or liabilities related to this matter. 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.

Indemnification Contingencies

The Company is a party to a variety of agreements entered into in the ordinary course of business pursuant to which it may be obligated to indemnify the other parties for certain liabilities that arise out of or relate to the subject matter of the agreements. Some of the agreements entered into by the Company require it to indemnify the other party against losses due to intellectual property infringement, property damage including environmental contamination, personal injury, failure to comply with applicable laws, the Company's negligence or willful misconduct, or breach of representations and warranties and covenants related to such matters as title to sold assets.

The Company is a party to various agreements with Motorola which were entered into in connection with the Company's separation from Motorola. Pursuant to these agreements, the Company has agreed to indemnify Motorola for losses due to, for example, breach of representations and warranties and covenants, damages arising from assumed liabilities or relating to allocated assets, and for specified environmental matters. The Company's obligations under these agreements may be limited in terms of time and/or amount and payment by the Company is conditioned on Motorola making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge Motorola's claims.

The Company and its subsidiaries provide for indemnification of directors, officers and other persons in accordance with limited liability agreements, certificates of incorporation, by-laws, articles of association or similar organizational documents, as the case may be. The Company maintains directors' and officers' insurance, which should enable it to recover a portion of any future amounts paid.

In addition to the above, from time to time the Company provides standard representations and warranties to counterparties in contracts in connection with sales of its securities and the engagement of financial advisors and also provides indemnities that protect the counterparties to these contracts in the event they suffer damages as a result of a breach of such representations and warranties or in certain other circumstances relating to the sale of securities or their engagement by the Company.

While the Company's future obligations under certain agreements may contain limitations on liability for indemnification, other agreements do not contain such limitations and under such agreements it is not possible to predict the maximum potential amount of future payments due to the conditional nature of the Company's obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under any of these indemnities have not had a material effect on the Company's business, financial condition, and results of operations or cash flows. Additionally, the Company does not believe that any amounts that it may be required to pay under these indemnities in the future will be material to the Company's business, financial condition, results of operations or cash flows.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

Legal Matters

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

During the period July 5, 2001 through July 27, 2001, the Company was named as a defendant in three shareholder class action lawsuits that were filed in federal court in New York City against the Company and certain of its former officers, current and former directors and the underwriters for its initial public offering. The lawsuits allege violations of the federal securities laws and have been docketed in the U.S. District Court for the Southern District of New York as: *Abrams v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6114; *Breuer v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6287; and *Cohen v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6942. On April 19, 2002, the plaintiffs filed a single consolidated amended complaint that supersedes the individual complaints originally filed. The amended complaint alleges, among other things, that the underwriters of the Company's initial public offering improperly required their customers to pay the underwriters excessive commissions and to agree to buy additional shares of the Company's common stock in the aftermarket as conditions of receiving shares in the Company's initial public offering. The amended complaint further alleges that these supposed practices of the underwriters should have been disclosed in the Company's initial public offering prospectus and registration statement. The amended complaint alleges violations of both the registration and antifraud provisions of the federal securities laws and seeks unspecified damages. The Company understands that various other plaintiffs have filed substantially similar class action cases against approximately 300 other publicly traded companies and their public offering underwriters in New York City, which along with the cases against the Company have all been transferred to a single federal district judge for purposes of coordinated case management. The Company believes that the claims against it are without merit and has defended, and intends to continue to defend, the litigation vigorously. The litigation process is inherently uncertain, however, and the Company cannot guarantee that the outcome of these claims will be favorable for it.

On July 15, 2002, together with the other issuer defendants, the Company filed a collective motion to dismiss the consolidated, amended complaints against the issuers on various legal grounds common to all or most of the issuer defendants. The underwriters also filed separate motions to dismiss the claims against them. In addition, the parties have stipulated to the voluntary dismissal without prejudice of the Company's individual former officers and current and former directors who were named as defendants in the litigation, and they are no longer parties to the litigation. On February 19, 2003, the Court issued its ruling on the motions to dismiss filed by the underwriter and issuer defendants. In that ruling the Court granted in part and denied in part those motions. As to the claims brought against the Company under the antifraud provisions of the securities laws, the Court dismissed all of these claims with prejudice, and refused to allow plaintiffs the opportunity to re-plead these claims. As to the claims brought under the registration provisions of the securities laws, which do not require that intent to defraud be pleaded, the Court denied the motion to dismiss these claims as to the Company and as to substantially all of the other issuer defendants as well. The Court also denied the underwriter defendants' motion to dismiss in all respects.

In June 2003, upon the determination of a special independent committee of our Board of Directors, the Company elected to participate in a proposed settlement with the plaintiffs in this litigation. If ultimately approved by the Court, this proposed settlement would result in a dismissal, with prejudice, of all claims in the litigation against the Company and against any of the other issuer defendants who elect to participate in the proposed settlement, together with the current or former officers and directors of participating issuers who were named as individual defendants. The proposed settlement does not provide for the resolution of any claims

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

against the underwriter defendants, and the litigation against those defendants is continuing. The proposed settlement provides that the class members in the class action cases brought against the participating issuer defendants will be guaranteed a recovery of \$1 billion by the participating issuer defendants. If recoveries totaling less than \$1 billion are obtained by the class members from the underwriter defendants, the class members will be entitled to recover the difference between \$1 billion and the aggregate amount of those recoveries from the participating issuer defendants. If recoveries totaling \$1 billion or more are obtained by the class members from the underwriter defendants, however, the monetary obligations to the class members under the proposed settlement will be satisfied. In addition, the Company and any other participating issuer defendants will be required to assign to the class members certain claims that they may have against the underwriters of our initial public offerings.

The proposed settlement contemplates that any amounts necessary to fund the settlement or settlement-related expenses would come from participating issuers' directors and officers' liability insurance policy proceeds as opposed to funds of the participating issuer defendants themselves. A participating issuer defendant could be required to contribute to the costs of the settlement if that issuer's insurance coverage were insufficient to pay that issuer's allocable share of the settlement costs. The Company expects that its insurance proceeds will be sufficient for these purposes and that it will not otherwise be required to contribute to the proposed settlement. Consummation of the proposed settlement is conditioned upon, among other things, negotiating, executing, and filing with the Court final settlement documents, and final approval by the Court. If the proposed settlement described above is not consummated, however, the Company intends to continue to defend the litigation vigorously. While the Company can make no promises or guarantees as to the outcome of these proceedings, the Company believes that the final result of these actions will have no material effect on its consolidated financial condition, results of operations or cash flows.

Note 10: Related Party Transactions

Related party activities between the Company and Motorola, excluding those separately disclosed in the accompanying financial statements, are as follows (in millions):

	Quarter Ended		Nine Months Ended	
	October 3, 2003	September 27, 2002	October 3, 2003	September 27, 2002
Cash paid for:				
Purchases of manufacturing services from Motorola	\$ 2.0	\$ 4.8	\$ 5.9	\$ 12.3
Cost of other services, rent and equipment purchased from Motorola	\$ —	\$ 0.4	\$ 0.4	\$ 1.3
Cash received for:				
Freight sharing agreement with Motorola	\$ —	\$ 7.6	\$ —	\$ 21.4
Rental of property and equipment to Motorola	\$ 0.2	\$ 2.2	\$ 4.7	\$ 6.9
Product sales to Motorola	\$ 18.9	\$ 25.1	\$ 52.1	\$ 71.6

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

Note 11: Recent Accounting Pronouncements

In April 2002, the FASB issued SFAS No. 145, “Rescission of FAS Nos. 4, 44, and 64, Amendment of FAS 13, and Technical Corrections as of April 2002.” SFAS No. 145 rescinds SFAS No. 4, “Reporting Gains and Losses from Extinguishment of Debt,” and an amendment of that Statement, SFAS No. 64, “Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements” and excludes extraordinary item treatment for gains and losses associated with the extinguishment of debt that do not meet the Accounting Principles Board (“APB”) Opinion No. 30, “Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions” criteria. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods that does not meet the criteria in APB No. 30 for classification as an extraordinary item is required to be reclassified. SFAS No. 145 also amends FASB Statement No. 13, “Accounting for Leases” and amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Company adopted SFAS No. 145 effective January 1, 2003, which required the reclassification within the consolidated statement of operations and comprehensive loss of losses on debt prepayments previously classified as extraordinary items which totaled \$6.5 million for the nine months ended September 27, 2002.

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (“EITF”) Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).” SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost as defined in EITF No. 94-3 was recognized at the date of an entity’s commitment to an exit plan. The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated by the Company after December 31, 2002. The Company applied the provisions of SFAS No. 146 to its 2003 restructuring activities described in Note 5 “Restructuring, Asset Impairments and Other”.

In December 2002, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FASB Statement 123.” SFAS No. 148 provides alternative methods of transition for voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. Additionally, SFAS No. 148 requires disclosure of the pro forma effect in annual and interim financial statements. The transition and annual disclosure requirements of SFAS No. 148 were effective for the Company’s fiscal year 2002. The interim disclosure requirements were effective in the first quarter of 2003 and are provided in Note 7. The Company has no plans to change to the fair value based method of accounting for stock-based employee compensation.

In November 2002, the FASB issued Interpretation No. 45 (“FIN No. 45”), “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” FIN No. 45 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN No. 45 also expands the disclosures required to be made by a guarantor about its obligations under certain guarantees that it has issued. Initial recognition and measurement provisions of FIN No. 45 are applicable on a prospective basis to guarantees issued or modified. The disclosure requirements are effective immediately and such disclosures have been included in Note 4 “Balance Sheet Information” and Note 9 “Commitments and Contingencies.” The adoption of FIN No. 45 did not have a material effect on the Company’s financial condition or results of operations.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

In April 2003, the FASB issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities”. SFAS No 149 amends and clarifies the accounting guidance on derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities that fall within the scope of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not impact the Company’s financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity”. SFAS No. 150 specifies that freestanding financial instruments within its scope constitute obligations of the issuer that must be classified as liabilities and carried at liquidation value. Such freestanding financial instruments include mandatorily redeemable financial instruments, obligations to repurchase the issuer’s equity shares by transferring assets, and certain obligations to issue a variable number of shares. Equity securities of consolidated entities that meet the definition of a mandatorily redeemable security by virtue of having a finite life (“mandatorily redeemable minority interests”) are included in the scope of SFAS No. 150. The minority interest associated with the Company’s investment in Leshan is a mandatorily redeemable minority interest within the scope of SFAS No. 150 by virtue of Leshan’s finite life of 50 years as specified in its organizational documents. The FASB deferred the provisions of SFAS No. 150 as they relate to mandatorily redeemable minority interests and is expected to issue interpretive guidance with respect to such provisions. The Company’s adoption of the other provisions of SFAS No. 150 at the beginning of the third quarter of 2003 did not impact its financial condition or results of operations.

As described in Note 1 “Background and Basis for Presentation” the Company adopted FIN No. 46 in the second quarter of 2003, which resulted in the consolidation of the Company’s investment in Leshan.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with our consolidated financial statements and related notes thereto as of and for the year ended December 31, 2002 included in our Annual Report on Form 10-K filed with the SEC on March 25, 2003 and our Current Report on Form 8-K filed with the SEC on September 9, 2003. 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 this Form 10-Q.

All historical financial statements, amounts and disclosures have been revised to reflect the consolidation of Leshan-Phoenix Semiconductor Company Limited. ("Leshan") as discussed in "Summary of Recent Developments" herein.

We are a global supplier of power and data management semiconductors and standard semiconductor components. We design, manufacture and market an extensive portfolio of semiconductor components that addresses the design needs of sophisticated electronic systems and products. Our power management semiconductor components distribute and monitor the supply of power to the different elements within a wide variety of electronic devices. Our data management semiconductor components provide high-performance clock management and data flow management for precision computing and communications systems. Our standard semiconductor components serve as "building block" components within virtually all electronic devices.

We serve a broad base of end-user markets including wireless communications, consumer electronics, automotive and industrial electronics and computing and networking. Applications for our products in these markets include portable electronics, computers, game stations, servers, automotive and industrial automation control systems, routers, switches, storage-area networks and automated test equipment.

We have four main product lines: power management and standard analog devices, metal oxide semiconductor (MOS) power devices, high frequency clock and data management devices and standard components. Our extensive portfolio of devices enables us to offer advanced integrated circuits and "building block" components that deliver system level functionality and design solutions. Our product portfolio currently comprises approximately 15,000 products and we shipped approximately 21.1 billion units in 2002. We specialize in micro packages, which offer increased performance characteristics while reducing the critical board space inside today's ever shrinking electronic devices. We believe that our ability to offer a broad range of products provides our customers with single source purchasing on a cost-effective and timely basis.

We have approximately 200 direct customers worldwide, and we also service approximately 300 significant original equipment manufacturers indirectly through our distributor and electronic manufacturing service provider customers. Our direct and indirect customers include: leading original equipment manufacturers in a broad variety of industries, such as Alcatel, DaimlerChrysler, Delphi, Delta Electronics, Intel, Motorola, Nokia, Siemens, Sony and Visteon; electronic manufacturing service providers, such as Flextronics, Sanmina-SCI and Solectron; and global distributors, such as Arrow, Avnet and Future Electronics.

We have design operations in Arizona, Rhode Island, Texas, China, Hong Kong, the Czech Republic and France, and we operate manufacturing facilities in Arizona, Rhode Island, China, the Czech Republic, Japan, Malaysia, the Philippines and Slovakia.

[Table of Contents](#)

The following table of contents sets forth the components of management's discussion and analysis contained herein:

	<u>Page</u>
Summary of Recent Developments	31
ON Financial Performance	31
Revenues	31
Outlook	31
Profitability Enhancement Programs	32
Pre-2003 Restructuring Programs	32
2003 Restructuring Programs, Asset Impairments and Other	32
Liquidity and Capital Structure	33
Cash Position and Capital Expenditures	33
September 2003 Equity Offering	34
Amendment to Senior Bank Facilities	34
Other Significant Events	34
Accounting Changes	34
Consolidation of Leshan-Phoenix Semiconductor	34
Actuarial Gains or Losses	35
Reclassification of Loss on Debt Prepayment	35
Critical Accounting Policies	35
Results of Operations	37
Quarter Ended October 3, 2003 Compared to Quarter Ended September 27, 2002	37
Nine Months Ended October 3, 2003 Compared to Nine Months Ended September 27, 2002	40
Liquidity and Capital Resources	43
Sources and Uses of Cash	43
Analysis of Cash Flows	45
EBITDA	47
Commercial Commitments and Contractual Obligations	48
Off-Balance Sheet Arrangements	40
Recent Accounting Pronouncements	50
Trends, Risks and Uncertainties	51

Summary of Recent Developments

ON Financial Performance

Revenues

We garner most of our revenues from sales of standard components and to a lesser degree from analog and MOS power devices. The standard component marketplace is filled with many established companies with mature technology platforms and little product differentiation. Industry demand through the early part of 2000 caused many companies to expand their capacity. In the latter part of 2000 and into 2001 this demand declined rapidly. With excess capacity in place, many companies began to actively trade price declines to maintain or increase current volumes. We have participated in these price declines in order to maintain a reasonable volume of production and, in some cases, used pricing as a means to increase market share in areas where we believe that we have a low cost advantage. With capacity utilization within the industry beginning to exceed 85% and bookings exceeding billings (both as calculated by VLSI Research), we expect that price declines should begin to ease and in cases where shortages occur, pricing power may actually shift in our favor. Our ability to maintain or increase prices is always subject to market forces.

The following table sets forth our total revenues for the last seven quarters:

<u>Quarter Ended (1)</u>	<u>Revenues</u>	<u>% Change from prior quarter</u>
	<u>(in millions)</u>	
March 29, 2002	\$ 271.0	
June 28, 2002	\$ 280.6	3.5
September 27, 2002	\$ 274.0	(2.4)
December 31, 2002	\$ 268.5	(2.0)
April 4, 2003	\$ 269.5	0.4
July 4, 2003	\$ 256.2	(4.9)
October 3, 2003	\$ 264.8	3.4

- (1) Because our fiscal quarters are determined based on 13 calendar weeks ending on a Friday, except for the fourth quarter which ends on December 31, certain quarters may have more or fewer days than other quarters which may have a slight impact on the comparability of results.

Pricing declines, partially offset by volume and mix changes, have caused a general downward trend in revenues over the past seven quarters. However, despite continued pricing declines, revenues for the third quarter of 2003 increased 3.4% as compared to the second quarter of 2003.

Outlook

For the fourth quarter of 2003, we anticipate that total revenues will grow between two and three percent from the third quarter of 2003. Backlog levels at the beginning of the fourth quarter of 2003 were up as compared to the beginning of the third quarter of 2003 and represented between 80 and 85 percent of our anticipated fourth quarter revenues. While we believe that revenues will increase, we expect that our gross margins will remain roughly flat in the fourth quarter of 2003 as compared to the third quarter of 2003. We expect average selling prices to decline approximately one to two percent in the fourth quarter of 2003 as compared to the third quarter of 2003.

Based on improved product mix, higher capacity utilization and continued cost reductions, we currently expect that our gross margins will exceed thirty percent during the third quarter of 2004. Assuming improved product mix, revenue growth of as much as eight to ten percent in 2004 and anticipated cost reductions, we could achieve positive pre-tax income during the third quarter of 2004. See "Trends, Risks and Uncertainties" contained herein and in our annual report on Form 10-K filed with the SEC on March 25, 2003.

Table of Contents

Profitability Enhancement Programs

Pre-2003 Restructuring Programs

In order to better align our cost structure with our revenues, we initiated profitability enhancement programs during 2000 and 2002. The principal elements of these programs are a manufacturing rationalization plan, a reduction of non-manufacturing personnel and other cost controls.

The elements of the 2000 plan that we commenced in June 2001 were completed in the fourth quarter of 2002 and resulted in \$365 million of annualized cost savings, based on a comparison of our cost structure during the first quarter of 2001 to our cost structure during the third quarter of 2002. We expect the 2002 plan to be completed by the end of 2003 and to result in an estimated \$80 million of cost savings in 2003. Based on a comparison of our cost structure during the third quarter of 2002 to our cost structure during the fourth quarter of 2003, we expect to achieve \$119 million of annual cost saving beginning in 2004. Savings from these plans include reduced employee costs resulting from staff reductions, reduced depreciation expense resulting from asset impairments and other cost savings resulting from the transfer of certain manufacturing and administrative functions to lower cost regions, renegotiation of service and supply contracts, and other actions taken to improve our manufacturing efficiency. As of October 3, 2003, actual savings in 2003 for the 2002 plan were approximately \$66 million and we expect to achieve our targeted savings of \$80 million by the end of 2003.

The following table summarizes the estimated annual cost savings from the 2002 plan that we expect following 2003 by type of cost and by the applicable caption contained in our consolidated statement of operations and comprehensive loss (in millions):

	<u>Reduced Employee Costs</u>	<u>Other Cost Savings</u>	<u>Total</u>
Cost of sales	\$ 8	\$ 100	\$108
General and administrative	6	5	11
	<u>\$ 14</u>	<u>\$ 105</u>	<u>\$119</u>

2003 Restructuring Program, Asset Impairments and Other

Third Quarter of 2003

In September 2003, we recorded charges totaling \$1.4 million associated with our worldwide restructuring programs to cover employee separation costs relating to the termination of approximately 36 employees, reflecting further reductions in manufacturing and general and administrative personnel in France, Germany, the Czech Republic, Hong Kong and the United States. These charges were more than offset in our consolidated statement of operations and comprehensive loss by a \$4.6 million gain in connection with the sale of our Guadalajara, Mexico facility (see "Summary of Recent Developments—Liquidity and Capital Structure—Cash Position and Capital Expenditures") and a \$0.2 million reversal of amounts previously recorded in connection with our June 2001 and December 2001 restructuring program. As of the end of the third quarter of 2003, all impacted employees had been terminated, and we currently expect to pay the remaining employee severance costs by December 2004.

Second Quarter of 2003

In June 2003, we recorded charges totaling \$13.3 million associated with our worldwide restructuring programs. The charges include \$0.4 million to cover employee separation costs relating to the termination of approximately 16 employees, \$1.4 million of lease and contract termination exit costs, \$10.5 million of asset impairments, and an additional \$1.0 million associated with a supply contract that was terminated as part of the June 2002 restructuring program.

[Table of Contents](#)

The employee separation costs reflected further reductions in general and administrative staffing levels primarily in the United States. As of the end of the third quarter of 2003, all impacted employees had been terminated and all related severance benefits have been paid.

The lease and contract termination exit costs relate to the exit of certain sales and administrative offices in Bermuda and Europe and the termination of other purchase and supply agreements.

The \$10.5 million of asset impairments consist of \$3.3 million of asset impairments associated with an assembly and packaging production line in Malaysia which was written down to its estimated fair value based on its future net discounted cash flows. Additionally, we identified certain buildings, machinery, software and equipment that would no longer be used internally due to the continued consolidation of manufacturing and general and administrative functions primarily in the United States and recorded a charge of \$7.2 million to write-down the remaining carrying value of these assets to their net realizable value.

In the second quarter of 2003 we also recorded non-cash impairment charges totaling \$21.3 million including \$20.8 million relating to the write-off of the developed technology intangible asset associated with the April 2002 purchase of Cherry Semiconductor Corporation and a \$0.5 million write off of a cost basis investment. Sustained price declines in certain product lines triggered an impairment analysis of the carrying value of the developed technology and resulted in us recording an impairment charge of \$20.8 million. We measured the amount of the impairment charge by comparing the carrying value of the developed technology to its estimated fair value. We estimated future net cash flows associated with the developed technology using price, volume and cost assumptions that management considered to be reasonable in the circumstances. We will no longer incur amortization expense of approximately \$3.0 million per quarter related to this intangible asset. As a result of the impairment of the developed technology, we evaluated the recoverability of the related goodwill that arose in connection with the acquisition of Cherry Semiconductor Corporation. We determined that the estimated fair value of the reporting unit containing the goodwill exceeded its related carrying amount. Accordingly, the goodwill was not considered to be impaired.

Liquidity and Capital Structure

Cash Position and Capital Expenditures. Our cash balance at October 3, 2003 increased by \$2.4 million as compared to July 4, 2003. Cash flows provided by operating activities decreased to \$1.2 million in the third quarter of 2003 from \$12.1 million in the second quarter of 2003. The decrease in cash flows from operations is, in part, attributable to a \$9.1 million increase in interest payments in the third quarter of 2003 due to the timing of semiannual bond interest payments for the first-lien senior secured notes and the senior subordinated notes as well as an increase in accounts receivable due primarily to increased sales in September 2003 which were uncollected at quarter end. These decreases were partially offset by other working capital changes.

Our manufacturing rationalization plans have included efforts to efficiently utilize our existing manufacturing assets and supply arrangements. Accordingly, we have reduced our capital expenditures during 2002 and 2003. We do not expect that our capital expenditure reductions will have a negative impact on our ability to service our customers, as we believe that near-term access to additional manufacturing capacity, should it be required, could be readily obtained on reasonable terms through manufacturing agreements with third parties. Capital expenditures are expected to be between \$50 and \$60 million in 2003. In the first nine months of 2003, our capital expenditures totaled \$41.5 million.

In the third quarter of 2003, we completed the sale of our Guadalajara, Mexico facility in exchange for \$13.2 million in cash. This transaction resulted in a gain of \$4.6 million, which is included in restructuring, asset impairments and other in the consolidated statement of operations and comprehensive loss for the quarter and nine months ended October 3, 2003.

Table of Contents

September 2003 Equity Offering. On September 23, 2003, we completed a public offering (the “September 2003 Equity Offering”) of our common stock registered pursuant to our shelf registration statement originally filed with the Securities and Exchange Commission on April 24, 2002 (as amended on March 14, 2003). In connection with this offering, we issued approximately 37.0 million shares (including approximately 2.2 million shares issued in connection with the underwriters’ exercise of their option to cover over-allotments) at a price of \$4.50 per share. Our net proceeds from this offering were \$156.5 million after deducting the underwriting discount of \$8.2 million (\$0.225 per share) and estimated offering expenses of \$1.7 million (including \$1.6 million that were unpaid as of October 3, 2003). We used the net proceeds to repay \$152.7 million of our senior credit facilities and to cover \$3.8 million of costs associated with our amendment to our senior bank facilities as described below. In connection with this prepayment, we wrote off \$2.5 million of debt issuance costs.

Amendment to Senior Bank Facilities. In connection with the September 2003 Equity Offering, we amended our senior bank facilities to, among other things:

- Provide us with additional Tranche D term loans under our senior bank facilities aggregating \$100 million, the entire amount of which we borrowed simultaneously with the completion of the September 2003 Equity Offering,
- Permit us to apply the net proceeds from equity offerings by us or any of our subsidiaries (including the September 2003 Equity Offering) and borrowings under the additional Tranche D term loans to prepay scheduled principal installments of all term loan borrowings outstanding under our senior bank facilities in chronological order,
- Reduce from 75% to 50% the percentage of net proceeds from future equity offerings by us or any of our subsidiaries that is required to be applied to prepay term loan borrowings outstanding under our senior bank facilities and
- Provide us with a new \$25 million revolving facility that will mature on August 4, 2006, provide for the issuance of letters of credit in currencies other than U.S. dollars that are to be specified and, in all other respects, have terms substantially similar to those of our existing revolving facility.

The proceeds of the borrowings under the additional Tranche D term loans (which were issued at a discount of \$0.5 million), were used to prepay senior credit facility borrowings as described above (the “September 2003 Debt Refinancing”). Excluding this discount, costs incurred in connection with this debt refinancing totaled \$3.8 million, of which \$0.4 million was paid to third parties. Such third party costs were expensed as incurred and included in loss on debt prepayment in our consolidated statement of operations and comprehensive loss for the quarter and nine months ended October 3, 2003. The remaining \$3.4 million of debt refinancing costs are included in other assets in our consolidated balance sheet and will be amortized using the effective interest method.

Other Significant Events

Accounting Changes

Consolidation of Leshan-Phoenix Semiconductor Company Limited. In the second quarter of 2003, we adopted FASB Interpretation No. 46 (“FIN No. 46”), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51”. FIN No. 46 requires that certain variable interest entities (“VIE’s”) be consolidated by the primary beneficiary, as that term is defined in FIN No. 46. We determined that our investment in Leshan-Phoenix Semiconductor Company Limited (“Leshan”) meets the definition of a VIE and that we are the primary beneficiary of this VIE; therefore, our investment in Leshan should be consolidated under FIN No. 46. We had previously accounted for our investment in Leshan using the equity method. While consolidation of the our investment in Leshan did not impact our previously reported net income (loss) or stockholders’ equity (deficit), financial information of prior periods has been revised for comparative purposes as allowed by FIN No. 46.

[Table of Contents](#)

Actuarial Gains or Losses. During the second quarter of 2003, we changed our method of accounting for net unrecognized actuarial gains or losses relating to our defined benefit pension obligations. Historically, we amortized our net unrecognized actuarial gains or losses over the average remaining service lives of active plan participants, to the extent that such net gains or losses exceeded the greater of 10% of the related projected benefit obligation or plan assets. Effective January 1, 2003, we will no longer defer actuarial gains or losses but will recognize such gains and losses during the fourth quarter of each year, which is the period in which our annual pension plan actuarial valuations are prepared. We believe that this change is to a preferable accounting method as actuarial gains or losses will be recognized currently in income rather than being deferred.

The impact of this change for periods prior to January 1, 2003 is a charge of \$21.5 million or \$0.12 per share, both before and after income taxes, and has been reflected as the cumulative effect of a change in accounting principle in our consolidated statement of operations for the nine months ended October 3, 2003. The effect of the change on the quarter ended October 3, 2003 was to decrease our net loss by \$1.6 million or \$0.01 per share, both before and after income taxes. The effect of the change on the nine months ended October 3, 2003 was to decrease the loss before cumulative effect of accounting change by \$4.8 million or \$0.02 per share, both before and after income taxes, and to increase the net loss by \$16.7 million or \$0.09 per share, both before and after income taxes. Absent the accounting change, the \$21.5 million of net unrecognized actuarial losses at December 31, 2002 would have been recognized as an operating expense in future periods.

Reclassification of Loss on Debt Prepayment. We adopted SFAS No. 145 effective January 1, 2003, which required the reclassification within our statement of operations of losses on debt prepayment previously classified as extraordinary items which totaled \$6.5 million for the nine months ended September 27, 2002.

Critical Accounting Policies

The accompanying discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. We believe certain of our accounting policies are critical to understanding our financial position and results of operations. We utilize the following critical accounting policies in the preparation of our financial statements.

Revenue. We generate revenue from sales of our semiconductor products to original equipment manufacturers, electronic manufacturing service providers, and distributors. We recognize revenue on sales to original equipment manufacturers and electronic manufacturing service providers when title passes to the customer net of provisions for related sales returns and allowances. For distributor sales, the related revenues are deferred until the distributor resells the product to the end user. Title to products sold to distributors typically passes at the time of shipment by us so we record accounts receivable for the amount of the transaction, reduce our inventory for the products shipped and defer the related margin in our consolidated balance sheet. We recognize the related revenue and profit when the distributor sells the products to the end user. Although payment terms vary, most distributor agreements require payment within 30 days. Our revenue recognition method for distributor sales aligns our reported results with, focuses us on, and enables investors to better understand, end user demand for the products we sell through distribution as our revenue is not influenced by our distributors' stocking decisions.

Inventories. We carry our inventories at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or market and record provisions for slow moving inventories based upon a regular analysis of inventory on hand compared to historical and projected end user demand. Projected end user demand is generally based on sales during the prior twelve months. These provisions can influence our results from operations. For example, when demand falls for a given part, all or a portion of the related inventory is reserved, impacting our cost of sales and gross profit. If demand recovers and the parts previously reserved are sold, we will generally recognize a higher than normal margin. However, the majority of product inventory that has been

[Table of Contents](#)

previously reserved is ultimately discarded. Although we do sell some products that have previously been written down, such sales have historically been relatively consistent on a quarterly basis and the related impact on our margins on a comparative basis has not been material.

Deferred Tax Valuation Allowance. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. In determining the amount of the valuation allowance, we consider estimated future taxable income as well as feasible tax planning strategies in each taxing jurisdiction in which we operate. If we determine that we will not realize all or a portion of our remaining deferred tax assets, we will increase our valuation allowance with a charge to income tax expense. Conversely, if we determine that we will ultimately be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be released to income as a credit to income tax expense. In the fourth quarter of 2001, we established a valuation allowance for the majority of our deferred tax assets and, to date, we have not recognized any incremental domestic deferred tax benefits. We monitor our ability to utilize our deferred tax assets and the continuing need for a related valuation allowance on an ongoing basis.

Impairment of Long-Lived Assets. We periodically evaluate the recoverability of the carrying amount of our property, plant and equipment, intangible asset and other long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Impairment is assessed when the undiscounted expected cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in operating results. We continually apply our best judgment when applying these impairment rules to determine the timing of the impairment test, the undiscounted cash flows used to assess impairments and the fair value of an impaired asset. The dynamic economic environment in which we operate and the resulting assumptions used to estimate future cash flows impact the outcome of our impairment tests.

Goodwill. We evaluate our goodwill for potential impairment on an annual basis or whenever events or circumstances indicate that an impairment may have occurred. SFAS No. 142 requires that goodwill be tested for impairment using a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the estimated fair value of the reporting unit containing our goodwill with the related carrying amount. If the estimated fair value of the reporting unit exceeds its carrying amount, the reporting unit's goodwill is not considered to be impaired and the second step of the impairment test is unnecessary. If the reporting unit's carrying amount exceeds its estimated fair value, the second step test must be performed to measure the amount of the goodwill impairment loss, if any. The second step test compares the implied fair value of the reporting unit's goodwill, determined in the same manner as the amount of goodwill recognized in a business combination, with the carrying amount of such goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

Defined Benefit Plans. We maintain pension plans covering certain of our employees. For financial reporting purposes, net periodic pension costs are calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations, assumed rate of return on pension plan assets and assumed rate of compensation increase for plan employees. All of these assumptions are based upon management's judgment, considering all known trends and uncertainties. Actual results that differ from these assumptions would impact future expense recognition and cash funding requirements of our pension plans. Effective January 1, 2003, we changed our method of amortizing unrecognized actuarial gains or losses associated with our defined benefit pension plans. See "Accounting Changes—Actuarial Gains or Losses" above.

[Table of Contents](#)

Results of Operations

Quarter Ended October 3, 2003 Compared to Quarter Ended September 27, 2002

The following table summarizes certain information relating to our operating results that has been derived from our unaudited consolidated financial statements. The dollar amounts in the following table are in millions.

	Quarter Ended					
	October 3, 2003	% of Revenues(1)	September 27, 2002	% of Revenues (1)	Change	% Change
Revenues	\$ 264.8	100.0	\$ 273.6	100.0	\$ (8.8)	(3.2)
Cost of sales	190.7	72.0	194.6	71.1	(3.9)	(2.0)
Gross profit	74.1	28.0	79.0	28.9	(4.9)	(6.2)
Operating expenses:						
Research and development	16.6	6.3	16.9	6.2	(0.3)	(1.8)
Selling and marketing	14.8	5.6	14.9	5.4	(0.1)	(0.7)
General and administrative	19.0	7.2	23.8	8.7	(4.8)	(20.2)
Amortization of intangible	—	—	3.0	1.1	(3.0)	(100.0)
Restructuring, asset impairments and other	(3.3)	(1.2)	—	—	(3.3)	N/M
Total operating expenses	47.1	17.8	58.6	21.4	(11.5)	(19.6)
Operating income (loss)	27.0	10.2	20.4	7.5	6.6	32.4
Other income (expenses), net:						
Interest expense	(37.8)	(14.3)	(37.6)	(13.7)	(0.2)	0.5
Loss on debt prepayment	(2.9)	(1.1)	—	—	(2.9)	N/M
Other income (expenses), net	(40.7)	(15.4)	(37.6)	(13.7)	(3.1)	8.2
Loss before income taxes and minority interests	(13.7)	(5.2)	(17.2)	(6.3)	3.5	(20.3)
Income tax provision	(1.8)	(0.7)	(3.2)	(1.2)	1.4	(43.8)
Minority interests	(0.8)	(0.3)	(0.1)	(0.0)	(0.7)	N/M
Net loss	(16.3)	(6.2)	(20.5)	(7.5)	4.2	(20.5)
Less: Redeemable preferred stock dividends	(2.3)	(0.9)	(2.1)	(0.8)	(0.2)	9.5
Net loss applicable to common stock	\$ (18.6)	(7.0)	\$ (22.6)	(8.3)	\$ 4.0	(17.7)

(1) Certain amounts may not total due to rounding of individual components.
NM Figures are not meaningful for analysis

Revenues. Revenues decreased \$8.8 million, or 3.2%, to \$264.8 million in the third quarter of 2003 from \$273.6 million in the third quarter of 2002 due to declines in average selling prices of approximately 14% offset by volume and mix changes. The revenues by product line for the quarters ended October 3, 2003 and September 27, 2002 are as follows (dollars in millions):

	Quarter Ended October 3, 2003	% of Revenue	Quarter Ended September 27, 2002	% of Revenue	Change	% Change
Power Management and Standard Analog	\$ 83.4	31.5	\$ 92.8	33.9	\$ (9.4)	(10.1)
MOS Power Devices	40.8	15.4	34.7	12.7	6.1	17.6
High Frequency Clock and Data Management	17.5	6.6	16.7	6.1	0.8	4.8
Standard Components	123.1	46.5	129.4	47.3	(6.3)	(4.9)
Revenues	\$ 264.8		\$ 273.6		\$ (8.8)	

[Table of Contents](#)

In our power management and standard analog product line, revenues have declined in the third quarter of 2003 as compared to the third quarter of 2002 due to pricing declines and unit volume declines in certain of our automotive and computing applications, which were partially offset by unit volume growth in our power conversion applications. In our MOS power devices product line, revenues have increased in the third quarter of 2003 as compared to the third quarter of 2002 due to strong unit volume growth of our computing and network applications, which were partially offset by pricing declines that have affected our automotive product portfolio. Pricing declines have negatively impacted revenues in all of our product lines in the third quarter of 2003.

Approximately 28%, 55% and 17% of our revenues during the third quarter of 2003 were derived from the Americas, Asia/ Pacific and Europe (including the Middle East), respectively, compared to 37%, 46% and 17%, respectively, during the third quarter of 2002. Strength in the Asia Pacific market was fueled primarily by increased sales to China as a result of our continued focus on this fast growth market.

Cost of Sales. Cost of sales for the third quarter of 2003 decreased \$3.9 million, or 2.0%, to \$190.7 million from \$194.6 million in the third quarter of 2002. This decrease is attributable to \$30 million of cost reduction activities offset by an increase in unit volumes. in the third quarter of 2003 as compared to the third quarter of 2002.

Gross Profit. Gross profit for the third quarter of 2003 decreased \$4.9 million, or 6.2%, to \$74.1 million from \$79.0 million in the third quarter of 2002. As a percentage of revenues, gross profit decreased to 28.0% during the third quarter of 2003 from 28.9% in the third quarter of 2002. To summarize the fluctuations described above, the decrease in gross profit was attributable to decreases in average selling prices, offset by cost reduction activities.

Operating expenses

Research and Development. Research and development costs decreased \$0.3 million, or 1.8%, to \$16.6 million in the third quarter of 2003 compared with \$16.9 million in the third quarter of 2002. As a percentage of revenues, research and development costs increased to 6.3% in the third quarter of 2003 as compared to 6.2% in 2002 as we continue to focus on new product development. The primary emphasis of our new product development efforts is in the expected high growth market applications of power management and high frequency clock and data management solutions, with approximately 80% of our overall research and development investments focused in these areas.

Selling and Marketing. Selling and marketing expenses in the third quarter of 2003 decreased by \$0.1 million, or 0.7%, to \$14.8 million compared with \$14.9 million in the third quarter of 2002. As a percentage of revenues, selling and marketing expenses for the third quarter of 2003 were 5.6% compared with 5.4% in the third quarter of 2002.

General and Administrative. General and administrative expenses decreased by \$4.8 million, or 20.2%, to \$19.0 million from \$23.8 million in the third quarter of 2002, as a result of personnel reductions, the relocation of certain functions to lower cost regions, and the discontinuation of the amortization of actuarial losses in 2003 in connection with the change in accounting for actuarial losses associated with our defined benefit pension plans. As a percentage of revenues, these costs decreased to 7.2% in the third quarter of 2003 from 8.7% in the third quarter of 2002.

Amortization of Intangible. Amortization of intangible asset was \$0 in the third quarter of 2003 as compared to \$3.0 million in the third quarter of 2002. In June 2003, we wrote off the remaining balance of the developed technology intangible asset obtained in the acquisition of Cherry Semiconductor in April 2000. See "Summary of Recent Developments—2003 Restructuring Program, Asset Impairments, and Other".

[Table of Contents](#)

Restructuring, Asset Impairments and Other. Restructuring, asset impairments and other was a net gain of \$3.3 million in the third quarter of 2003 as compared to \$0 in the third quarter of 2002.

In September 2003, we recorded a \$4.6 million gain in connection with the sale of the Guadalajara, Mexico facility. This gain was partially offset by charges totaling \$1.4 million associated with our worldwide restructuring programs to cover employee separation costs relating to the termination of approximately 36 employees, reflecting further reductions in manufacturing and general and administrative personnel in France, Germany, the Czech Republic, Hong Kong and the United States. As of the end of the third quarter of 2003, all impacted employees had been terminated, and we currently expect to pay the remaining employee severance costs by June 2004. In September 2003, we also recorded a \$0.2 million reversal of amounts previously provided in connection with the Company's June 2001 and December 2001 restructuring programs and an additional \$0.1 charge associated with our March 2002 restructuring program.

At October 3, 2003, we have \$9.7 million accrued in relation to all of our restructuring programs and expect this amount to be paid over the next year. We expect that the savings from these programs will more than offset the expected payments.

Interest Expense. Interest expense increased \$0.2 million, or 0.5%, to \$37.8 million for the third quarter of 2003 from \$37.6 million in the third quarter of 2002. The increase in our interest expense was due to an increase in our weighted-average interest rate on long-term debt (including current maturities) offset by a decrease in our total long-term debt outstanding. Our weighted average interest rate increased from 10.9% per annum for the third quarter of 2003 compared to 10.6% per annum for the third quarter of 2002, computed by dividing total interest expense by our average month-end debt balances. The increase in our weighted-average interest rate is attributable to the net effect of the debt refinancings that occurred in 2002 and 2003. The decrease in the average month-end debt balances is attributable to the effects of the September 2003 Equity Offering.

Loss on Debt Prepayment. Loss on debt prepayment of \$2.9 million in third quarter of 2003 consists of the write-off of \$2.5 million of debt issuance costs in connection with the September 2003 Equity Offering and related debt prepayment and the expensing of \$0.4 million of third-party expenses in connection with the September 2003 Debt Refinancing. See "Summary of Recent Developments—Liquidity and Capital Structure" included herein.

Income Tax Provision. We recognized an income tax provision of \$1.8 million in the third quarter of 2003 compared with \$3.2 million in the third quarter of 2002 which is related to income and withholding taxes of certain of our foreign operations. The decrease in the income tax provision was due to a change in the mix of income from high-tax foreign jurisdictions to lower-tax foreign jurisdictions and recognition of redeemable tax credits in certain foreign locations.

Minority Interests. Minority interests represent the portion of the net income or loss of our majority-owned Czech and Chinese subsidiaries attributable to the minority owners of each subsidiary. We consolidate these subsidiaries in our financial statements.

[Table of Contents](#)

Nine Months Ended October 3, 2003 Compared to Nine Months Ended September 27, 2002

The following table summarizes certain information relating to our operating results that has been derived from our unaudited consolidated financial statements. The dollar amounts in the following table are in millions.

	Nine Months Ended					
	October 3, 2003	% of Revenues(1)	September 27, 2002	% of Revenues(1)	Change	% Change
Total revenues	\$ 790.5	100.0	\$ 825.2	100.0	\$ (34.7)	(4.2)
Cost of sales	568.6	71.9	602.2	73.9	(33.6)	(5.6)
Gross profit	221.9	28.1	223.0	26.1	(1.1)	(0.5)
Operating expenses:						
Research and development	51.3	6.6	50.4	6.1	0.9	1.8
Selling and marketing	46.5	6.0	44.7	5.4	1.8	4.0
General and administrative	61.4	8.1	79.7	10.1	(18.3)	(23.0)
Amortization of intangible	5.9	1.1	9.0	1.1	(3.1)	(34.4)
Restructuring, asset impairments and other	31.3	6.6	10.2	1.8	21.1	206.9
Total operating expenses	196.4	28.4	194.0	24.5	2.4	1.2
Operating income (loss)	25.5	(0.3)	29.0	1.6	(3.5)	(12.1)
Other income (expenses), net:						
Interest expense	(114.7)	(14.6)	(111.2)	(13.3)	(3.5)	3.1
Loss on debt prepayment	(6.4)	(0.7)	(6.5)	(1.2)	0.1	(1.5)
Other income (expenses), net	(121.1)	(15.3)	(117.7)	(14.5)	(3.4)	2.9
Loss before income taxes and minority interests	(95.6)	(15.6)	(88.7)	(13.0)	(6.9)	7.8
Income tax provision	(6.3)	(0.9)	(11.3)	(1.5)	5.0	(44.2)
Minority interests	(0.9)	(0.0)	(2.3)	(0.4)	1.4	(60.9)
Net loss before extraordinary loss and cumulative effect of accounting change	(102.8)	(16.5)	(102.3)	(14.8)	(0.5)	0.5
Cumulative effect of accounting change	(21.5)	(4.1)	—	—	(21.5)	NM
Net loss	(124.3)	(20.5)	(102.3)	(14.8)	(22.0)	21.5
Less: Redeemable preferred stock dividends	(6.7)	(0.8)	(6.3)	(0.8)	(0.4)	6.3
Net loss applicable to common stock	\$ (131.0)	(21.4)	\$ (108.6)	(15.6)	\$ (22.4)	20.6

(1) Certain amounts may not total due to rounding of individual components.
NM Figures are not meaningful for analysis

[Table of Contents](#)

Revenues. Revenues decreased \$34.7 million, or 4.2%, to \$790.5 million in the first nine months of 2003 from \$825.2 million in the first nine months of 2002 due to declines in average selling prices of approximately 10% offset by volume and mix changes. The revenues by product line for the nine months ended October 3, 2003 and September 27, 2002 are as follows (dollars in millions):

	<u>Nine Months Ended October 3, 2003</u>	<u>% of Revenue</u>	<u>Nine Months Ended September 27, 2002</u>	<u>% of Revenue</u>	<u>Change</u>	<u>% Change</u>
Power Management and Standard						
Analog	\$ 248.2	31.4	\$ 273.8	33.2	\$ (25.6)	(9.3)
MOS Power Devices	108.9	13.8	104.8	12.7	4.1	3.9
High Frequency Clock and Data						
Management	58.0	7.3	55.3	6.7	2.7	4.9
Standard Components	375.4	47.5	391.3	47.4	(15.9)	(4.1)
	<u> </u>		<u> </u>		<u> </u>	
Total Revenues	\$ 790.5		\$ 825.2		\$ (34.7)	

Average selling prices have declined across all of our product lines. However, in the MOS power devices and high frequency clock and data management product lines, volume increases and mix changes have offset these pricing declines, causing overall revenue growth in the first nine months of 2003 as compared to the first nine months of 2002. The MOS power devices volume increase is partially attributable to increased demand from new product designs.

Approximately 31%, 51% and 18% of our revenues during the first nine months of 2003 were derived from the Americas, Asia/ Pacific and Europe (including the Middle East), respectively, compared to 38%, 44% and 18%, respectively, during the first nine months of 2002. Strength in the Asia Pacific market was fueled primarily by increased sales to China as a result of our continued focus on this fast growth market.

Cost of Sales. Cost of sales for the first nine months of 2003 decreased \$33.6 million, or 5.6%, to \$568.6 million from \$602.2 million in the first nine months of 2002. This decrease is attributable to \$78 million of cost reduction activities and \$8.0 million of lower provisions for excess inventories taken during the first nine months of 2003 as compared to the first nine months of 2002. These factors were partially offset by an increase in unit volumes, mix changes, and an increase in freight expense of approximately \$13 million in the first nine months of 2003 as compared to the first nine months of 2002 due to the expiration of the freight sharing agreement with Motorola in August 2002.

Gross Profit. Gross profit for the first nine months of 2003 decreased \$1.1 million, or 0.5%, to \$221.9 million from \$223.0 million in the first nine months of 2002. As a percentage of revenues, gross profit increased to 28.1% during the first nine months of 2003 from 26.1% in the first nine months of 2002. The increase in gross profit percentage was attributable to cost reduction activities and lower provisions for excess inventories. These factors were partially offset by decreases in average selling prices and an increase in freight expense with the expiration of the freight sharing agreement with Motorola in August 2002.

Operating expenses

Research and Development. Research and development costs increased \$0.9 million, or 1.8%, to \$51.3 million in the first nine months of 2003 compared with \$50.4 million in the first nine months of 2002 as we continue to focus on new product development. As a percentage of revenues, research and development costs increased to 6.6% in the first nine months of 2003 as compared to 6.1% in the first nine months of 2002. The primary emphasis of our new product development efforts is in the expected high growth market applications of power management and high frequency clock and data management solutions, with approximately 80% of our overall research and development investments focused in these areas.

[Table of Contents](#)

Selling and Marketing. Selling and marketing expenses in the first nine months of 2003 increased by \$1.8 million, or 4.0%, to \$46.5 million compared with \$44.7 million in the first nine months of 2002. The increase is attributable to a change in the commission structure for external sales representatives to reflect current market rates, increased hiring of field application engineers and key personnel hiring costs. As a percentage of revenues, selling and marketing expenses for the first nine months of 2003 were 6.0% compared with 5.4% in the first nine months of 2002.

General and Administrative. General and administrative expenses decreased by \$18.3 million, or 23.0%, to \$61.4 million from \$79.7 million in the first nine months of 2002, as a result of personnel reductions, the relocation of certain functions to lower cost regions, reduced bonus accruals, and the discontinuation of the amortization of actuarial losses in 2003 in connection with the change in accounting for actuarial losses associated with our defined benefit pension plans. As a percentage of revenues, these costs decreased to 8.1% in the first nine months of 2003 from 10.1% in the first nine months of 2002.

Amortization of Intangible. Amortization of intangible asset decreased \$3.1 million or 34.4%, from \$5.9 million in the first nine months of 2003 compared to \$9.0 million in the first nine months of 2002. In June 2003, we wrote off the remaining balance of the developed technology intangible asset that was obtained in the acquisition of Cherry Semiconductor in April 2000. See “Summary of Recent Developments—2003 Restructuring Program, Asset Impairments, and Other”.

Restructuring, Asset Impairments and Other. Restructuring, asset impairments and other was a net charge of \$31.3 million in the first nine months of 2003 as compared to \$10.2 million in the first nine months of 2002.

In September 2003, we recorded a \$4.6 million gain in connection with the sale of the Guadalajara, Mexico facility. This gain was partially offset by charges totaling \$1.4 million associated with our worldwide restructuring programs to cover employee separation costs relating to the termination of approximately 36 employees, reflecting further reductions in manufacturing and general and administrative personnel in France, Germany, the Czech Republic, Hong Kong and the United States. As of the end of the third quarter of 2003, all impacted employees had been terminated, and we currently expect to pay the remaining employee severance costs by June 2004. In September 2003, we also recorded a \$0.2 million reversal of amounts previously provided in connection with the Company’s June 2001 and December 2001 restructuring programs and an additional \$0.1 charge associated with our March 2002 restructuring program.

During the second quarter of 2003, we recorded charges totaling \$13.3 million associated with our worldwide restructuring programs. The charges include \$0.4 million to cover employee separation costs relating to the termination of approximately 16 employees, \$1.4 million of lease and contract termination exit costs, \$10.5 million of asset impairments and an additional \$1.0 million associated with the termination of a supply contract that was part of the June 2002 restructuring program. Also included in restructuring, asset impairments and other charges on the consolidated statement of operations are charges totaling \$21.3 million including \$20.8 million relating to the write-off of the developed technology intangible asset associated with the April 2000 purchase of Cherry Semiconductor Corporation and the a \$0.5 million write-off of a cost basis investment. As of October 3, 2003, all employees have been terminated under this restructuring plan and all associated payments have been made.

During the second quarter of 2002, we recorded a charge of \$16.7 million to cover costs associated with a worldwide restructuring program involving manufacturing, selling, general and administrative functions. The charge included \$3.9 million to cover employee separation costs associated with the termination of 79 employees, \$8.4 million for fixed asset impairments that were charged directly against the related assets, \$2.8 million in costs related to termination of certain purchase and supply agreements, and \$1.6 million of additional exit costs associated with the shutdown of our Guadalajara, Mexico facility. Employee separation costs included \$1.0 million of non-cash charges associated with the modification of stock options for certain terminated employees. As of October 3, 2003, all employees have been terminated under this restructuring plan, and the remaining liability related to this restructuring was \$2.5 million. We released to income \$1.2 million of exit costs

[Table of Contents](#)

previously accrued in connection with a 2001 restructuring program. We also recorded a gain of \$12.4 million related to a settlement with Motorola on April 8, 2002, which partially offset the charges discussed above for a net charge of \$3.1 million.

During the first quarter of 2002, we recorded charges of \$7.1 million (net of a \$0.1 million recovery) to cover costs associated with our worldwide profitability enhancement programs. The charges primarily relate to the consolidation of manufacturing, selling and administrative functions in the U.S. and Europe. The charges included \$7.2 million to cover employee separation costs associated with the termination of approximately 72 employees. Employee separation costs included \$0.2 million of non-cash charges associated primarily with the acceleration of vesting of stock options for terminated employees. As of October 3, 2003, substantially all employees have been terminated under this restructuring plan, and the remaining liability related to this restructuring was \$0.8 million.

At October 3, 2003, we have \$9.7 million accrued in relation to all of our restructuring programs and expect this amount to be paid over the next year. We expect that the savings from these programs will more than offset the expected payments.

Interest Expense. Interest expense increased \$3.5 million, or 3.1%, to \$114.7 million for the first nine months of 2003 from \$111.2 million in the first nine months of 2002. The higher interest expense was due to an increase in our weighted-average interest rate on long-term debt. Our weighted average interest rate increased from 10.9% per annum for the first nine months of 2003 compared to 10.5% per annum for the first nine months of 2002, computed by dividing total interest expense by our average month-end debt balances. The increase in our weighted-average interest rate is attributable to the net effect of the debt refinancings that occurred in 2002 and 2003.

Loss on Debt Prepayment. Loss on debt prepayment of \$6.4 million in first nine months of 2003 represents the write-off of debt issuance costs and certain third-party expenses incurred in connection with the debt refinancings that occurred in that period. Loss on debt prepayment of \$6.5 million in first nine months of 2002 represents the write-off of debt issuance costs incurred in connection with the debt refinancing that occurred in that period.

Income Tax Provision. We recognized an income tax provision of \$6.3 million in the first nine months of 2003 compared with \$11.3 million in the first nine months of 2002. The provision relates to income and withholding taxes of certain of our foreign operations. The decrease in the income tax provision was due to a change in the mix of income from high-tax foreign jurisdictions to lower-tax foreign jurisdictions and the recognition of certain foreign tax credits in the first nine months of 2003.

Minority Interests. Minority interests represent the portion of the net income or loss of our majority-owned Czech and Chinese subsidiaries attributable to the minority owners of each subsidiary. We consolidate these subsidiaries in our financial statements.

Liquidity and Capital Resources

This section discusses:

- 1) Sources and uses of cash, and significant factors that influence both;
- 2) Our analysis of our cash flows for the third quarter of 2003; and
- 3) Our commitments and contractual obligations.

All of these factors are important to an understanding of our ability to meet our current obligations, to fund working capital, to finance expansion either by internal means or through the acquisition of other businesses, or to pay down existing debt.

Table of Contents

To summarize our current status, our operating activities provided cash of \$17.9 million in the first nine months of 2003 and \$34.3 million in the first nine months of 2002. At October 3, 2003, we had \$183.6 million in cash and cash equivalents, net working capital of \$207.0 million, term or revolving debt of \$1,292.9 million and a stockholders' deficit of \$603.9 million. Our long-term debt includes \$367.9 million under our senior bank facilities; \$191.4 million (net of discount) of our 12% first lien senior secured notes due 2010; \$292.3 million (net of discount) of our 13% second lien senior secured notes due 2008; \$260.0 million of our 12% senior subordinated notes due 2009; \$136.7 million under a 10% junior subordinated note payable to Motorola due 2011; \$23.6 million under a note payable to a Japanese bank due 2010; \$20.0 million under a loan facility with a Chinese bank; and \$1.0 million capital lease obligation. We were in compliance with all of the covenants contained in our various debt agreements as of October 3, 2003 and expect to remain in compliance over the next twelve months.

Sources and Uses of Cash

We require cash to fund our operating expenses, including working capital requirements and outlays for research and development, to make capital expenditures, strategic acquisitions and investments, and to pay debt service, including principal and interest and lease payments. Our principal sources of liquidity are cash on hand, cash generated from operations, and funds from external borrowings and equity issuances. In the near term, we expect to fund our primary cash requirements through cash generated from operations, cash and cash equivalents on hand, and targeted asset sales. Additionally, as part of our business strategy, we review acquisition and divestiture opportunities and proposals on a regular basis.

We believe that the key factors that could affect our internal and external sources of cash include:

- factors that affect our results of operations and cash flows, including reduced demand for our products resulting from the recent economic slowdown and actions taken by our customers to manage their inventories in line with incoming business, competitive pricing pressures, under-utilization of our manufacturing capacity, our ability to achieve further reductions in operating expenses, the impact of our restructuring program on our productivity, and our ability to make the research and development expenditures required to remain competitive in our business; and
- factors that affect our access to bank financing and the debt and equity capital markets that could impair our ability to obtain needed financing on acceptable terms or to respond to business opportunities and developments as they arise including interest rate fluctuations, our ability to maintain compliance with financial covenants under our existing credit facilities and other limitations imposed by our credit facilities or arising from our substantial leverage.

Our ability to service our long-term debt, to remain in compliance with the various covenants and restrictions contained in our credit agreements and to fund working capital, capital expenditures and business development efforts will depend on our ability to generate cash from operating activities which is subject to, among other things, our future operating performance as well as to general economic, financial, competitive, legislative, regulatory and other conditions, some of which may be beyond our control. As of October 3, 2003, \$7.5 million of our \$25.0 million revolving credit facility was available, reflecting outstanding letters of credit of \$17.5 million. As of January 9, 2003, we amended our primary foreign exchange hedging agreement to provide for termination if at anytime the amount available under our revolving credit facility is less than \$2.5 million.

If we fail to generate sufficient cash from operations, we may need to raise additional equity or borrow additional funds to achieve our longer term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to us. We believe that cash flow from operating activities coupled with existing cash balances will be adequate to fund our operating and capital needs as well as enable us to maintain compliance with our various debt agreements for the next twelve months. To the extent that results or events differ from our financial projections or business plans, our liquidity may be adversely impacted.

See "Part I, Item 3. Quantitative and Qualitative Disclosures about Market Risk" for a discussion of our use of derivative financial instruments.

[Table of Contents](#)

Analysis of Cash Flows

Cash flow information for the quarters ended October 3, 2003 and July 4, 2003 and nine months ended October 3, 2003 and September 27, 2002 is as follows (in millions):

	Quarter ended October 3, 2003	Quarter ended July 4, 2003	Nine months ended October 3, 2003	Nine months ended September 27, 2002
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities:				
Net loss	\$ (16.3)	\$ (57.5)	\$ (124.3)	\$ (102.3)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	28.0	36.6	100.6	111.0
Write off of debt issuance costs	2.5	—	6.0	6.5
Amortization of debt issuance costs and debt discount	2.3	2.4	6.9	5.7
Provision for excess inventories	2.1	2.3	8.4	16.4
Cumulative effect of accounting change	—	—	21.5	—
Non-cash impairment write-down of property, plant and equipment	—	10.5	10.5	11.4
Non-cash interest on junior subordinated note payable to Motorola	3.3	3.2	9.8	8.6
Non-cash write down of intangible asset	—	20.8	20.8	—
Deferred income taxes	(2.3)	—	(4.8)	3.9
Stock compensation expense	—	—	0.1	1.3
Other	(3.6)	1.3	(0.4)	3.2
Changes in assets and liabilities:				
Receivables	(22.3)	(0.7)	(35.0)	(1.4)
Inventories	1.1	(7.4)	(17.3)	6.0
Other assets	(4.0)	(3.5)	0.1	(7.1)
Accounts payable	8.0	5.3	46.9	(21.0)
Accrued expenses	7.5	(0.7)	(8.5)	(17.1)
Income taxes payable	2.4	2.0	8.2	9.4
Accrued interest	(5.7)	5.1	(21.4)	22.7
Deferred income on sales to distributors	0.1	(3.9)	(6.4)	(26.8)
Other long-term liabilities	(1.9)	(3.7)	(3.8)	3.9
	<u>1.2</u>	<u>12.1</u>	<u>17.9</u>	<u>34.3</u>
Net cash provided by operating activities				
Cash flows from investing activities:				
Purchases of property, plant and equipment	(16.9)	(18.4)	(41.5)	(37.2)
Acquisition of minority interests in consolidated subsidiaries	—	(1.8)	(1.8)	—
Proceeds from sales of property, plant and equipment	13.2	—	13.2	3.3
	<u>(3.7)</u>	<u>(20.2)</u>	<u>(30.1)</u>	<u>(33.9)</u>
Net cash used in investing activities				
Cash flows from financing activities:				
Proceeds from debt issuance, net of discount	99.5	—	290.4	290.7
Proceeds from issuance of common stock under the employee stock purchase plan	0.3	0.2	0.7	1.2
Proceeds from stock option exercises	2.4	0.3	2.7	0.7
Proceeds from exercise of warrants	1.4	—	1.4	—
Proceeds from issuance of common stock	158.1	—	158.1	—
Payment of capital lease obligation	—	—	—	(1.1)
Payment of debt issuance costs	(3.6)	(1.3)	(14.2)	(11.6)
Repayment of long-term debt	(253.8)	—	(434.7)	(283.3)
	<u>4.3</u>	<u>(0.8)</u>	<u>4.4</u>	<u>(3.4)</u>
Net cash provided by (used in) financing activities				
Effect of exchange rate changes on cash and cash equivalents	0.6	0.1	1.0	0.8
	<u>2.4</u>	<u>(8.8)</u>	<u>(6.8)</u>	<u>(2.2)</u>
Net increase (decrease) in cash and cash equivalents				
Cash and cash equivalents, beginning of period	181.2	190.0	190.4	186.0
	<u>\$ 183.6</u>	<u>\$ 181.2</u>	<u>\$ 183.6</u>	<u>\$ 183.8</u>
Cash and cash equivalents, end of period				

[Table of Contents](#)

Cash Flow Activity for the Second and Third Quarters of 2003

For the quarters ended October 3, 2003 and July 4, 2003, our cash balance increased by \$2.4 million and decreased by \$8.8 million, respectively. The quarter ended October 3, 2003, as compared to the quarter ended July 4, 2003, shows a decrease in net cash provided by operating activities of \$10.9 million, a decrease in the net cash used in investing activities of \$16.5 million, and an increase of \$5.1 million net cash provided by financing activities.

We generated \$1.2 million in net cash provided by operating activities during the third quarter of 2003 compared with \$12.1 million generated in the second quarter of 2003. The decrease in net cash provided by operating activities is, in part, attributable to a \$9.1 million increase in interest payments in the third quarter of 2003 due to the timing of semiannual bond interest payments for the first-lien senior secured notes and the senior subordinated notes as well as increased accounts receivable due to higher sales in the last month of the third quarter of 2003 which were uncollected at quarter-end. These decreases were partially offset by other working capital changes.

We used \$3.7 million in investing activities in the third quarter of 2003 as compared to \$20.2 million in the second quarter of 2003, as capital expenditures of \$16.9 million in the third quarter of 2003 were partially offset by the receipt of \$13.2 million in the third quarter of 2003 in connection with the sale of our Guadalajara, Mexico facility. Capital expenditures in the second quarter of 2003 were \$18.4 million. Our need for incremental property, plant or equipment has been significantly reduced given the current level of business. Furthermore, our senior bank facilities restrict the amount of capital equipment we can purchase within certain periods.

Financing activities during the third quarter of 2003 resulted in a net cash inflow of \$4.3 million compared to a net cash outflow of \$0.8 million in the second quarter of 2003. During the third quarter of 2003, we used the net proceeds from the September 2003 Equity Offering and the September 2003 Debt Refinancing to prepay a portion of our senior bank facilities and to pay expenses associated with those transactions. See "Summary of Recent Developments – Liquidity and Capital Structure" included herein. During the third quarter of 2003, we also received \$4.1 million of cash from stock option and warrant exercises and the issuance of common stock under our employee stock purchase plan. During the second quarter of 2003, we experienced only minor financing activities, consisting of the payment of debt issuance costs and proceeds received from stock option exercises and the issuance of common stock under our employee stock purchase plan.

Cash Flow Activity for the First Nine Months of 2003 and 2002

For the first nine months of 2003 and 2002, we used \$6.8 million and \$2.2 million in cash, respectively. The first nine months of 2003, as compared to the first nine months of 2002, shows a decrease in net cash provided by operating activities of \$16.4 million, a decrease in the net cash used in investing activities of \$3.8 million, and an increase of \$7.8 million in net cash provided by financing activities.

Net cash provided by operating activities was \$17.9 during the first nine months of 2003 as compared to \$34.3 million during the first nine months of 2002. This \$16.4 million decline is the result of the receipt of \$10.6 million in the first nine months of 2002 related to a settlement with Motorola, increased interest payments (including supplemental interest payments) of \$46 million in the first nine months of 2003 as compared to the first nine months of 2002, which were partially offset by working capital improvements and reduced costs resulting from our restructuring program.

Net cash used in investing activities was \$30.1 million during the first nine months of 2003 as compared to \$33.9 million during the first nine months of 2002, both of which were due primarily to capital expenditures. Our capital expenditures of \$41.5 million during the first nine months of 2003 were partially offset by \$13.2 million of proceeds related to the sale of our Guadalajara facility. Our need for incremental property, plant or equipment has been significantly reduced given the current level of business. Furthermore, our senior bank facilities restrict the amount of capital equipment we can purchase within certain periods. As a result, we have been selective in purchasing new equipment.

[Table of Contents](#)

Net cash provided by financing activities was \$4.4 million during the first nine months of 2003 as compared to net cash used of \$3.4 million during the first nine months of 2002. During the first nine months of 2003, we used the net proceeds from the September 2003 Equity Offering, the September 2003 Debt Refinancing and the March 2003 issuance of senior secured notes to prepay a portion of our senior bank facilities and to pay expenses associated with those financing transactions. See “Summary of Recent Developments – Liquidity and Capital Structure” included herein. During the first nine months of 2003, we also received \$4.8 million of cash inflows from stock options and warrant exercises and the issuance of common stock under our employee stock purchase plan. In the first nine months in 2002 our cash flows from financing activities consisted of a \$5.3 net cash outflow as a result of our 2002 debt refinancing, scheduled debt principal payments and the payment of debt issuance costs. This activity was partially offset by proceeds of \$1.9 received from the exercise of stock options and common stock issued under our employee stock purchase plan.

EBITDA

While earnings before interest, taxes, depreciation and amortization (“EBITDA”) is not intended to represent cash flow from operating activities as defined by generally accepted accounting principles and should not be considered as an alternative to cash flow as a measure of liquidity, we use this measure, and believe this measure to be useful to investors, to assess our ability to meet our future debt service, capital expenditure and working capital requirements. The following table sets forth our EBITDA for the quarters ended October 3, 2003, July 4, 2003 and September 27, 2002, and the nine months ended October 3, 2003 and September 27, 2002, with a reconciliation to cash flows provided by operating activities, the most directly comparable liquidity measure under generally accepted accounting principles:

	Quarter Ended			Nine Months Ended	
	October 3, 2003	July 4, 2003	September 27, 2002	October 3, 2003	September 27, 2002
Net loss	\$ (16.3)	\$ (57.5)	\$ (20.5)	\$ (124.3)	\$ (102.3)
Plus:					
Depreciation and amortization	28.0	36.6	36.9	100.6	111.0
Interest expense, net of interest income	37.8	38.5	37.6	114.7	111.2
Income tax provision	1.8	2.3	3.2	6.3	11.3
EBITDA	51.3	19.9	57.2	97.3	131.2
Increase (decrease):					
Interest expense, net of interest income	(37.8)	(38.5)	(37.6)	(114.7)	(111.2)
Income tax provision	(1.8)	(2.3)	(3.2)	(6.3)	(11.3)
Write off of debt issuance costs	2.5	—	—	6.0	6.5
Amortization of debt issuance costs and debt discount	2.3	2.4	2.1	6.9	5.7
Provision for excess inventories	2.1	2.3	1.7	8.4	16.4
Cumulative effect of accounting change	—	—	—	21.5	—
Non-cash impairment write-down of property, plant and equipment	—	10.5	3.0	10.5	11.4
Non-cash interest on junior subordinated note payable to Motorola	3.3	3.2	3.0	9.8	8.6
Non-cash impairment write down of intangible asset	—	20.8	—	20.8	—
Deferred income taxes	(2.3)	—	(0.7)	(4.8)	3.9
Stock compensation expense	—	—	—	0.1	1.3
Other	(3.6)	1.3	0.2	(0.4)	3.2
Changes in operating assets and liabilities	(14.8)	(7.5)	(3.9)	(37.2)	(31.4)
Net cash provided by operating activities	\$ 1.2	\$ 12.1	\$ 21.8	\$ 17.9	\$ 34.3

Commercial Commitments and Contractual Obligations

Our principal outstanding contractual obligations relate to our senior bank facilities, other long-term debt, operating leases, purchase obligations, pension obligations and our redeemable preferred stock. The following tables summarize our commercial commitments and contractual obligations at October 3, 2003 and the effect such obligations are expected to have on our liquidity and cash flow in future periods:

Amount of Commitment by Expiration Period

Commercial commitments	Total Amounts Committed	Remainder of 2003	2004	2005	2006	2007	2008 and Beyond
Standby letter of credit	\$ 20.4	\$ 6.1	\$ 11.7	\$ —	\$ 0.7	\$ —	\$ 1.9
Total commercial commitments	\$ 20.4	\$ 6.1	\$ 11.7	\$ —	\$ 0.7	\$ —	\$ 1.9
Contractual obligations	Total Amounts Committed	Remainder of 2003	2004	2005	2006	2007	2008 and Beyond
Long-term debt	\$ 1,292.9	\$ 10.6	\$ 13.4	\$ 3.7	\$ 132.2	\$ 242.7	\$ 890.3
Operating leases	16.1	2.3	7.1	4.1	2.3	0.3	—
Other long-term obligations — pension plan	34.8	2.3	11.8	20.7	—	—	—
Redeemable preferred stock (including future dividends)	188.5	—	—	—	—	—	188.5
Purchase obligations	84.3	46.4	23.6	11.6	2.7	—	—
Total contractual cash obligations	\$ 1,616.6	\$ 61.6	\$ 55.9	\$ 40.1	\$ 137.2	\$ 243.0	\$ 1,078.8

Our long-term debt includes \$367.9 million under our senior bank facilities; \$191.4 million (net of discount) of our 12% first lien senior secured notes due 2010; \$292.3 million (net of discount) of our 13% second lien senior secured notes due 2008; \$260.0 million of our 12% senior subordinated notes due 2009; \$136.7 million under a 10% junior subordinated note payable to Motorola due 2011; \$23.6 million under a note payable to a Japanese bank due 2010; \$20.0 million under a loan facility with a Chinese bank; and \$1.0 million capital lease obligation. In regards to our loan facility with a Chinese bank, we are in refinancing discussions with the bank at this time. Under the current agreement we have the ability to extend the maturity of this loan for three years under the same terms and conditions.

In the normal course of our business, we enter into various operating leases for equipment including our mainframe computer system, desktop computers, communications, foundry equipment and service agreements relating to this equipment.

Our other long-term commitments consist of the minimum funding requirements relating to our U.S. and foreign pension plans. (See Note 14 “Employee Benefit Plans” of the notes to our consolidated financial statements in our Current Report on Form 8-K filed with the SEC on September 9, 2003.) In regards to the U.S. pension plan, we reevaluated our current actuarial assumptions in light of the actual returns experienced, current annuity rates and the expected termination of the U.S. pension plan as of December 31, 2004 with the subsequent payment of benefits in 2005. We expect pension expense to be approximately \$6 million over the remaining life of the plan with a related cash funding requirement of \$32 million. Upon the termination of the U.S. pension plan, we are under an obligation to ensure that the plan has assets sufficient to pay accrued benefits.

Our Series A Cumulative Convertible Redeemable Preferred Stock is redeemable at the holder’s option anytime after September 7, 2009. The preferred stock has a cumulative dividend payable quarterly in cash, at the rate of 8.0% per annum (or, if greater during the relevant quarterly period, in an amount equal to the value of the

[Table of Contents](#)

dividends that would be paid on the common stock then issuable upon conversion of the preferred stock), compounded to the extent not paid, and subject to restrictions under the Company's senior bank facilities, senior subordinated notes and other documents relating to the Company's indebtedness. The amount shown in the table above assumes no redemption of the preferred stock or payments of accrued dividends until September 7, 2009.

Our purchase obligations consist of the following at October 3, 2003:

	<u>Total Amounts Committed</u>	<u>Remainder of 2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 and Beyond</u>
Capital purchase obligations	\$ 4.5	\$ 2.2	\$ 2.3	\$ —	\$ —	\$ —	\$ —
Foundry and inventory purchase obligations	31.9	31.9	—	—	—	—	—
Mainframe support	20.2	2.5	8.6	7.4	1.7	—	—
Various information technology and communication services	21.6	6.5	10.4	3.8	0.9	—	—
Other	6.1	3.3	2.3	0.4	0.1	—	—
	<u>\$ 84.3</u>	<u>\$ 46.4</u>	<u>\$ 23.6</u>	<u>\$ 11.6</u>	<u>\$ 2.7</u>	<u>\$ —</u>	<u>\$ —</u>

Off-Balance Sheet Arrangements

We are a party to a variety of agreements entered into in the ordinary course of business pursuant to which we may be obligated to indemnify the other parties for certain liabilities that arise out of or relate to the subject matter of the agreements. Some of the agreements entered into by us require us to indemnify the other party against losses due to intellectual property infringement, property damage including environmental contamination, personal injury, failure to comply with applicable laws, our negligence or willful misconduct, or breach of representations and warranties and covenants related to such matters as title to sold assets.

We are a party to various agreements with Motorola, a former affiliate, which were entered into in connection with our separation from Motorola. Pursuant to these agreements, we have agreed to indemnify Motorola for losses due to, for example, breach of representations and warranties and covenants, damages arising from assumed liabilities or relating to allocated assets, and for specified environmental matters. Our obligations under these agreements may be limited in terms of time and/or amount and payment by us is conditioned on Motorola making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow us to challenge Motorola's claims.

We provide for indemnification of directors, officers and other persons in accordance with limited liability agreements, certificates of incorporation, by-laws, articles of association or similar organizational documents, as the case may be. We maintain directors' and officers' insurance, which should enable us to recover a portion of any future amounts paid.

In addition to the above, from time to time we provide standard representations and warranties to counterparties in contracts in connection with sales of our securities and the engagement of financial advisors and also provides indemnities that protect the counterparties to these contracts in the event they suffer damages as a result of a breach of such representations and warranties or in certain other circumstances relating to the sale of securities or their engagement by us.

While our future obligations under certain agreements may contain limitations on liability for indemnification, other agreements do not contain such limitations and under such agreements it is not possible to predict the maximum potential amount of future payments due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under any of these indemnities have not had a material effect on our business, financial condition, results of operations or cash flows. Additionally, we do not believe that any amounts that we may be required to pay under these indemnities in the future will be material to our business, financial condition, results of operations or cash flows.

Recent Accounting Pronouncements

In April 2002, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 145, “Rescission of FAS Nos. 4, 44, and 64, Amendment of FAS 13, and Technical Corrections as of April 2002.” SFAS No. 145 rescinds SFAS No. 4, “Reporting Gains and Losses from Extinguishment of Debt,” and an amendment of that Statement, SFAS No. 64, “Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements” and excludes extraordinary item treatment for gains and losses associated with the extinguishment of debt that do not meet the Accounting Principles Board (“APB”) Opinion No. 30, “Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions” criteria. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods that does not meet the criteria in APB No. 30 for classification as an extraordinary item shall be reclassified. SFAS No. 145 also amends FASB Statement No. 13, “Accounting for Leases” and amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. We adopted SFAS No. 145 effective January 1, 2003. The adoption of SFAS No. 145 required the reclassification within our consolidated statement of operations and comprehensive loss of losses on debt prepayments previously classified as extraordinary items which totaled \$6.5 million for the nine months ended September 27, 2002.

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (“EITF”) Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).” SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost as defined in EITF No. 94-3 was recognized at the date of an entity’s commitment to an exit plan. The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated by us after December 31, 2002. We applied the provisions of SFAS No. 146 to our 2003 restructuring activities.

In December 2002, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation — Transition and Disclosure—an amendment to FAS 123.” SFAS No. 148 provides alternative methods of transition for voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. Additionally, SFAS No. 148 requires disclosure of the pro forma effect in annual and interim financial statements. The transition and annual disclosure requirements of SFAS No. 148 are effective for our fiscal year 2002. The interim disclosure requirements were effective in the first quarter of 2003 and are provided in Note 7 “Loss per Common Share”. We have no plans to change to the fair value based method of accounting for stock-based employee compensation.

In November 2002, the FASB issued Interpretation No. 45 (“FIN No. 45”), “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” FIN No. 45 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN No. 45 also expands the disclosures required to be made by a guarantor about its obligations under certain guarantees that it has issued. Initial recognition and measurement provisions of FIN No. 45 are applicable on a prospective basis to guarantees issued or modified. The disclosure requirements are effective immediately and such disclosures have been included in Note 4 “Balance Sheet Information.” The adoption of FIN No. 45 did not have a material effect on our financial condition or results of operations.

In April 2003, the FASB issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities”. SFAS No 149 amends and clarifies the accounting guidance on derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities that fall within the scope of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”. SFAS No 149 is

[Table of Contents](#)

effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not impact our financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". SFAS No. 150 specifies that freestanding financial instruments within its scope constitute obligations of the issuer that must be classified as liabilities and carried at liquidation value. Such freestanding financial instruments include mandatorily redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets, and certain obligations to issue a variable number of shares. Equity securities of consolidated entities that meet the definition of a mandatorily redeemable security by virtue of having a finite life ("mandatorily redeemable minority interests") are included in the scope of SFAS No. 150. The minority interest associated with our investment in Leshan is a mandatorily redeemable minority interest within the scope of SFAS No. 150 by virtue of Leshan's finite life of 50 years as specified in its organizational documents. The FASB deferred the provisions of SFAS No. 150 as they relate to mandatorily redeemable minority interests and is expected to issue interpretive guidance with respect to such provisions. Our adoption of the other provisions of SFAS No. 150 at the beginning of the third quarter of 2003 did not impact our financial condition or results of operations.

As previously described in "Summary of Recent Developments- Other Significant Events" we adopted FIN No. 46 in the second quarter of 2003, which resulted in the consolidation of the our investment in Leshan.

Trends, Risks and Uncertainties

This Quarterly Report on Form 10-Q includes "forward-looking statements," as that term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or incorporated in this Form 10-Q are forward-looking statements, particularly statements about our plans, strategies and prospects under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." Forward-looking statements are often characterized by the use of words such as "believes," "estimates," "expects," "projects," "may," "will," "intends," "plans," or "anticipates," or by discussions of strategy, plans or intentions. In this Form 10-Q, forward-looking information relates to fourth quarter 2003 revenues, gross margins and average selling prices, gross margins and pre-tax income during 2004, and similar matters. All forward-looking statements in this Form 10-Q are made based on our current expectations and estimates, which involve risks, uncertainties and other factors that could cause results or events to differ materially from those expressed in forward-looking statements. Among these factors are changes in overall economic conditions, the cyclical nature of the semiconductor industry, changes in demand for our products, changes in inventories at our customers and distributors, technological and product development risks, availability of raw materials, competitors' actions, pricing and gross margin pressures, loss of key customers, order cancellations or reduced bookings, changes in manufacturing yields, control of costs and expenses, significant litigation, risks associated with acquisitions and dispositions, risks associated with our substantial leverage and restrictive covenants in our debt agreements, risks associated with our international operations, the threat or occurrence of international armed conflict and terrorist activities both in the United States and internationally, and risks involving environmental or other governmental regulation. Additional factors that could affect our future results or events are described from time to time in our Securities and Exchange Commission reports. See in particular our Form 10-K for the fiscal year ended December 31, 2002 under the caption "Trends, Risks and Uncertainties" and similar disclosures in subsequently filed reports with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. To mitigate these risks, we utilize derivative financial instruments. We do not use derivative financial instruments for speculative or trading purposes.

At October 3, 2003, our long-term debt (including current maturities) totaled \$1,292.9 million. We have no interest rate exposure to rate changes on our fixed rate debt, which totaled \$905 million. We do have interest rate exposure with respect to the \$367.9 million outstanding balance on our senior bank facilities and our \$20.0 million loan facility with a Chinese bank due to their variable interest rate pricing; however, from time to time, we have entered into interest rate swaps and an interest rate cap to reduce this exposure. As of October 3, 2003, we had one interest rate swap covering \$100.0 million of our variable interest rate debt. A 50 basis point change in interest rates would have a \$1.4 million annual impact on our expected interest expense of approximately \$145 million over the next twelve months.

A majority of our revenue, expense and capital purchasing activities are transacted in U.S. dollars. However, as a multinational business, we also conduct certain of these activities through transactions denominated in a variety of other currencies. We use forward foreign currency contracts to hedge firm commitments and reduce our overall exposure to the effects of currency fluctuations on our results of operations and cash flows. Gains and losses on these foreign currency exposures would generally be offset by corresponding losses and gains on the related hedging instruments. This 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. Our 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.

Item 4. Controls and Procedures

(a) As of the end of the quarter ended October 3, 2003, management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15 or 15d-15. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

(b) There have been no changes in our internal controls over financial reporting during this quarter that materially affected, or are reasonably likely to materially affect, our controls.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

We currently are involved in a variety of legal matters that arise in the normal course of business. Based on information currently available, management does not believe that the ultimate resolution of these matters, including the matters described in the next paragraphs, will have a material adverse effect on our financial condition, results of operations or cash flows.

During the period July 5, 2001 through July 27, 2001, we were named as a defendant in three shareholder class action lawsuits that were filed in federal court in New York City against us and certain of our former officers, current and former directors and the underwriters for our initial public offering. The lawsuits allege violations of the federal securities laws and have been docketed in the U.S. District Court for the Southern District of New York as: *Abrams v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6114; *Breuer v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6287; and *Cohen v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6942. On April 19, 2002, the plaintiffs filed a single consolidated amended complaint that supersedes the individual complaints originally filed. The amended complaint alleges, among other things, that the underwriters of our initial public offering improperly required their customers to pay the underwriters excessive commissions and to agree to buy additional shares of our common stock in the aftermarket as conditions of receiving shares in our initial public offering. The amended complaint further alleges that these supposed practices of the underwriters should have been disclosed in our initial public offering prospectus and registration statement. The amended complaint alleges violations of both the registration and antifraud provisions of the federal securities laws and seeks unspecified damages. We understand that various other plaintiffs have filed substantially similar class action cases against approximately 300 other publicly traded companies and their public offering underwriters in New York City, which along with the cases against us have all been transferred to a single federal district judge for purposes of coordinated case management. We believe that the claims against us are without merit and have defended, and intend to continue to defend, the litigation vigorously. The litigation process is inherently uncertain, however, and we cannot guarantee that the outcome of these claims will be favorable for us.

On July 15, 2002, together with the other issuer defendants, we filed a collective motion to dismiss the consolidated, amended complaints against the issuers on various legal grounds common to all or most of the issuer defendants. The underwriters also filed separate motions to dismiss the claims against them. In addition, the parties have stipulated to the voluntary dismissal without prejudice of our individual former officers and current and former directors who were named as defendants in our litigation, and they are no longer parties to the litigation. On February 19, 2003, the Court issued its ruling on the motions to dismiss filed by the underwriter and issuer defendants. In that ruling the Court granted in part and denied in part those motions. As to the claims brought against us under the antifraud provisions of the securities laws, the Court dismissed all of these claims with prejudice, and refused to allow plaintiffs the opportunity to re-plead these claims. As to the claims brought under the registration provisions of the securities laws, which do not require that intent to defraud be pleaded, the Court denied the motion to dismiss these claims as to us and as to substantially all of the other issuer defendants as well. The Court also denied the underwriter defendants' motion to dismiss in all respects.

In June 2003, upon the determination of a special independent committee of our Board of Directors, we elected to participate in a proposed settlement with the plaintiffs in this litigation. If ultimately approved by the Court, this proposed settlement would result in a dismissal, with prejudice, of all claims in the litigation against us and against any of the other issuer defendants who elect to participate in the proposed settlement, together with the current or former officers and directors of participating issuers who were named as individual defendants. The proposed settlement does not provide for the resolution of any claims against the underwriter defendants, and the litigation against those defendants is continuing. The proposed settlement provides that the class members in the class action cases brought against the participating issuer defendants will be guaranteed a recovery of \$1 billion by the participating issuer defendants. If recoveries totaling less than \$1 billion are obtained by the class members from the underwriter defendants, the class members will be entitled to recover the difference between \$1 billion and the aggregate amount of those recoveries from the participating issuer

[Table of Contents](#)

defendants. If recoveries totaling \$1 billion or more are obtained by the class members from the underwriter defendants, however, the monetary obligations to the class members under the proposed settlement will be satisfied. In addition, we and any other participating issuer defendants will be required to assign to the class members certain claims that we may have against the underwriters of our initial public offerings.

The proposed settlement contemplates that any amounts necessary to fund the settlement or settlement-related expenses would come from participating issuers' directors and officers' liability insurance policy proceeds as opposed to funds of the participating issuer defendants themselves. A participating issuer defendant could be required to contribute to the costs of the settlement if that issuer's insurance coverage were insufficient to pay that issuer's allocable share of the settlement costs. We expect that our insurance proceeds will be sufficient for these purposes and that we will not otherwise be required to contribute to the proposed settlement. Consummation of the proposed settlement is conditioned upon, among other things, negotiating, executing, and filing with the Court final settlement documents, and final approval by the Court. If the proposed settlement described above is not consummated, however, we intend to continue to defend the litigation vigorously. While we can make no promises or guarantees as to the outcome of these proceedings, we believe that the final result of these actions will have no material effect on our consolidated financial condition, results of operations or cash flows.

Item 2. Changes in Securities and Use of Proceeds

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

Item 5. Other Information

Pre-Approval of Non-Audit Related Services of PricewaterhouseCoopers LLP

As summarized below, during the period for which this Form 10-Q is filed through the date of its filing, the Audit Committee of our Board of Directors ("Committee"), pre-approved certain non-audit related services to be provided by our independent accountants, PricewaterhouseCoopers LLP. During a meeting on October 28, 2003, the Committee pre-approved non-audit related services to be performed, consisting of tax services.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits—

<u>Exhibit No.</u>	<u>Description</u>
Exhibit 10.1	Amendment to Employment Agreement, dated as of August 5, 2003, among ON Semiconductor Corporation, Semiconductor Components Industries, LLC and William George (1)(2)
Exhibit 10.2	Amendment, Waiver and Consent, dated as of September 8, 2003, to the Credit Agreement dated as of August 4, 1999, as amended and restated as of February 14, 2003, among ON Semiconductor Corporation, Semiconductor Components Industries, LLC, as borrower, the lenders party thereto and JPMorgan Chase Bank, as administrative agent (2)

Table of Contents

<u>Exhibit No.</u>	<u>Description</u>
Exhibit 10.3	Amendment and Restatement Agreement, dated as of September 17, 2003, among ON Semiconductor Corporation, Semiconductor Components Industries, LLC, as borrower, and JPMorgan Chase Bank, as administrative agent, under the Credit Agreement dated as of August 4, 1999, as amended and restated as of February 14, 2003 (as amended, supplemented and modified and in effect on the date hereof), among ON Semiconductor Corporation, Semiconductor Components Industries, LLC, as borrower, the lenders party thereto, and the administrative agent (2)
Exhibit 10.4	Amended and Restated Credit Agreement, dated as of August 4, 1999, as amended and restated as of September 17, 2003, among ON Semiconductor Corporation, Semiconductor Components Industries, LLC, as borrower, the lenders party hereto, and JPMorgan Chase Bank as administrative agent, collateral agent and syndication agent (Exhibit A to the Amendment and Restatement Agreement filed as Exhibit 10.3 hereto) (2)
Exhibit 10.5	Supplement No. 1, dated as of September 23, 2003, to the Security Agreement dated as of August 4, 1999 as amended and restated as of March 3, 2003, by and among Semiconductor Components Industries, LLC, the borrower, ON Semiconductor Corporation, and the subsidiary guarantors of ON Semiconductor that are signatories thereto, in favor of JPMorgan Chase Bank, as collateral agent for certain secured parties (2)
Exhibit 10.6	Reaffirmation Agreement, dated as of September 23, 2003, among ON Semiconductor Corporation, Semiconductor Components Industries, LLC, the subsidiary guarantors of ON Semiconductor that are signatories thereto, and JPMorgan Chase Bank, as administrative agent, issuing bank and collateral agent for the benefit of the lenders (2)
Exhibit 31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO) (2)
Exhibit 31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO) (2)
Exhibit 32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO & CFO) (2)

-
- (1) Management contract or compensatory plan, contract or arrangement.
(2) Filed herewith.

(b) Reports on Form 8-K -

During the third quarter of 2003 we filed or furnished six reports on Form 8-K (1) dated and furnished on July 30, 2003, (2) dated and filed on September 3, 2003, (3) dated and filed on September 9, 2003, (4) dated and furnished on September 9, 2003, (5) dated September 17, 2003 and filed on September 18, 2003 and (6) dated September 23, 2003 and filed on September 24, 2003.

The July 30, 2003 report was furnished pursuant to Items 7, 9 and 12, reported the announcement of our consolidated financial results for the quarter ended July 4, 2003, and included as an exhibit a news release dated July 30, 2003 titled "ON Semiconductor Reports Second Quarter 2003 Results." The discussion under Items 9 and 12 of this Form 8-K and the attached exhibit were furnished to, but not filed with, the Securities and Exchange Commission.

The September 3, 2003 report was filed pursuant to Items 5 and 7, reported the announcement of our commencement of trading on the Nasdaq National Market on September 3, 2003, and included as an exhibit a news release dated September 3, 2003 titled "ON Semiconductor Begins Trading on the Nasdaq National Market."

The September 9, 2003 report was filed pursuant to Items 5 and 7, reported on and included the following:

- An updated "Management's Discussion and Analysis of Financial Condition and Results of Operations" of ON Semiconductor Corporation covering the years ended December 31, 2000, 2001 and 2002 and the six month periods ended June 28, 2002 and July 4, 2003, which reflects the consolidation of our investment in Leshan-Phoenix Semiconductor Company Limited;

Table of Contents

- Our audited consolidated financial statements (and related notes) as of December 31, 2001 and 2002 and for the years ended December 31, 2000, 2001 and 2002 (including our related report of our independent auditors), which reflect the consolidation of our investment in Leshan-Phoenix Semiconductor Company Limited;
- Our unaudited interim consolidated financial statements (and related notes) as of December 31, 2002 and April 4, 2003 and for the quarters ended March 29, 2002 and April 4, 2003, which reflect the consolidation of our investment in Leshan-Phoenix Semiconductor Company Limited; and
- Audited financial statements (and related notes) and unaudited financial statements (and related notes) of each SCI, LLC (our wholly-owned subsidiary), ON Semiconductor Trading Ltd. (our indirect wholly-owned subsidiary), SCG Malaysia Holdings Sdn. Bhd. (our indirect wholly-owned subsidiary), and SCG Philippines, Incorporated (our wholly-owned subsidiary) pursuant to Rule 3-16 of Regulation S-X.

The September 9, 2003 report was furnished pursuant to Items 7 and 12, provided third quarter guidance, and included as an exhibit a news release dated September 9, 2003 titled "ON Semiconductor Updates Revenue Guidance for Third Quarter 2003." The discussion under Item 12 of this Form 8-K and the attached exhibit were furnished to, but not filed with, the Securities and Exchange Commission.

The September 17, 2003 report was filed pursuant to Items 5 and 7, reported the announcement of the pricing of our common stock offering on September 17, 2003, and included as exhibits the underwriting agreement for the offering and a press release titled "ON Semiconductor Announces Pricing of Common Stock Offering."

The September 23, 2003 report was filed pursuant to Items 5 and 7, reported the announcement of the extension of maturities on and prepayment of a portion of our bank debt, and included as an exhibit a press release titled "ON Semiconductor Extends Maturities on and Prepays a Portion of its Bank Debt."

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 7, 2003

ON SEMICONDUCTOR CORPORATION

/s/ DONALD COLVIN

By: Donald Colvin
Senior Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer
of the Registrant)

EXHIBITS

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Exhibit 10.4	Amended and Restated Credit Agreement, dated as of August 4, 1999, as amended and restated as of September 17, 2003, among ON Semiconductor Corporation, Semiconductor Components Industries, LLC, as borrower, the lenders party hereto, and JPMorgan Chase Bank as administrative agent, collateral agent and syndication agent (Exhibit A to the Amendment and Restatement Agreement filed as Exhibit 10.3 hereto) (2)
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(1) Management contract or compensatory plan, contract or arrangement.

(2) Filed herewith.

**ON SEMICONDUCTOR CORPORATION
SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC**

August 5, 2003

William George
3617 E. Camino Sin Nombre
Paradise Valley, AZ 85253

Dear Bill:

Based on our discussion regarding your plans to retire from ON Semiconductor Corporation and Semiconductor Components Industries, L.L.C. (collectively, the "Company"), we have agreed to modify certain of your employment and compensation arrangements. This letter agreement ("Letter Agreement") is intended to implement these modifications and to amend your employment agreement, dated October 27, 1999 ("Employment Agreement") as previously amended on October 1, 2001 ("Amendment 1") and certain stock option grant agreements that are currently outstanding regarding Company stock options. In addition, this Letter Agreement delineates certain other understandings between you and the Company. All defined terms used herein that are not otherwise defined herein shall have the meanings ascribed to such terms in the Employment Agreement, as previously amended.

I. Modifications to Employment Agreement, as Previously Amended.

(a) Section 3 of the Employment Agreement and Section I(a) of Amendment 1 are each hereby amended by extending the "Scheduled Termination Date" to be August 4, 2005; and

(b) Sub-Section 2(a) of the Employment Agreement is hereby amended and replaced in its entirety by the following:

"As compensation for the agreements made by the Executive herein and the performance by the Executive of his obligations hereunder during the Employment Period, the Company shall pay the Executive, pursuant to the Company's normal and customary payroll procedures, a base salary at the rate of \$335,000 per annum, (the "Base Salary"). The board of directors of the Company (the "Board") shall review the Executive's Base Salary from time to time."

(c) Except as specifically provided herein, all other terms and conditions provided in the Employment Agreement shall remain in full force and effect.

II. Stock Options.

(a) The Stock Option Grant Agreement between you and the Company, dated November 29, 1999 is hereby amended to provide that, if, prior to the Scheduled Termination Date, (1) your employment is terminated by the Company without Cause under Section 3(d) or 3(f) of the Employment Agreement; (2) your employment terminates as a result of your death; or (3) your employment terminates because of your permanent disability, then all unvested options granted thereunder shall become immediately and fully vested and exercisable. For purposes of this Employment Agreement, "permanent disability" means

incapacity due to mental or physical illness making you unable to perform your obligations under this Agreement for ninety (90) consecutive days. (The options granted under the Stock Option Agreement dated November 29, 1999 are referred to as "A Options.")

(b) The Stock Option Agreement between you and the Company dated February 21, 2001 is hereby amended to provide that the unvested options granted thereunder are fully vested and exercisable as of August 4, 2003. (The options granted under the Stock Option Agreement dated February 21, 2001 are referred to as "B Options.")

(c) The Stock Option Agreements between you and the Company dated January 24, 2002 and February 5, 2003 currently provide, and will continue to provide, that the unvested options granted thereunder are fully vested and exercisable as of August 4, 2003. (The options granted under the Stock Option Agreements dated January 24, 2003 and February 5, 2003 are referred to as "C Options.")

(d) Notwithstanding any other provision of this Letter Agreement, the Employment Agreement or Amendment 1, if your employment terminates (i) due to your retirement on or after the date of this Letter Agreement, (ii) on account of the termination of your employment without Cause under Section 3(d) or 3(f) of the Employment Agreement or (iii) as a result of your death or permanent disability, all A Options, B Options and C Options granted to you (to the extent they are or become exercisable on the date your employment terminates), will remain fully exercisable until the first to occur of (1) the last day of the five-year period immediately following the date of such termination and (2) the tenth anniversary of the grant date of such option.

(e) All stock options granted to you on or after the date of this Letter Agreement ("Future Options") will have vesting and exercisability provisions determined by the Board of Directors of the Company, in its discretion.

(f) Except as otherwise specifically provided in this Letter Agreement, all terms and conditions of the Stock Option Agreements granting the A Options, B Options and C Options shall remain in full force and effect.

Please acknowledge your agreement to the foregoing by signing in the appropriate space below. This Letter Agreement shall be effective as of August 5, 2003 provided that it is executed by each of the parties hereto. A facsimile of a signature shall be deemed to be and have the same force and effect as an original.

Sincerely,

ON SEMICONDUCTOR CORPORATION
SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC

By: /s/ KEITH D. JACKSON

Keith D. Jackson, President and Chief Executive Officer

Agreed and acknowledged to as of the first date written above:

/s/ WILLIAM GEORGE

WILLIAM GEORGE

AMENDMENT, WAIVER AND CONSENT dated as of September 8, 2003 (this "Amendment"), to the Credit Agreement dated as of August 4, 1999, as amended and restated as of February 14, 2003 (the "Credit Agreement"), among ON SEMICONDUCTOR CORPORATION (formerly known as SCG HOLDING CORPORATION) ("Holdings"), SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC (the "Borrower"), the LENDERS party thereto and JPMORGAN CHASE BANK (formerly known as THE CHASE MANHATTAN BANK), as administrative agent (the "Administrative Agent").

A. Pursuant to the Credit Agreement, the Lenders have extended credit to the Borrower, and have agreed to extend credit to the Borrower, in each case pursuant to the terms and subject to the conditions set forth therein.

B. Holdings and the Borrower have requested that the Required Amendment Lenders agree to amend and waive certain provisions of the Credit Agreement pursuant to the terms and subject to the conditions set forth herein.

C. The Required Amendment Lenders are willing to waive such provisions and amend the Credit Agreement pursuant to the terms and subject to the conditions set forth herein.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and subject to the conditions set forth herein, the parties hereby agree as follows:

SECTION 1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement. As used in this Amendment, "Required Amendment Lenders" means, at any time, (i) the Required Lenders under and as defined in the Credit Agreement, (ii) Lenders under the Credit Agreement having Tranche B Term Loans representing more than 50% of the sum of the outstanding Tranche B Term Loans at such time, (iii) Lenders under the Credit Agreement having Tranche C Term Loans representing more than 50% of the sum of the outstanding Tranche C Term Loans at such time and (iv) Lenders under the Credit Agreement having Tranche D Term Loans representing more than 50% of the sum of the outstanding Tranche D Term Loans at such time.

SECTION 2. Amendments to Section 1.01 (Defined Terms). Section 1.01 of the Credit Agreement is hereby amended as follows:

(a) Section 1.01 is hereby amended by adding the following defined term in the appropriate alphabetical order:

"2003 Pension Plan Charge" means the \$21.5 million cumulative effect charge recorded as of January 1, 2003 relating to the change in accounting method for defined benefit pension plan actuarial gains or losses."

(b) The definition of the term "Consolidated EBITDA" is hereby amended as follows:

(1) by deleting clause (viii) from subsection (a) of the definition thereof and replacing it in its entirety with the following clause:

"(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, with the exception of the 2003 Pension Plan Charge);"

(2) by deleting the word "and" at the end of clause (ii) of subsection (b) of the definition thereof and replacing it with the text ","; and

(3) by adding the following clause as a new clause (iv) to subsection (b) of the definition thereof immediately following the words "ordinary course of business)":

" and (iv) \$1.6 million for each fiscal quarter commencing the fiscal quarter ended April 4, 2003, and for each subsequent fiscal quarter until the entire 2003 Pension Plan Charge has been recouped".

SECTION 3. Amendments to Section 2.10 (Amortization of Term Loans). Section 2.10 of the Credit Agreement is hereby amended as follows:

(a) Clause (i) of Section 2.10(g) is hereby amended by deleting the word "and" at the end of clause (i) thereof and replacing it with the text ",".

(b) Clause (ii) of Section 2.10(g) is hereby amended by deleting the text "order." at the end of clause (ii) thereof and replacing it with the following:

"order and (iii) prepayments shall be applied to reduce the scheduled repayments of Term Borrowings in chronological order to the extent required by Section 2.11(e)(iii)."

SECTION 4. Amendments to Section 2.11 (Prepayment of Loans). Section 2.11 of the Credit Agreement is hereby amended as follows:

(a) Clause (C) of Section 2.11(c)(i) is hereby amended by deleting the percentage "75%" and replacing it with the percentage "50%".

(b) Paragraph (e) of Section 2.11 is hereby amended by adding the text "(i)" immediately following the text "(e)".

(c) Paragraph (e) of Section 2.11 is hereby amended by deleting the second sentence thereof in its entirety and replacing it with the following:

“(ii) 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, subject to clause (iii) below, the Borrower shall select Term Borrowings to be prepaid so that the aggregate amount of such prepayment is allocated between the 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. (iii) Notwithstanding anything contained in clause (ii) of this Section, in the event that any optional or mandatory prepayment is to be made by the Borrower from the Net Proceeds received (x) by or on behalf of Holdings, the Borrower or any Subsidiary in respect of the issuance of any Equity Interests or (y) by the incurrence of the Additional Term Loan Facility, such prepayment shall be (A) applied to reduce the scheduled repayments of the Term Borrowings pursuant to their amortization schedules contained in Section 2.10 (as then in effect) in chronological order (without regard to Class) and (B) allocated among the different Classes of Term Borrowings so that such chronological order of application is achieved. In the event the allocation of such prepayment made by the Borrower pursuant to this clause (iii) results in a portion of such prepayment being insufficient to prepay all the scheduled repayments of the different Classes of Term Borrowings due on the same date, then the Borrower shall allocate on a pro rata basis such portion to all the scheduled repayments due on that date.”

SECTION 5. Consent to Additional Facilities. The Lenders party hereto hereby consent to amendments to the Loan Documents (the “Loan Document Amendments”) in order to provide for the addition of (i) a new revolving credit facility under the Credit Agreement (the “New Revolving Facility”) which shall replace the existing revolving credit facility under the Credit Agreement (the “Existing Revolving Facility”) and (ii) additional term loans under the Credit Facility (the “Additional Term Loan Facility”) and, together with the New Revolving Facility, the “Additional Facilities”), the Net Proceeds of which shall be used to refinance existing Indebtedness under the Credit Agreement.

The Administrative Agent is hereby authorized to effect the Loan Document Amendments with the relevant Loan Parties without necessity of any further consent or approval of any existing Lenders; provided that (i) upon the effectiveness of the Loan Document Amendments, no Default shall exist, (ii) at the time that such Loans are made under the New Revolving Facility or Additional Term Loan Facility, as the case may be (and after giving effect thereto), no Default shall exist and (iii) the Additional Facilities satisfy the requirements of the following paragraph.

The New Revolving Facility shall have terms substantially similar to the Existing Revolving Facility and shall rank pari passu in right of payment and of security with the other credit facilities under the Credit Agreement; provided that the New Revolving Facility (i) shall have a maturity date not prior to August 4, 2006, (ii) shall be in an aggregate principal amount not greater than \$62.5 million and not less than \$25.0

million and (iii) may provide for a multicurrency feature in connection with the issuance of letters of credit. The Additional Term Loan Facility (i) shall have terms substantially similar to the Tranche D Term Loans, (ii) shall rank pari passu in right of payment and of security with the other credit facilities under the Credit Agreement and (iii) may be documented as a separate Class of Term Loans or as additional Tranche D Term Loans. To the extent the Additional Term Loan Facility is documented as a separate Class of Term Loans, then it (i) shall not mature earlier than the Tranche D Maturity Date, (ii) shall not have a weighted average life that is shorter than that of the Tranche D Term Loans, (iii) shall not accrue interest at a rate or rates in excess of the interest rates applicable to the Tranche D Term Loans but may be issued with original issue discount, (iv) except as set forth above, shall be treated substantially the same as (and in any event no more favorably than) the Tranche D Term Loans (in each case, including with respect to optional and mandatory prepayments).

No Lender shall be obligated to provide any Loans under the New Revolving Facility or the Additional Term Loan Facility, as the case may be, unless it so agrees.

SECTION 6. Consent and Waiver. (a) The Lenders party hereto hereby consent to the application of the prepayments as described in paragraph (c) of Section 9 hereto and waive any provision under the Credit Agreement that requires the Borrower to give prior written notice of any such prepayments contemplated by such paragraph.

(b) The Lenders party hereto hereby waive any noncompliance with Section 5.01(c) with respect to the certificate delivered by Holdings pursuant thereto in respect of the fiscal quarter ended July 4, 2003 to the extent such certificate includes a calculation of Consolidated EBITDA based on the definition thereof as amended hereby.

SECTION 7. Amendment Fee. In consideration of the agreements of the Lenders contained in this Amendment, the Borrower agrees to pay the Administrative Agent, for the account of each Lender that delivers an executed counterpart of this Amendment at or prior to 5:00 p.m., New York City time, on September 8, 2003, an amendment fee in an amount equal to 0.25% of the sum of such Lender's Revolving Commitment and outstanding Term Loans after giving effect to this Amendment (including the termination of Revolving Commitments and prepayment of Loans on the Amendment Date), but without giving effect to the Additional Facility or the New Revolving Facility; provided that such fee shall not be payable unless and until this Amendment becomes effective as provided in Section 9 hereto.

SECTION 8. Representations and Warranties. Each of Holdings and the Borrower represents and warrants to the Administrative Agent and to each of the Lenders that:

(a) This Amendment has been duly authorized, executed and delivered by each of Holdings and the Borrower and constitutes a legal, valid and binding obligation of Holdings and the Borrower, 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.

(b) After giving effect to this Amendment, each of the representations and warranties of Holdings and the Borrower set forth in the Loan Documents is true and correct on and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties are true and correct as of such earlier date.

(c) Immediately after giving effect to this Amendment, no Default shall have occurred and be continuing.

SECTION 9. Conditions to Effectiveness. This Amendment (including the waivers and consents set forth herein) shall become effective on the date (which date shall not be later than 90 days after the date first written above)(the "Amendment Date") that each of the following conditions are satisfied:

(a) The Administrative Agent shall have received counterparts of this Amendment that, when taken together, bear the signatures of Holdings, the Borrower and the Required Amendment Lenders.

(b) All fees and expenses required to be paid or reimbursed by the Borrower under or in connection with this Amendment or the Credit Agreement and (in the case of expenses to be reimbursed, including fees, charges and disbursements of counsel or other advisors) invoiced in writing to the Borrower on or prior to the date that is two business days prior to the Amendment Date, shall have been paid or reimbursed, as applicable (including all fees and disbursements of counsel previously invoiced).

(c) Holdings and/or the Borrower shall have obtained a minimum of \$150,000,000 in gross cash proceeds from some combination of (i) a public offering of common stock of Holdings (the "Common Stock Offering") and (ii) the borrowing of the Additional Term Loan Facility (such combination of which shall include no less than \$100,000,000 in Net Proceeds from the Common Stock Offering). The Borrower shall have terminated the existing revolving commitments under the Credit Agreement and shall have applied 100% of the Net Proceeds from the Common Stock Offering and the borrowing of the Additional Term Loan Facility (A) first to prepay all outstanding Revolving Loans, Tranche A Terms and Tranche R Term Loans and (B) to the extent of the excess, to prepay all remaining Term Borrowings as provided in Section 2.11(e) of the Credit Agreement as amended hereby.

(d) The closing of the New Revolving Facility shall have occurred.

SECTION 10. Credit Agreement. Except as specifically waived or amended hereby, the Credit Agreement shall continue in full force and effect in accordance with the provisions thereof as in existence on the date hereof. After the Amendment Date, any reference to the Credit Agreement shall mean the Credit Agreement as amended or modified hereby. This Amendment shall be a Loan Document for all purposes.

SECTION 11. Applicable Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 12. Counterparts. This Amendment 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 agreement. Delivery of an executed signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually signed counterpart of this Amendment.

SECTION 13. Expenses. The Borrower agrees to reimburse the Administrative Agent for its reasonable out-of-pocket expenses in connection with this Amendment, including the fees, charges and disbursements of Cravath, Swaine & Moore LLP, counsel for the Administrative Agent.

SECTION 14. Headings. The Section headings used herein are for convenience of reference only, are not part of this Amendment and are not to affect the construction of, or to be taken into consideration in interpreting, this Amendment.

JPMORGAN CHASE BANK,
individually and as Administrative Agent,

by /s/ EDMOND DEFOREST

Name: Edmond DeForest
Title: Vice President

To Approve Amendment,
Waiver and Consent:

GALAXY CLO 1999-1 Ltd.

Name and Institution

By: AIG GLOBAL INVESTMENT CORP.
Its Collateral Manager

by /s/ THOMAS G. BRANDT

Name: Thomas G. Brandt
Title: Vice President

[Not included in this filing are numerous signature pages for the numerous banks that are Lenders under the Credit Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first written above.

ON SEMICONDUCTOR CORPORATION,

by /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

by /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

AMENDMENT AND RESTATEMENT AGREEMENT dated as of September 17, 2003 (this "Agreement"), among ON SEMICONDUCTOR CORPORATION (formerly known as SCG HOLDING CORPORATION) ("Holdings"), SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC (the "Borrower"), the LENDERS party hereto and JPMORGAN CHASE BANK (formerly known as THE CHASE MANHATTAN BANK), as administrative agent (the "Administrative Agent"), under the Credit Agreement dated as of August 4, 1999, as amended and restated as of February 14, 2003 (as amended, supplemented and modified and in effect on the date hereof, the "Existing Credit Agreement"), among Holdings, the Borrower, the Lenders party thereto and the Administrative Agent.

WHEREAS, Holdings, the Borrower, certain Lenders and the Administrative Agent are parties to the Amendment, Waiver and Consent dated as of September 8, 2003 (the "Amendment");

WHEREAS, the Amendment authorizes amendments to the Loan Documents in order to provide for (a) the addition of a new revolving credit facility to replace the existing revolving credit facility under the Existing Credit Agreement and (b) additional term loans under the Existing Credit Agreement; and

WHEREAS, the parties hereto are entering into this Agreement in order to amend and restate the Existing Credit Agreement to effect such amendments as authorized by the Amendment;

NOW, THEREFORE, Holdings, the Borrower, the Restatement Lenders and the Administrative Agent hereby agree as follows:

SECTION 1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Restated Credit Agreement referred to below. As used in this Agreement, "Restatement Lenders" means, at any time, (i) each of the Lenders set forth on Schedule 1 hereto and their assignees (the "Additional Term Loan Lenders") and (ii) each of the Lenders set forth on Schedule 2 hereto and their assignees (the "New Revolving Lenders").

SECTION 2. Restatement Effective Date. (a) The transactions provided for in Sections 3 through 6 hereof shall be consummated at a closing to be held on the Restatement Effective Date at the offices of Cravath, Swaine & Moore LLP, or at such other time and place as the parties hereto shall agree upon.

(b) The "Restatement Effective Date" shall be specified by the Borrower, and shall be a date not later than October 3, 2003, as of which all the conditions set forth or referred to in Section 7 hereof shall have been satisfied. The Borrower, by giving not less than one Business Day's written notice, (i) shall propose a date as the Restatement Effective Date to the Administrative Agent and (ii) may change a previously proposed

date for the Restatement Effective Date, provided that the Borrower agrees that the provisions of Section 2.16 of the Restated Credit Agreement shall apply in the event of any such change. The Administrative Agent shall notify the Restatement Lenders of the proposed date. This Agreement shall terminate at 5:00 p.m., New York City time, on October 3, 2003, if the Restatement Effective Date shall not have occurred at or prior to such time.

SECTION 3. Additional Term Loans. (a) Subject to the terms and conditions set forth herein, each Additional Term Loan Lender agrees to make an Additional Term Loan to the Borrower on the Restatement Effective Date in a principal amount, as requested by the Borrower, up to the Additional Term Loan Commitment set forth for such Additional Term Loan Lender on Schedule 1 hereto. The Additional Term Loans shall be made on the Restatement Effective Date as ABR Borrowings and shall constitute Tranche D Term Loans under the Restated Credit Agreement. The provisions of Sections 2.02 and 2.06 of the Restated Credit Agreement shall apply for all purposes of making the Additional Term Loans, except as otherwise provided herein.

(b) The Borrower hereby irrevocably directs the Administrative Agent to apply the proceeds of the Additional Term Loans received by the Administrative Agent on the Restatement Effective Date to prepay outstanding Loans under the Existing Credit Agreement in accordance with paragraph (c) of Section 9 of the Amendment.

(c) Unless the Administrative Agent shall have received notice from an Additional Term Loan Lender prior to the Restatement Effective Date that such Additional Term Loan Lender will not make available to the Administrative Agent such Additional Term Loan Lender's share of such Additional Term Loan Borrowing, the Administrative Agent may assume that such Additional Term Loan Lender has made such share available on such date in accordance with this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if any Additional Term Loan Lender has in fact defaulted in making its share of such Additional Term Loan Borrowing, then the applicable Additional Term Loan Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such defaulted amount (to the extent so advanced by the Administrative Agent on behalf of such defaulting Additional Term Loan Lender), together with interest on such amount at the interest rate applicable to ABR Loans from the Restatement Effective Date to the date of payment. Upon any such payment by the Borrower, the Borrower shall have the right, at the defaulting Additional Term Loan Lender's expense, upon notice to the defaulting Additional Term Loan Lender and to the Administrative Agent, to require such defaulting Additional Term Loan Lender to transfer and assign without recourse (in accordance with and subject to the restrictions contained in Section 9.04 of the Restated Credit Agreement) all its interests, rights and obligations as an Additional Term Loan Lender under the Restated Credit Agreement to another financial institution which shall assume such interests, rights and obligations; provided that (i) no such assignment shall conflict with any law, rule or regulation or order of any Governmental Authority and (ii) the assignee shall pay, in immediately available funds on the date of such assignment, to (A) the Administrative Agent (1) the outstanding principal of and interest accrued to the date of payment on the defaulted amount of the Additional Term

Loans advanced by the Administrative Agent on the defaulting Additional Term Loan Lender's behalf under the Restated Credit Agreement, that was not paid by the Borrower to the Administrative Agent pursuant to the preceding sentence, and (2) all other amounts accrued for the Administrative Agent's account or owed to it under the Restated Credit Agreement in respect of such defaulted amount of Additional Term Loans, and (B) the Borrower, the outstanding principal of and interest accrued to the date of payment on the defaulted amount of the Additional Term Loans that the Borrower paid to the Administrative Agent pursuant to the preceding sentence.

SECTION 4. New Revolving Facility. Subject to the terms and conditions set forth herein, each New Revolving Lender agrees that, effective upon the Restatement Effective Date, such New Revolving Lender shall be a Revolving Lender under the Restated Credit Agreement, with the rights and obligations of a Revolving Lender as provided therein.

SECTION 5. Termination of Existing Revolving Facility. (a) Subject to Section 6(b), the Borrower hereby terminates all "Revolving Commitments" under (and as defined in) the Existing Credit Agreement, effective on the Restatement Effective Date.

(b) The parties hereto hereby agree that all of the "Revolving Lenders" under (and as defined in) the Existing Credit Agreement are released from their obligations in respect of the Existing Letters of Credit, effective on the Restatement Effective Date. Existing Letters of Credit shall be deemed to constitute Letters of Credit under the Restated Credit Agreement as though issued on the Restatement Effective Date. Promptly following the Restatement Effective Date, JPMorgan Chase Bank, in its capacity as Issuing Bank, shall prepare and make available to the Borrower and the Revolving Lenders a schedule setting forth the Existing Letters of Credit.

SECTION 6. Amendment and Restatement of the Existing Credit Agreement. (a) Effective on the Restatement Effective Date, the Existing Credit Agreement (excluding the annexes, schedules and exhibits thereto that are not attached as part of Exhibit A hereto) is hereby amended and restated to read in its entirety as set forth in Exhibit A hereto (the "Restated Credit Agreement"). From and after the effectiveness of such amendment and restatement, the terms "Agreement", "this Agreement", "herein", "hereinafter", "hereto", "hereof" and words of similar import, as used in the Restated Credit Agreement, shall, unless the context otherwise requires, refer to the Existing Credit Agreement as amended and restated in the form of the Restated Credit Agreement, and the term "Credit Agreement", as used in the other Loan Documents, shall mean the Restated Credit Agreement.

(b) All Loans and Letters of Credit outstanding under the Existing Credit Agreement on the Restatement Effective Date (after giving effect to all prepayments made on the Restatement Effective Date) shall continue to be outstanding under the Restated Credit Agreement and the terms of the Restated Credit Agreement will govern the rights of the Lenders with respect thereto.

SECTION 7. Conditions. The consummation of the transactions set forth in Sections 3 through 6 of this Agreement shall be subject to the satisfaction of the following conditions precedent:

(a) The Administrative Agent (or its counsel) shall have received from each of Holdings, the Borrower and the Restatement Lenders 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 facsimile 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 Restatement 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, (ii) Gust Rosenfeld P.L.C., Arizona local counsel for the Borrower, substantially in the form of Exhibit B-2, and (iii) Hinckley, Allen & Snyder LLP, Rhode Island local counsel for the Borrower, substantially in the form of Exhibit B-3, 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 Restatement Lenders shall reasonably request. 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 customary legal matters relating to the Loan Parties, the Loan Documents or the Restatement Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(d) Each of the conditions set forth in Section 4.02 of the Restated Credit Agreement shall be satisfied, and 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 satisfaction of the conditions set forth in paragraphs (a) and (b) of Section 4.02 of the Restated Credit Agreement.

(e) The Administrative Agent shall have received all fees and other amounts due and payable in connection with this Agreement and the Existing Credit Agreement on or prior to the Restatement Effective Date, including, to the extent invoiced in writing at least two Business Days prior to the Restatement Effective Date, reimbursement or payment of all reasonable documented 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 Collateral and Guarantee Requirement shall be satisfied after giving effect to the Restatement Transactions, and in connection therewith the Administrative Agent shall have received (i) a completed Perfection Certificate with respect to the Loan Parties (including the Subsidiaries party to the Reaffirmation Agreement) dated the Restatement Effective Date and signed by an executive officer or Financial Officer of the Borrower, together with all attachments contemplated thereby, (ii) the results of a search of the Uniform Commercial Code (or equivalent) filings made with respect to the Loan Parties (including the Subsidiaries party to the Reaffirmation Agreement) in the jurisdictions contemplated by the Perfection Certificate and the copies of the financing statements (or similar documents) disclosed by such research and evidence reasonably satisfactory to the Administrative Agent that the Liens indicated by such financing statements (or similar documents) are expressly permitted by the Restated Credit Agreement, (iii) all documents and instruments, including Uniform Commercial Code financing statements, required by law or reasonably requested by the Collateral 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 and (iv) (x) amendments to each Mortgage with respect to each Mortgaged Property and each Restatement Mortgaged Property providing that the Additional Term Loans and the Revolving Loans (in addition to the other Obligations) shall be secured by a Lien on each such Mortgaged Property and Restatement Mortgaged Property, as the case may be, (y) endorsements to existing policy or policies of title insurance issued by a nationally recognized title insurance company, insuring the Lien of each such Mortgage as amended so remains 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 of the Restated Credit Agreement, together with such endorsements, coinsurance and reinsurance as the Collateral Agent or the Restatement Lenders may reasonably request, and (z) such surveys, abstracts, appraisals, legal opinions and other documents as the Collateral Agent or the Restatement Lenders may reasonably request with respect to any such Mortgage or Mortgaged Property or Restatement Mortgaged Property, as the case may be.

(g) A Reaffirmation Agreement substantially in the form of Exhibit C hereto shall have been executed and delivered by each party thereto.

(h) The conditions set forth in Section 9 of the Amendment shall be satisfied and the Amendment shall become effective on the Restatement Effective Date.

(i) The Borrower shall have taken such actions as necessary so that all Tranche D Term Loans outstanding under the Existing Credit Agreement on the Restatement Effective Date (after giving effect to any prepayments) constitute ABR Loans as of such date.

The Administrative Agent shall notify the Borrower and the Restatement Lenders of the Restatement Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the consummation of the transactions set forth in Sections 3 through 6 of this Agreement and the obligations of the Additional Term Loan Lenders to make Additional Term Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied at or prior to 5:00 p.m., New York City time, on October 3, 2003 (and, in the event such conditions are not so satisfied or waived, this Agreement shall terminate at such time).

SECTION 8. Effectiveness; Counterparts; Amendments. This Agreement shall become effective when copies hereof which, when taken together, bear the signatures of Holdings, the Borrower, the Administrative Agent and the Restatement Lenders shall have been received by the Administrative Agent. This Agreement may not be amended nor may any provision hereof be waived except pursuant to a writing signed by Holdings, the Borrower, the Administrative Agent and the Restatement Lenders. 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. 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 9. No Novation. This Agreement shall not extinguish the Loans outstanding under the Existing Credit Agreement. Nothing herein contained shall be construed as a substitution or novation of the Loans outstanding under the Existing Credit Agreement, which (except to the extent prepaid as provided in the Amendment) shall remain outstanding after the Restatement Effective Date as modified hereby. Nothing express or implied in this Agreement, the Restated Credit Agreement or any other document contemplated hereby or thereby shall be construed as a release or other discharge of Holdings, the Borrower or any other Loan Party under the Existing Credit Agreement or any Loan Document from any of its obligations and liabilities thereunder. Each of the Existing Credit Agreement and the other Loan Documents shall remain in full force and effect, until and except as modified hereby or in connection herewith. This Agreement shall be a Loan Document for all purposes.

SECTION 10. Notices. All notices hereunder shall be given in accordance with the provisions of Section 9.01 of the Restated Credit Agreement.

SECTION 11. Applicable Law; Waiver of Jury Trial. **(A) THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.**

(B) EACH PARTY HERETO HEREBY AGREES AS SET FORTH IN SECTION 9.10 OF THE RESTATED CREDIT AGREEMENT AS IF SUCH SECTION WERE SET FORTH IN FULL HEREIN.

SECTION 12. Headings. The 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.

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 written above.

ON SEMICONDUCTOR CORPORATION,

by /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

SEMICONDUCTOR COMPONENTS
INDUSTRIES, LLC,

by /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

JPMORGAN CHASE BANK, as
Administrative Agent,

by /s/ EDMOND DEFOREST

Name: Edmond DeForest
Title: Vice President

SIGNATURE PAGE TO
AMENDMENT AND
RESTATEMENT AGREEMENT
DATED AS OF SEPTEMBER 17, 2003

To Approve Amendment
and Restatement Agreement:

Name of Institution JPMORGAN CHASE BANK
by /s/ EDMOND DEFOREST
Name: Edmond DeForest
Title: Vice President

[Not included in this filing are numerous signature pages for the numerous banks that are Lenders under the Credit Agreement]

SCHEDULES AND EXHIBITS

Schedules

Schedule 1 Additional Term Loan Commitments
Schedule 2 New Revolving Commitments

Exhibits

Exhibit A Amended and Restated Credit Agreement
Exhibit B-1 Form of Opinion of Cleary, Gottlieb, Steen & Hamilton
Exhibit B-2 Form of Opinion of Gust Rosenfeld P.L.C.
Exhibit B-3 Form of Opinion of Hinckley, Allen & Snyder LLP
Exhibit C Form of Reaffirmation Agreement

AMENDED AND RESTATED
CREDIT AGREEMENT

dated as of

August 4, 1999,

as Amended and Restated as of September 17, 2003,

among

ON SEMICONDUCTOR CORPORATION,
SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,
as Borrower,

The Lenders Party Hereto

and

JPMORGAN CHASE BANK,
as sole bookrunner and Administrative Agent

J.P. MORGAN SECURITIES INC.,
as joint bookrunner and Arranger,

and

MORGAN STANLEY SENIOR FUNDING, INC.,
as joint bookrunner and Co-Arranger and Co-Syndication Agent (along with J.P. Morgan
Securities Inc.) in respect of the revolving credit facility only

[CS&M Reference Number: 6700-787]

TABLE OF CONTENTS

ARTICLE I

Definitions

	<u>Page</u>
SECTION 1.01. Defined Terms	1
SECTION 1.02. Classification of Loans and Borrowings	32
SECTION 1.03. Terms Generally	32
SECTION 1.04. Accounting Terms; GAAP	33
SECTION 1.05. Interim Financial Calculations	33
SECTION 1.06. Exchange Rates	33

ARTICLE II

The Credits

SECTION 2.01. Commitments	34
SECTION 2.02. Loans and Borrowings	34
SECTION 2.03. Requests for Borrowings	35
SECTION 2.04. Swingline Loans	36
SECTION 2.05. Letters of Credit	37
SECTION 2.06. Funding of Borrowings	42
SECTION 2.07. Interest Elections	43
SECTION 2.08. Termination and Reduction of Commitments	44
SECTION 2.09. Repayment of Loans; Evidence of Debt	45
SECTION 2.10. Amortization of Term Loans	46
SECTION 2.11. Prepayment of Loans	47
SECTION 2.12. Fees	50
SECTION 2.13. Interest	51
SECTION 2.14. Alternate Rate of Interest	52
SECTION 2.15. Increased Costs	52
SECTION 2.16. Break Funding Payments	53
SECTION 2.17. Taxes	54
SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs	55
SECTION 2.19. Mitigation Obligations; Replacement of Lenders	57
SECTION 2.20. Change in Law	57

ARTICLE III

Representations and Warranties

SECTION 3.01. Organization; Powers	58
SECTION 3.02. Authorization; Enforceability	58
SECTION 3.03. Governmental Approvals; No Conflicts	58

SECTION 3.04. Financial Condition; No Material Adverse Change	59
SECTION 3.05. Properties	59
SECTION 3.06. Litigation and Environmental Matters	60
SECTION 3.07. Compliance with Laws and Agreements	60
SECTION 3.08. Investment and Holding Company Status	61
SECTION 3.09. Taxes	61
SECTION 3.10. ERISA	61
SECTION 3.11. Disclosure	61
SECTION 3.12. Subsidiaries	62
SECTION 3.13. Insurance	62
SECTION 3.14. Labor Matters	62
SECTION 3.15. Solvency	62
SECTION 3.16. Senior Indebtedness	62
SECTION 3.17. Year 2000	62
SECTION 3.18. Acquisition	63
SECTION 3.19. Senior Secured Obligations	63

ARTICLE IV

Conditions

SECTION 4.01. [Intentionally Omitted]	63
SECTION 4.02. Each Credit Event	63

ARTICLE V

Affirmative Covenants

SECTION 5.01. Financial Statements and Other Information	64
SECTION 5.02. Notices of Material Events	65
SECTION 5.03. Information Regarding Collateral	66
SECTION 5.04. Existence; Conduct of Business	66
SECTION 5.05. Payment of Obligations	66
SECTION 5.06. Maintenance of Properties	67
SECTION 5.07. Insurance	67
SECTION 5.08. Casualty and Condemnation	67
SECTION 5.09. Books and Records; Inspection and Audit Rights	67
SECTION 5.10. Compliance with Laws	67
SECTION 5.11. Use of Proceeds and Letters of Credit	67
SECTION 5.12. Additional Subsidiaries	68
SECTION 5.13. Further Assurances	68
SECTION 5.14. Interest Rate Protection	68

ARTICLE VI

Negative Covenants

SECTION 6.01. Indebtedness; Certain Equity Securities	69
SECTION 6.02. Liens	71
SECTION 6.03. Fundamental Changes	73
SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions	73
SECTION 6.05. Asset Sales	76
SECTION 6.06. Sale and Leaseback Transactions	76
SECTION 6.07. Hedging Agreements	77
SECTION 6.08. Restricted Payments; Certain Payments of Indebtedness	77
SECTION 6.09. Transactions with Affiliates	78
SECTION 6.10. Restrictive Agreements	79
SECTION 6.11. Amendment of Material Documents	79
SECTION 6.12. [Intentionally Omitted]	80
SECTION 6.13. [Intentionally Omitted]	80
SECTION 6.14. Capital Expenditures	80
SECTION 6.15. Minimum Consolidated EBITDA	80
SECTION 6.16. Minimum Cash and Cash Equivalents	80
SECTION 6.17. OnMOS Joint Venture Interest	81

ARTICLE VII

Events of Default

SECTION 7.01. Events of Default	81
SECTION 7.02. Exclusion of Immaterial Subsidiaries	83

ARTICLE VIII

The Administrative Agent

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices	86
SECTION 9.02. Waivers; Amendments	86
SECTION 9.03. Expenses; Indemnity; Damage Waiver	88
SECTION 9.04. Successors and Assigns	89
SECTION 9.05. Survival	92
SECTION 9.06. Counterparts; Integration; Effectiveness	92
SECTION 9.07. Severability	92
SECTION 9.08. Right of Setoff	92
SECTION 9.09. GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS	93
SECTION 9.10. WAIVER OF JURY TRIAL	93
SECTION 9.11. Headings	94
SECTION 9.12. Confidentiality	94
SECTION 9.13. Interest Rate Limitation	94

SECTION 9.14. Existing Credit Agreement; Effectiveness of Amendment and Restatement	94
SECTION 9.15. Additional Provisions for Tranche D Lenders	95
SECTION 9.16. [Intentionally Omitted]	95
SECTION 9.17. Conversion of Currencies	95

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	—	[Intentionally Omitted]
Exhibit B-2	—	[Intentionally Omitted]
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	—	[Intentionally Omitted]

AMENDED AND RESTATED CREDIT AGREEMENT dated as of August 4, 1999, as amended and restated as of September 17, 2003 (this "Agreement"), among ON SEMICONDUCTOR CORPORATION (formerly known as SCG Holding Corporation), SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, the LENDERS party hereto and JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank), as Administrative Agent, Collateral Agent and Syndication Agent hereunder.

WHEREAS, Holdings, the Borrower, the Lenders party thereto and JPMorgan Chase Bank, as administrative agent, are parties to a Credit Agreement dated as of August 4, 1999, as amended and restated as of February 14, 2003 (as further amended, supplemented and modified, the "Existing Credit Agreement"), as in effect immediately prior to the Restatement Effective Date (as defined herein), which Existing Credit Agreement amended and restated the April 2000 Credit Agreement (as defined herein) which, in turn, amended and restated the Original Credit Agreement (as defined herein);

WHEREAS, Holdings, the Borrower, the Restatement Lenders (as defined therein) and the Administrative Agent, are parties to an Amendment and Restatement Agreement dated as of September 17, 2003 (the "Amendment and Restatement Agreement"); and

WHEREAS, subject to the satisfaction of the conditions set forth in the Amendment and Restatement Agreement, the Existing Credit Agreement shall be amended and restated as provided herein.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. 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.

"Acquisition Transactions" means the Acquisition and the Loan Transactions entered into in connection with the borrowing of the Tranche D Term Loans.

“Actual Alternative Currency LC Exposure” means, at any time, the sum of (a) the Dollar Equivalent of the aggregate undrawn amount of all outstanding Alternative Currency Letters of Credit at such time plus (b) the Dollar Equivalent of the aggregate principal amount of all LC Disbursements in respect of Alternative Currency Letters of Credit that have not yet been reimbursed by or on behalf of the Borrower at such time.

“Actual LC Exposure” means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit (other than Alternative Currency Letters of Credit) at such time plus (b) the aggregate amount of all LC Disbursements (other than LC Disbursements in respect of Alternative Currency Letters of Credit) that have not yet been reimbursed by or on behalf of the Borrower at such time plus (c) the Actual Alternative Currency LC Exposure at such time. The Actual LC Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the total Actual LC Exposure at such time.

“Actual 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, (b) such Lender’s Actual LC Exposure and (c) such Lender’s Swingline Exposure at such time.

“Additional Term Loan” means a Loan made pursuant to Section 3 of the Amendment and Restatement Agreement.

“Additional Term Loan Commitment” means, with respect to each Lender, the commitment, if any, of such Lender to make an Additional Term Loan pursuant to Section 3 of the Amendment and Restatement Agreement. The aggregate amount of the Lenders’ Additional Term Loan Commitments as of the Restatement Effective Date is \$100,000,000.

“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 JPMorgan Chase Bank (formerly known as 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.

“Alternative Currency” means any currency that is freely available, freely transferable and freely convertible into dollars and in which dealings in deposits are carried on in the New York, London or Tokyo interbank markets, provided no such currency (other than British pounds, euros and Japanese yen) shall constitute an “Alternative Currency” unless approved by the Administrative Agent and the Issuing Bank.

“Alternative Currency Letter of Credit” means a Letter of Credit denominated in an Alternative Currency.

“Amendment and Restatement Agreement” has the meaning given to such term in the recitals hereto.

“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 Loan, 3.00% per annum, in the case of an ABR Loan, or 4.00% per annum, in the case of a Eurodollar Loan, and (b) with respect to the commitment fees payable hereunder, 0.50% per annum.

“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.

“April 2000 Credit Agreement” means the Credit Agreement dated as of August 4, 1999, as amended and restated as of April 3, 2000, among Holdings, the Borrower, the Lenders party thereto and The Chase Manhattan Bank, a New York banking corporation, as administrative agent, collateral agent and syndication agent.

“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.

“Bermuda IP Subsidiary” means ON Semiconductor Trading Ltd., a Bermuda corporation that is a wholly-owned subsidiary of the Borrower (owned directly by the Borrower) formed in connection with the Foreign Reorganization.

“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.

“Calculation Date” means (a) the date of issuance of any Alternative Currency Letter of Credit, (b) the last Business Day of each calendar month and (c) if on the last Business Day of any calendar week the total Notional Revolving Exposures exceed 90% of the total Revolving Commitments (giving effect to any reductions in the Revolving Commitments that occur on such day), such Business Day.

“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; (f) the occurrence of a “Change of Control”, as defined in the Subordinated Debt Documents; (g) the occurrence of a “Change of Control” as defined in the Second Lien Documents; or (h) the occurrence of a “Change of Control” as defined in the First Lien 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 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 B Commitment, Tranche C Commitment, Tranche D Commitment or Additional Term Loan 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, the Security Agreement and the Collateral Sharing 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, a supplement to each of the Guarantee Agreement, the Indemnity, Subrogation and Contribution Agreement, the Pledge Agreement, the Security Agreement and the Collateral Sharing 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, 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 Collateral 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 Collateral 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 Collateral 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 Collateral 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 Collateral Agent for filing, registration or recording;

(e) the Administrative Agent shall have received (i) counterparts of a Mortgage with respect to each Mortgaged Property and amendments to each such Mortgage providing that the Additional Term Loans and the Revolving 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 Collateral Agent or the Required Lenders may reasonably request, and (iv) such surveys, abstracts, appraisals, legal opinions and other documents as the Collateral 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.

“Collateral Sharing Agreement” means the agreement entered into among Holdings, the Borrower, the Collateral Agent and the trustee under the First Lien Note Indenture, providing for (a) the sharing of the Collateral granted pursuant to the Security Documents on a *pari passu* basis with the holders of the First Lien Notes, (b) the exercise of remedies under the Security Documents and (c) related intercreditor matters.

“Commitment” means a Revolving Commitment, Tranche B Commitment, Tranche C Commitment, Tranche D Commitment or Additional Term Loan 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, with the exception of the 2003 Pension Plan Charge), (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, (x) noncash dividends on the Cumulative Preferred Stock, (xi) cash restructuring charges (A) during the fiscal year ending on December 31, 2001 and the portion of the fiscal year ending on June 30, 2002 (or any fiscal quarter of such portion) not in excess of \$131,000,000 in the aggregate (for all such periods), and (B) during any fiscal year (or any fiscal quarter of any such fiscal year) ending on or prior to December 31, 2002 (or any quarter of such fiscal year) not in excess of an additional \$10,000,000 in the aggregate (for all such periods), (xii) the amount of cash fees, service and product payments, dividends and other distributions actually paid to the Borrower or a Subsidiary by the OnMOS Joint Venture during such period and (xiii) fees and expenses of Alvarez & Marsal, Inc., paid by or reimbursed by the Borrower pursuant to Section 9.03 hereof and minus (b) without duplication and to the extent included in determining such Consolidated Net Income, (i) any extraordinary gains for such period, (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), (iii) all gains during such period attributable to any sale or disposition of assets (other than in the ordinary course of business) and (iv) \$1.6 million for each fiscal quarter commencing the fiscal quarter ended April 4, 2003, and for each subsequent fiscal quarter until the entire 2003 Pension Plan Charge has been recouped, 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. For purposes of calculating Consolidated EBITDA and Excess Cash Flow, Consolidated Net Income shall be calculated excluding all income, expenses, gains, losses and other items of the OnMOS Joint Venture.

“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.

“Dollar Equivalent” means, on any date of determination, with respect to any Letter of Credit or LC Disbursement denominated in an Alternative Currency, the equivalent in dollars of such amount, determined by the Administrative Agent pursuant to Section 1.06(a) using the applicable Exchange Rate with respect to such Alternative Currency.

“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 (without duplication) the amount of cash dividends or other distributions actually paid to the Borrower or a Subsidiary by the OnMos Joint Venture during such period; 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.

“Exchange Rate” means, on any day, with respect to any Alternative Currency, the rate at which such Alternative Currency may be exchanged into dollars, as set forth at approximately 11:00 a.m., New York City time, on such day on the applicable Reuters World Spot Page. In the event that any such rate does not appear on any Reuters World Spot Page, the Exchange Rate shall be determined by reference to such other publicly available service for

displaying exchange rates reasonably selected by the Administrative Agent in consultation with the Borrower for such purpose or, at the discretion of the Administrative Agent in consultation with the Borrower, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such Alternative Currency are then being conducted, at or about 10:00 a.m., local time, on such day for the purchase of the applicable Alternative Currency for delivery two Business Days later, provided that, if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may in consultation with the Borrower use any other reasonable method it deems appropriate to determine such rate, and such determination shall be presumed correct absent manifest error.

“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).

“Existing Credit Agreement” has the meaning given to such term in the recitals hereto.

“Existing Letters of Credit” means any letters of credit issued pursuant to the Existing Credit Agreement and outstanding immediately prior to the Restatement Effective Date.

“Facilities Transfer” means the transfer by the Borrower and/or one or more of its Subsidiaries of the packaging and testing facilities located in Carmona, Philippines, Seremban, Malaysia and Guadalajara, Mexico, which transfer may involve one or more transactions or series of transactions taking the form of (i) sales, leases or other transfers or dispositions of assets, (ii) sales or other transfers or dispositions of capital stock and/or debt securities of Subsidiaries that directly or indirectly own such facilities, (iii) other types of transfers or dispositions, (iv) facilities closures or (v) any one or combination of the foregoing.

“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.

“Financial Report” means a report containing the financial information set forth on Schedule 5.01, which report shall be certified by a Financial Officer.

“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.

“First Lien Documents” means the First Lien Note Indenture, the Collateral Sharing Agreement, and all other instruments, agreements and other documents evidencing or governing the First Lien Notes or providing for any Guarantee or other right in respect thereof.

“First Lien Note Indenture” means the indenture pursuant to which the First Lien Notes are issued.

“First Lien Notes” means the senior secured first lien notes co-issued by the Borrower and Holdings pursuant to an indenture dated as of March 3, 2003.

“Foreign Joint Venture Companies” means (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 Reorganization” means the reorganization of the Borrower’s Foreign Subsidiaries and their operations (as described by the Borrower in its communications to the Lenders prior to October 20, 2000), pursuant to which, among other things, (a) certain activities performed by Foreign Subsidiaries, and certain activities performed by the Borrower, with respect to (i) research and development, (ii) sales and distribution and (iii) manufacturing will begin to be performed by separate Foreign Subsidiaries, (b) certain new Foreign Subsidiaries (including the Bermuda IP Subsidiary) will be formed and the ownership structure of certain existing Foreign Subsidiaries will be reorganized (resulting in, among other things, certain existing Foreign Subsidiaries that are owned directly by the Borrower becoming indirectly owned by the Borrower) and (c) the Borrower will enter into the IP License with the Bermuda IP Subsidiary pursuant to which (i) the Borrower will grant to the Bermuda IP Subsidiary a license to use certain intellectual property owned by the Borrower at the time of such reorganization and

certain intellectual property acquired by the Borrower in the future and (ii) the Bermuda IP Subsidiary will agree to pay royalties to the Borrower in consideration therefor.

“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 April 3, 2000, relating to the Borrower and the Acquisition Transactions.

“Intercreditor Agreement” means the intercreditor agreement entered into among Holdings, the Borrower, the Administrative Agent and the trustee under the Second Lien Note Indenture (or any other trustee or agent to which Liens are granted under the Second Lien Security Documents), providing for (a) the priority of the Liens granted pursuant to the Security

Documents over the Liens granted pursuant to the Second Lien Security Documents and (b) restrictions on the exercise of remedies under the Second Lien Security Documents.

“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 Expense Coverage Ratio” means, for any period, the ratio of (i) Consolidated EBITDA (plus any Supplemental Interest deducted in calculating Consolidated EBITDA) to (ii) Consolidated Cash Interest Expense (excluding any Supplemental Interest otherwise included therein), in each case for such period.

“Interest Payment Date” means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each calendar month, (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 one month’s duration, each day prior to the last day of such Interest Period that occurs at intervals of one month’s 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.

“IP License” means the license agreement or agreements between the Borrower and the Bermuda IP Subsidiary providing for the licensing of intellectual property to the Bermuda Subsidiary of the Borrower.

“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 JPMorgan Chase 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.

“Lenders” means the Persons listed on Schedule 2.01, the Persons listed on Schedules 1 and 2 to the Amendment and Restatement Agreement 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 (including any Existing 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 (plus, without duplication, any Supplemental Interest deducted in calculating 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.

“Liquidity Amount” means, at any time, the aggregate amount of cash and Permitted Investments owned by the Borrower and its consolidated subsidiaries at such time, excluding (i) cash or Permitted Investments owned by the OnMOS Joint Venture and (ii) cash or Permitted Investments subject to any Lien in favor of any Person other than the Collateral Agent for the benefit of the Secured Parties.

“Loan Documents” means this Agreement, the Guarantee Agreement, the Indemnity, Subrogation and Contribution Agreement, the Security Documents, the Intercreditor Agreement and the Collateral Sharing Agreement.

“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 or the Amendment and Restatement 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.

“Measurement Period” has the meaning assigned to such term in Section 6.14.

“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.

“Notional Alternative Currency LC Exposure” means, at any time, 110% of the Actual Alternative Currency LC Exposure at such time.

“Notional LC Exposure” means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit (other than Alternative Currency Letters of Credit) at such time plus (b) the aggregate amount of all LC Disbursements (other than LC Disbursements in respect of Alternative Currency Letters of Credit) that have not yet been reimbursed by or on behalf of the Borrower at such time plus (c) the Notional Alternative Currency LC Exposure at such time. The Notional LC Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the total Notional LC Exposure at such time.

“Notional 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 Notional LC Exposure and Swingline Exposure at such time.

“Obligations” has the meaning assigned to such term in the Security Agreement.

“OnMOS Joint Venture” means a Person organized (or to be organized) in a jurisdiction outside the United States to which Subsidiaries of Holdings will contribute the assets and operations of their TMOS business.

“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.

“Partial Facilities Transfer” shall have the meaning assigned to such term in Section 6.15.

“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 and (d) Holdings has delivered to the Administrative Agent an officers’ certificate to the effect set forth in clauses (a), (b) and (c) above.

“Permitted Convertible Debt” means Indebtedness of Holdings in respect of subordinated convertible debt securities (i) that is unsecured and subordinated to the Obligations on terms no less favorable to the Lenders than the terms of the Subordinated Debt, (ii) that does not provide for scheduled payments of principal earlier than 91 days after the final scheduled repayment of principal of the Term Loans, (iii) that is convertible into common equity of Holdings and (iv) the other terms (excluding the aggregate principal amount and conversion rate thereof) of which are reasonably satisfactory to the Administrative Agent in all material respects.

“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, as amended in connection with the issuance of the First Lien Notes, and as further amended from time to time.

“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, excluding any Indebtedness (other than, prior to the Transition Date, Permitted Convertible Debt) permitted by Section 6.01; or

(d) prior to the Transition Date, the issuance by Holdings, the Borrower or any Subsidiary of any Equity Interests, other than (i) any such issuance by the Borrower or any Subsidiary to Holdings or the Borrower or to another Subsidiary, (ii) the issuance of Equity Interests expressly permitted by Section 6.01(d), (iii) the issuance of common stock or preferred stock of Holdings pursuant to the TPG Equity Purchase and (iv) Equity Interests issued in the form, or upon the exercise of, options to acquire common stock of Holdings issued to members of management and employees of Holdings, the Borrower or any Subsidiary and options or warrants in respect of the capital stock of Holdings issued as compensation to consultants to Holdings, the Borrower or any Subsidiary.

“Prime Rate” means the rate of interest per annum publicly announced from time to time by JPMorgan Chase 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.

“Qualified Liquidity Financing” means the issuance by Holdings of preferred stock, common stock or warrants in respect of preferred stock or common stock to TPG, or the incurrence by Holdings or the Borrower of Indebtedness for borrowed money owed to TPG, in each case for cash consideration; provided that (a) any such Indebtedness shall be unsecured, (b) the terms of any such preferred stock or Indebtedness shall not include any covenants, redemption provisions, events of default or other terms that would entitle the holder thereof to make any claim or assert any right or remedy prior to payment in full of the Obligations and termination of the Commitments and (c) prior to any such issuance of preferred stock or incurrence of Indebtedness, TPG and Holdings or the Borrower, as applicable, shall have entered into an agreement with the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent, effectively subordinating any and all obligations in respect of such preferred stock or Indebtedness to the Obligations and providing that, prior to repayment in full of all the Obligations and termination of the Commitments, the holder or holders of such preferred stock or Indebtedness, as applicable, shall not be entitled to receive any cash payments in respect thereof or to exercise any rights or remedies (other than, in the case of clauses (b) and (c) above, rights and remedies the exercise of which would not constitute or result in a Default).

“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 and (c) 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 Actual Revolving Exposures, Term Loans and unused Commitments representing more than 50% of the sum of the total Actual Revolving Exposures, outstanding Term Loans and unused Commitments at such time.

“Restatement Effective Date” has the meaning given to such term in the Amendment and Restatement Agreement.

“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 execution and delivery of the Amendment and Restatement Agreement by each Person party thereto, the satisfaction of the conditions to the effectiveness thereof, and the consummation of the transactions contemplated thereby (and by the “Amendment” as defined therein), including the borrowing of the Additional Term Loans, the replacement of the revolving credit facility under the Existing Credit Agreement with the revolving credit facility hereunder and the amendments and prepayments contemplated by the “Amendment” referred to in the Amendment and Restatement Agreement.

“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, cancellation 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.

“Restructuring Liquidation Sales” means sales of plant, property and equipment for cash consideration as part of restructuring activities in which Holdings, the Borrower or any Subsidiary is, as of April 17, 2002, currently engaged in or committed to engage in, which activities were disclosed to the Administrative Agent prior to April 17, 2002.

“Revolving Availability Period” means the period from and including the Restatement 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 Actual 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 to the Amendment and Restatement Agreement, 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 \$25,000,000.

“Revolving Lender” means a Lender with a Revolving Commitment or, if the Revolving Commitments have terminated or expired, a Lender with Actual Revolving Exposure.

“Revolving Loan” means a Loan made pursuant to the first sentence of Section 2.01.

“Revolving Maturity Date” means August 4, 2006, or, if such day is not a Business Day, the next preceding Business Day.

“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.

“Second Lien Documents” means the Second Lien Note Indenture, the Intercreditor Agreement, the Second Lien Security Documents and all other instruments, agreements and other documents evidencing or governing the Second Lien Notes or providing for any Guarantee or other right in respect thereof.

“Second Lien Note Indenture” means the indenture pursuant to which the Second Lien Notes were issued.

“Second Lien Notes” means the senior secured second lien notes co-issued by the Borrower and Holdings pursuant to the Second Lien Note Indenture in an aggregate principal amount of \$300,000,000.

“Second Lien Security Documents” means any and all security agreements, pledge agreements, mortgages and other agreements and documents pursuant to which any Liens are granted to secure any Indebtedness or other obligations in respect of the Second Lien Notes.

“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, as amended in connection with the issuance of the First Lien Notes, and as further amended from time to time.

“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.

“Senior Leverage Ratio” means, on any date, the ratio of (a) Total Senior Indebtedness as of such date to (b) Consolidated EBITDA (plus, without duplication, any Supplemental Interest deducted in calculating Consolidated EBITDA) for the period of four consecutive fiscal quarters of Holdings ended on such date.

“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) ON Semiconductor Slovakia a.s. (formerly known as 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.

“Supplemental Interest” has the meaning assigned to such term in the Existing Credit Agreement.

“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 JPMorgan Chase 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 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.

“Total Senior Indebtedness” means, as of any date, the aggregate principal amount of Indebtedness of Holdings, the Borrower and the Subsidiaries outstanding on such date, determined on a consolidated basis, excluding the Subordinated Debt, any Permitted Convertible Debt, the Junior Subordinated Note, Qualified Liquidity Financing and any other Indebtedness that is effectively subordinated to the Obligations on terms no less favorable to the Lenders than the terms of the Subordinated Debt.

“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.

“TPG Equity Purchase” means the purchase by TPG of common stock or preferred stock of Holdings for cash consideration in an amount equal to \$100,000,000 and the immediate contribution by Holdings to the Borrower of such cash as common equity; provided that, in the case of any such purchase of preferred stock, (a) the terms of such preferred stock shall not include any covenants, redemption provisions, events of default or other terms that would entitle the holder thereof to make any claim or assert any right or remedy prior to payment in full of the Obligations and termination of the Commitments and (b) prior to any such issuance of preferred stock, TPG and Holdings shall have entered into an agreement with the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent, effectively subordinating any and all obligations in respect of such preferred stock to the Obligations and providing that, prior to the repayment in full of all the Obligations and termination of the Commitments, the holder or holders of such preferred stock shall not be entitled to receive any cash payments in respect thereof or to exercise any rights (other than in the case of clauses (a) and (b) above, rights and remedies the exercise of which would not constitute or result in a Default).

“Tranche”, when used in reference to any Borrowings, refers to whether such Borrowings consist of Revolving Loans, Tranche B Term Loans, Tranche C Term Loans or Tranche D 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.

“Tranche A Lender” means a Lender with a Tranche A Commitment or an outstanding Tranche A Term Loan.

“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.

“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.

“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.

“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 Section 2.01 of the Original Credit Agreement.

“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.

“Tranche D Commitment” means, with respect to each Lender, the commitment, if any, of such Lender to make a Tranche D Term Loan pursuant to clause (a) of Section 2.01 of the April 2000 Credit Agreement.

“Tranche D Lender” means a Lender with a Tranche D Commitment or an Additional Term Loan 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 Loans” means (a) Loans made pursuant to clause (a) of Section 2.01 of the April 2000 Credit Agreement and (b) the Additional Term Loans.

“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).

“Transition Date” means the date on which the Borrower shall have delivered to the Administrative Agent financial statements demonstrating that as of the end of the immediately preceding fiscal quarter of Holdings (a) the Leverage Ratio was less than or equal to 3.75 to 1.00, (b) the Senior Leverage Ratio was less than or equal to 2.75 to 1.00 and (c) the Interest Expense Coverage Ratio for the period of four consecutive fiscal quarters ending on the last day of such quarter was greater than or equal to 2.50 to 1.00.

“2003 Pension Plan Charge” means the \$21.5 million cumulative effect charge recorded as of January 1, 2003 relating to the change in accounting method for defined benefit pension plan actuarial gains or losses.

“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 the Interest Expense Coverage Ratio:

(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.

SECTION 1.06. Exchange Rates. (a) Not later than 1:00 p.m., New York City time, on each Calculation Date, the Administrative Agent shall (i) determine the Exchange Rate as of such Calculation Date to be used for calculating the Dollar Equivalent amount of each Alternative Currency in which an Alternative Currency Letter of Credit being issued, outstanding Alternative Currency Letter of Credit or unreimbursed LC Disbursement is denominated and

(ii) give notice thereof to the Borrower. The Exchange Rates so determined shall become effective on the first Business Day immediately following the relevant Calculation Date (a "Reset Date"), shall remain effective until the next succeeding Reset Date and shall for all purposes of this Agreement (other than converting into dollars under Sections 2.05(d), (e), (h), (j) and (k) and 2.12(b) the obligations of the Borrower and the Revolving Lenders in respect of LC Disbursements that have not been reimbursed when due) be the Exchange Rates employed in converting any amounts between the applicable currencies in connection with Alternative Currency Letters of Credit.

(b) Not later than 5:00 p.m., New York City time, on each Reset Date, the Administrative Agent shall (i) determine the Actual Alternative Currency LC Exposure and Notional Alternative Currency LC Exposure on such date (after giving effect to any Alternative Currency Letters of Credit issued, renewed or terminated or requested to be issued, renewed or terminated on such date) and (ii) notify the Borrower and the Issuing Bank of the results of such determination.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Revolving Lender agrees 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 Notional 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 Loans outstanding under the Existing Credit Agreement on the Restatement Effective Date (after giving effect to all prepayments made 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 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 B Maturity Date, Tranche C Maturity Date or Tranche D Maturity Date, respectively.

SECTION 2.03. Requests for Borrowings. To request a Revolving 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) the aggregate amount of such Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) 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;
- (iv) 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
- (v) 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 Notional 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. On the Restatement Effective Date, each Existing Letter of Credit will automatically, without any action on the part of any Person, be deemed to be a Letter of Credit issued hereunder for the account of the Borrower for all purposes of this Agreement and the other Loan Documents. In addition, 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 currency in which such Letter of Credit is to be denominated (which shall be dollars or, subject to Section 2.20, an Alternative Currency) 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 the total Notional 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 in dollars, for the account of the Issuing Bank, such Lender's Applicable Percentage of (i) each LC Disbursement made by the Issuing Bank in dollars and (ii) the Dollar Equivalent (using the Exchange Rates on the date that the relevant LC Disbursement is made), of each LC Disbursement made by the Issuing Bank in an Alternative Currency and, in each case, 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 (or, if such reimbursement payment was refunded in an Alternative Currency, the Dollar Equivalent thereof using the Exchange Rates on the date of such refund). 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, in dollars or (subject to the two immediately succeeding sentences) the applicable Alternative Currency, 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, in the case of any LC Disbursement made in dollars, 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's reimbursement of, or obligation to reimburse, any amounts in any Alternative Currency would subject the Administrative Agent, the Issuing Bank or any Lender to any stamp duty, ad valorem charge or similar tax that would not be payable if such reimbursement were made or required to be made in dollars, the Borrower shall reimburse each LC Disbursement made in such Alternative Currency in dollars, in an amount equal to the Dollar Equivalent, calculated using the applicable Exchange Rate on the date such LC Disbursement is made, of such LC Disbursement. If the Borrower fails to make such payment when due, then (i) if such payment relates to an

Alternative Currency Letter of Credit, automatically and with no further action required, the Borrower's obligation to reimburse the applicable LC Disbursement shall be permanently converted into an obligation to reimburse the Dollar Equivalent, calculated using the applicable Exchange Rate on the date that such LC Disbursement was made, of such LC Disbursement and (ii) the Administrative Agent shall promptly notify the Issuing Bank and each Revolving Lender of the applicable LC Disbursement, the Dollar Equivalent thereof (if such LC Disbursement relates to an Alternative Currency Letter of Credit), the payment then due from the Borrower in respect thereof and, in the case of a Revolving Lender, such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Revolving Lender shall pay to the Administrative Agent in dollars its Applicable Percentage of the payment then due from the Borrower (determined as provided in clause (i) above, if such payment relates to an Alternative Currency Letter of Credit), 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 in dollars 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 of (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, provided further that, in the case of an LC Disbursement made under an Alternative Currency Letter of Credit, the amount of interest due with respect thereto shall (i) in the case of any such LC Disbursement that is permitted to be reimbursed and is reimbursed in the relevant Alternative Currency, (A) be payable in the applicable Alternative Currency and (B) bear interest at a rate equal to the rate reasonably determined by the Issuing Bank to be the cost to such Issuing Bank of funding such LC Disbursement plus the Applicable Margin applicable to Eurodollar Loans at such time and (ii) otherwise (A) be payable in dollars, (B) accrue on the Dollar Equivalent, calculated using the Exchange Rates on the date such LC Disbursement was made, of such LC Disbursement and (C) bear interest at the rate per annum then applicable to ABR Revolving Loans, subject to Section 2.13(c). 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 Actual LC Exposure representing greater than 50% of the total Actual 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 dollars and in cash equal to the Actual LC Exposure as of such date plus any accrued and unpaid interest thereon, provided that (i) the portions of such amount attributable to undrawn Alternative Currency Letters of Credit or LC Disbursements in an Alternative Currency that the Borrower is not late in reimbursing shall be deposited in the applicable Alternative Currencies in the actual amounts of such undrawn Letters of Credit and LC Disbursements and (ii) upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Section 7.01 of Article VII the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable in dollars, without demand or other notice of any kind. For the purposes of this paragraph, the Actual Alternative Currency LC Exposure shall be calculated using the Exchange Rates on the date notice demanding cash collateralization is delivered to the Borrower. 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 Actual LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Revolving Lenders with Actual LC Exposure representing greater than 50% of the total Actual 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.

(k) Conversion. In the event that the Loans become immediately due and payable on any date pursuant to Section 7.01, all amounts (i) that the Borrower is at the time or thereafter becomes required to reimburse or otherwise pay to the Administrative Agent in respect of LC Disbursements made under any Alternative Currency Letter of Credit (other than amounts in respect of which the Borrower has deposited cash collateral pursuant to Section 2.05(j), if such cash collateral was deposited in the applicable Alternative Currency to the extent so deposited or applied), (ii) that the Revolving Lenders are at the time or thereafter become required to pay to the Administrative Agent and the Administrative Agent is at the time or thereafter becomes required to distribute to the Issuing Bank pursuant to paragraph (e) of this Section in respect of unreimbursed LC Disbursements made under any Alternative Currency Letter of Credit and (iii) of each Revolving Lender's participation in any Alternative Currency Letter of Credit under which an LC Disbursement has been made shall, automatically and with no further action required, be converted into the Dollar Equivalent, calculated using the Exchange Rates on such date (or in the case of any LC Disbursement made after such date, on the date such LC Disbursement is made), of such amounts. On and after such conversion, all amounts accruing and owed to the Administrative Agent, the Issuing Bank or any Lender in respect of the Obligations described in this paragraph shall accrue and be payable in dollars at the rates otherwise applicable hereunder.

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 Additional Term Loan 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 Revolving Commitments, provided that (i) each reduction of the Revolving Commitments 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 Notional Revolving Exposures would exceed the total Revolving Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Revolving 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 Revolving Commitments shall be permanent. Each reduction of the Revolving Commitments shall be made ratably among the Lenders in accordance with their respective Revolving Commitments.

(d) The parties hereto acknowledge that the Tranche B Commitments, the Tranche C Commitments and the Tranche D 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 (e) 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:

<u>Date</u>	<u>Amount</u>
December 31, 2005	\$ 50,844,759.19
March 31, 2006	\$ 51,135,749.86
August 4, 2006	\$ 51,135,749.87

The foregoing amortization schedule does not reflect prepayments of Tranche B Term Borrowings made on or after September 17, 2003.

(b) Subject to adjustment pursuant to paragraph (e) 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:

<u>Date</u>	<u>Amount</u>
September 30, 2006	\$ 1,407,511.61
December 31, 2006	\$ 54,494,530.48
March 31, 2007	\$ 54,494,530.48
August 4, 2007	\$ 54,494,530.50

The foregoing amortization schedule does not reflect prepayments of Tranche C Term Borrowings made on or after September 17, 2003.

(c) Subject to adjustment pursuant to paragraph (e) 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:

<u>Date</u>	<u>Amount</u>
September 30, 2006	\$ 835,425.81
December 31, 2006	\$ 32,345,119.72
March 31, 2007	\$ 32,345,119.72
August 4, 2007	\$ 32,345,119.72

The foregoing amortization schedule does not reflect prepayments of Tranche D Term Borrowings made on or after September 17, 2003.

(d) To the extent not previously paid, (i) all Tranche B Term Loans shall be due and payable on the Tranche B Maturity Date, (ii) all Tranche C Term Loans shall be due and payable on the Tranche C Maturity Date and (iii) all Tranche D Term Loans shall be due and payable on the Tranche D Maturity Date.

(e) Any prepayment of a Term Borrowing of any Class shall be applied to reduce the subsequent scheduled repayments of the Term Borrowing of such Class to be made pursuant to this Section ratably, provided that (i) any prepayment made pursuant to Sections 2.11(c)(i) and 2.11(c)(ii) 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, (ii) the prepayments made pursuant to Section 2.11(c)(iv) shall be applied to reduce the scheduled repayments of Term Borrowings of such Class in chronological order and (iii) prepayments shall be applied to reduce the scheduled repayments of Term Borrowings in chronological order to the extent required by Section 2.11(e)(iii). After giving effect to all adjustments pursuant to the preceding sentence to reflect prepayments made on or prior to the Restatement Effective Date, the scheduled repayments of Tranche D Term Borrowings set forth in paragraph (c) of this Section shall be increased by an aggregate amount equal to the principal amount of Additional Term Loans made on the Restatement Effective Date, with such increase to be allocated ratably among the scheduled repayments due on each scheduled payment date. Promptly after the Restatement Effective Date, the Administrative Agent shall determine the amounts of the remaining scheduled repayments of the Term Loans and notify the Borrower and the Lenders of such amounts.

(f) 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 Actual 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) (i) Prior to the Transition Date, 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 (other than Tranche R Term Borrowings) in an aggregate amount equal to (A) 100% (or 50%, in the case of Net Proceeds from the sale of Equity Interests in the OnMOS Joint Venture) of such Net Proceeds if such Net Proceeds result from an event described in clause (a) of the definition of the term "Prepayment Event", (B) 100% of such Net Proceeds if such Net Proceeds result from an event (other than the issuance of Permitted Convertible Debt) described in clause (b) or (c) of the definition of the term "Prepayment Event" and (C) 50% of such Net Proceeds if such Net Proceeds result from the issuance of Permitted

Convertible Debt or an event described in clause (d) of the definition of the term "Prepayment Event".

(ii) After the Transition Date, 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 (other than Tranche R 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.

(iii) 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 (A) the issuance of the Second Lien Notes, (B) any payment by the China JV of any Indebtedness owing to Holdings, the Borrower or any Subsidiary from the Net Proceeds to the China JV of any Indebtedness incurred by the China JV as contemplated by clause (xiv)(1) of Section 6.01(a) or (C) any Indebtedness incurred by the Borrower as contemplated by clause (xiv)(2) of Section 6.01(a), then, in each such case, the Borrower shall, on the date of receipt of such Net Proceeds (in the case of any such Net Proceeds in respect of the issuance of the Second Lien Notes or the incurrence by the Borrower of Indebtedness referred to in the foregoing clause (C)) or within 10 Business Days after such Net Proceeds are received (in the case of any such Net Proceeds in respect of Indebtedness of the China JV), prepay Term Borrowings (other than Tranche R Term Borrowings) in an aggregate amount equal to such Net Proceeds.

(iv) On the Restatement Effective Date, the Borrower shall prepay Term Borrowings (other than Tranche R Term Borrowings) in an aggregate amount equal to the Net Proceeds in respect of the issuance of the First Lien Notes, less \$25,000,000.

(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 (other than Tranche R Term Borrowings) in an aggregate amount equal to 75% (or, after the Transition Date, 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) (i) 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.

(ii) 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, subject to clause (iii) below, the Borrower shall select Term Borrowings to be prepaid so that the aggregate amount of such prepayment is allocated between the 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.

(iii) Notwithstanding anything contained in clause (ii) of this Section, in the event that any optional or mandatory prepayment is to be made by the Borrower from the Net Proceeds received (x) by or on behalf of Holdings, the Borrower or any Subsidiary in respect of the issuance of any Equity Interests or (y) by the incurrence of the Additional Term Loans, such prepayment shall be (A) applied to reduce the scheduled repayments of the Term Borrowings pursuant to their amortization schedules contained in Section 2.10 (as then in effect) in chronological order (without regard to Class) and (B) allocated among the different Classes of Term Borrowings so that such chronological order of application is achieved. In the event the allocation of such prepayment made by the Borrower pursuant to this clause (iii) results in a portion of such prepayment being insufficient to prepay all the scheduled repayments of the different Classes of Term Borrowings due on the same date, then the Borrower shall allocate on a pro rata basis such portion to all the scheduled repayments due on that date.

(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 or Tranche C Term Borrowing pursuant to Section 2.11(a) or (c), the Borrower shall pay to the Tranche B Lenders and Tranche C Lenders whose Tranche B Term Loans or Tranche C 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 or Tranche C 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, 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 Actual 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 Actual LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Restatement 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 Actual 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 Actual 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 Actual 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 Restatement 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). For purposes of calculating the average daily amount of the Actual LC Exposure for any period under this Section 2.12(b), the average daily amount of the Actual Alternative Currency LC Exposure for such period shall be calculated by multiplying (x) the average daily balance of each Alternative Currency Letter of Credit (expressed in the currency in which such Alternative Currency Letter of Credit is denominated) by (y) the Exchange Rate for each such Alternative Currency in effect on the last Business Day of such period or by such other reasonable method that the Administrative Agent deems appropriate.

(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.

SECTION 2.20. Change in Law. Notwithstanding any other provision of this Agreement, if, after the Restatement Effective Date, (i) any Change in Law occurring after the

Restatement Effective Date shall make it unlawful for the Issuing Bank to issue Letters of Credit denominated in an Alternative Currency, or (ii) there shall have occurred any change in national or international financial, political or economic conditions (including the imposition of or any change in exchange controls) or currency exchange rates that would make it impracticable for the Issuing Bank to issue Letters of Credit denominated in such Alternative Currency for the account of the Borrower, then by prompt written notice thereof to the Borrower and to the Administrative Agent (which notice shall be withdrawn whenever such circumstances no longer exist), the Issuing Bank may declare that Letters of Credit will not thereafter be issued by it in the affected Alternative Currency or Alternative Currencies, whereupon the affected Alternative Currency or Alternative Currencies shall be deemed (for the duration of such declaration) not to constitute an Alternative Currency for purposes of the issuance of Letters of Credit by the Issuing Bank.

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. Authorization; 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 Acquisition 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 Acquisition 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 Acquisition 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 Andersen 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 Acquisition Transactions, none of Holdings, the Borrower or the Subsidiaries has, as of April 3, 2000, 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 April 3, 2000.

(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 February 14, 2003.

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 April 3, 2000. 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 Acquisition Transactions to occur on April 3, 2000, and immediately following the making of each Loan made on April 3, 2000 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 April 3, 2000.

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 April 3, 2000, 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.

SECTION 3.19. Senior Secured Obligations. All the Obligations constitute "Credit Agreement Obligations" under and as defined in each of the First Lien Note Indenture and the Second Lien Note Indenture. The Liens granted pursuant to the Security Documents are prior to the Liens granted pursuant to the Second Lien Security Documents.

ARTICLE IV

Conditions

SECTION 4.01. [Intentionally Omitted]

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 Section 6.15, and, prior to the Transition Date, Section 6.16 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;

(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; and

(h) in respect of each fiscal month ending on or prior to the earlier of (i) the Transition Date and (ii) March 31, 2003, (A) within 30 days after the end of each of the first two fiscal months of each fiscal quarter of Holdings, a Financial Report for each such month and for the then elapsed portion of the fiscal year and (B) within 45 days after the end of the last fiscal month of each fiscal quarter of Holdings, a Financial Report for such fiscal month and for such fiscal quarter and for the then elapsed portion of the fiscal year.

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 jurisdiction of formation, 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 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) Permitted Convertible Debt;

(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;

(xii) Indebtedness of Leshan-Phoenix Semiconductor Co., Ltd. (the "China JV") in an aggregate principal amount not exceeding \$25,000,000 at any time outstanding, provided that such Indebtedness is (i) secured only by assets of the China JV and not by the assets of Holdings, the Borrower or any other Subsidiary and (ii) not Guaranteed by Holdings, the Borrower or any other Subsidiary;

(xiii) the Second Lien Notes, provided that the Second Lien Notes shall not be Guaranteed by any Subsidiary that has not guaranteed the Obligations;

(xiv) Indebtedness for borrowed money incurred (1) by the China JV to refinance Indebtedness owed by the China JV to Holdings, the Borrower or any Subsidiary or (2) by the Borrower, which Indebtedness is guaranteed by the China JV in consideration for the cancelation by Holdings, the Borrower or any Subsidiary, as the case may be, of Indebtedness of the China JV owing to Holdings, the Borrower or such Subsidiary, as the case may be, having an aggregate principal amount that is no greater than the aggregate principal amount of the Indebtedness so canceled; provided that (i) the aggregate principal amount of such Indebtedness shall not exceed \$100,000,000, (ii) the interest rate payable by the China JV or the Borrower in respect of any such Indebtedness so incurred is less than the interest rate payable by the China JV in respect of the Indebtedness so repaid (in the case of Indebtedness incurred under clause (1) above) or canceled (in the case of Indebtedness incurred under clause (2) above), (iii) such Indebtedness (x) shall not be secured by any Lien other than Liens permitted by Section 6.02(a)(xi), (y) shall not be Guaranteed by any Person other than the China JV and (z) shall not (in the case of Indebtedness incurred pursuant to clause (2) above) mature, and no amortization or principal payment in respect thereof shall be made, prior to the date that is six months after the Tranche D Maturity Date; and

(xv) the First Lien Notes, provided that the First Lien Notes shall not be Guaranteed by any Subsidiary that has not guaranteed the Obligations.

(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), (a)(xiii) and (a)(xv) 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.

(d) Neither Holdings nor the Borrower will permit the Bermuda IP Subsidiary to create, incur, assume or permit to exist any Indebtedness (regardless of whether permitted under paragraph (a) of this Section) other than Indebtedness of the Bermuda IP Subsidiary owed to the Borrower or a Subsidiary Loan Party that is otherwise permitted by this Agreement.

(e) Notwithstanding anything contained in Section 6.01(a), (b) or (c), (i) Holdings may issue preferred stock, or Holdings or the Borrower may incur Indebtedness, in each case pursuant to a Qualified Liquidity Financing and (ii) Holdings may issue preferred stock pursuant to the TPG Equity Purchase.

(f) Notwithstanding anything contained in Section 6.01(a), the OnMOS Joint Venture may incur Indebtedness that is guaranteed by Mosel in an aggregate principal amount not exceeding \$10,000,000 at any time outstanding, provided that such Indebtedness shall not be Guaranteed by, or otherwise be recourse to, any of Holdings, the Borrower or the Subsidiaries (other than the OnMOS Joint Venture or any subsidiaries of the OnMOS Joint Venture). Any such Indebtedness of the OnMOS Joint Venture shall be deemed not to be Indebtedness of Holdings, the Borrower and the Subsidiaries for the purpose of calculating Funded Indebtedness and Total Senior Indebtedness and any interest expense with respect to such Indebtedness shall be excluded from consolidated interest expense for the purpose of calculating Consolidated Cash Interest Expense.

SECTION 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, including those Liens securing the First Lien Notes;
- (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;

(viii) Liens in favor of a landlord on leasehold improvements in leased premises;

(ix) Liens on the assets of the China JV securing Indebtedness incurred by the China JV permitted under clause (xii) of Section 6.01(a);

(x) Liens granted under the Second Lien Security Documents; provided that (A) such Liens secure only obligations in respect of the Second Lien Notes, (B) such Liens do not apply to any asset other than Collateral that is subject to a prior Lien granted under a Security Document and (C) all such Liens and Second Lien Security Documents shall be subject to the terms of the Intercreditor Agreement; and

(xi) Liens on the assets of the China JV securing Indebtedness permitted under clause (xiv) of Section 6.01(a).

(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 the Second Lien Document 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) after the Transition Date, 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;
 - (t) other investments in an aggregate amount not to exceed \$40,000,000 (or, after the Transition Date, \$100,000,000) at any time outstanding;
- and
- (u) the creation by the Borrower of a limited liability company organized under the laws of a jurisdiction in the United States of America and the Borrower's contribution to the OnMOS Joint Venture through such limited liability company of (i) \$51 in exchange for a 51% interest therein and (ii) the assets and operations of the TMOS business of the Subsidiaries and Holdings; provided that promptly following the contribution of such assets and operations to the OnMOS Joint Venture contemplated by this clause (u), the Borrower shall deliver to the Administrative Agent copies of all

definitive documentation regarding such investment, certified by a Financial Officer as complete and correct.

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, Restructuring Liquidation Sales 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 may consummate the Facilities Transfer;

(e) sales, transfers and other dispositions of assets (other than Equity Interests in a Subsidiary, except for sales of Equity Interests in the OnMOS Joint Venture to the extent such sales do not result in the failure of the Borrower to comply with Section 6.17) 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 \$30,000,000 (or, after the Transition Date, \$50,000,000) during any fiscal year of the Borrower; and

(f) sales, transfers and other dispositions of assets listed on Schedule 6.05 hereto,

provided that (i) all sales, transfers, leases and other dispositions permitted hereby shall be made for fair value (other than those permitted by clause (b) above) and for consideration of at least 80% cash or cash equivalents (other than those permitted by clause (b) and (f) above) and (ii) the fair value of all consideration (other than cash and cash equivalents) received in respect of dispositions permitted by clause (f) above does not exceed \$15,000,000.

SECTION 6.06. Sale and Leaseback Transactions. 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 redemption of the First Lien Notes or the Second Lien Notes or a combination thereof with not more than 25% of the aggregate net proceeds of one or more issuances of equity securities of Holdings, provided that (A) after giving effect to such redemption, no Default or Event of Default shall have occurred and be continuing, (B) not more than 35% of the original aggregate principal amount of the First Lien Notes or the Second Lien Notes is redeemed and (C) any such redemption shall be made within 90 days of such equity issuance and otherwise in compliance with the provisions of the First Lien Note Indenture or Second Lien Note Indenture, as applicable;

(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, (i) any Restricted Payment permitted by Section 6.08 and (j) any ancillary agreements entered into between Holdings, the Borrower or any Subsidiary and the OnMOS Joint Venture at any time that Holdings owns directly and indirectly less than 80% of the economic interest of the OnMOS Joint Venture; provided, however, that, prior to the

Transition Date, all management fees payable to TPG or its Affiliates shall accrue and not be payable in cash, it being understood that any such fees may be paid by the issuance of common stock of or warrants in respect of common stock of Holdings and any other fees may be paid in cash.

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, Subordinated Debt Document, First Lien Document or Second Lien 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, (iv) the Certificate of Designations, (v) except for amendments to the Second Lien Security Documents permitted by the Intercreditor Agreement, any Second Lien Document, or (vi) any First Lien Document; provided that any certificate of incorporation, by-law or other organizational documents described in clause (ii) of this paragraph may be amended or modified (and any rights thereunder may be waived) in any respect that is not materially adverse to the interests of the Lenders.

(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.

(d) The Borrower will not amend, modify or waive any of its rights under the IP License to the extent that such amendment, modification or waiver would (i) adversely affect the subordination of the rights of the Bermuda IP Subsidiary under the IP License to the Liens granted under the Security Agreement on the intellectual property covered by the IP License or (ii) otherwise be adverse to the Lenders in any material respect.

SECTION 6.12. [Intentionally Omitted].

SECTION 6.13. [Intentionally Omitted].

SECTION 6.14. Capital Expenditures. (a) The Borrower and Subsidiaries shall not incur or make any Capital Expenditures during any period set forth below (a "Measurement Period") in an amount exceeding the amount set forth opposite such period:

<u>Period</u>	<u>Maximum Capital Expenditures</u>
January 1, 2002 to March 31, 2003	\$ 52,500,000
April 1, 2003 to December 31, 2003	\$ 87,500,000
January 1, 2004 to December 31, 2004	\$ 100,000,000
January 1, 2005 to December 31, 2005	\$ 100,000,000
January 1, 2006 to December 31, 2006	\$ 100,000,000
January 1, 2007 to August 4, 2007	\$ 100,000,000

(b) Notwithstanding the foregoing, the \$100,000,000 permitted amount in respect of any fiscal year ending after December 31, 2003 shall be increased by an amount equal to 50% of the amount (if any) by which Consolidated EBITDA for the immediately preceding fiscal year exceeds \$200,000,000.

(c) In addition, the amount of Capital Expenditures permitted to be made by the Borrower and Subsidiaries in respect of any fiscal year after December 31, 2003 shall be increased by (i) the unused amount (if any) of Capital Expenditures that were permitted to be made during the immediately preceding Measurement Period pursuant to Section 6.14(a) minus (ii) an amount equal to the unused permitted Capital Expenditures carried forward to such immediately preceding Measurement Period pursuant to this paragraph (c); provided that the increase in any fiscal year pursuant to this clause (c) shall not exceed 50% of the permitted Capital Expenditures amount for the immediately preceding Measurement Period pursuant to paragraphs (a) and (b).

For purposes of determining compliance with this Section, Capital Expenditures incurred or made by the OnMOS Joint Venture and its subsidiaries shall be disregarded.

SECTION 6.15. Minimum Consolidated EBITDA. The Borrower will not permit Consolidated EBITDA for any period of four consecutive fiscal quarters ending on any date after the Restatement Effective Date to be less than \$140,000,000.

SECTION 6.16. Minimum Cash and Cash Equivalents. Prior to the Transition Date, the Borrower will not permit the Liquidity Amount for any period of five consecutive

Business Days ending on or after the date hereof (calculated at the close of business on each Business Day), to be less than \$50,000,000.

SECTION 6.17. OnMOS Joint Venture Interest. At all times after consummation of its investment in the OnMOS Joint Venture the Borrower shall own (directly or indirectly) at least 51% of the voting power represented by the outstanding Equity Interests of the OnMOS Joint Venture.

ARTICLE VII

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, sequester, 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, sequester, 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;

(o) a Change in Control shall occur; or

(p) the TPG Equity Purchase shall not have been consummated on or prior to September 7, 2001;

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 JPMorgan Chase Bank, Loan and Agency Services Group, 1111 Fannin, 10th Floor, Houston, TX 77002, Attention of Maryann T. Bui (Telecopy No. (713) 750-2358), with a copy to JPMorgan Chase 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 JPMorgan Chase Bank, in care of JPMorgan Treasury Services, 10420 Highland Manor Drive, 4th Floor, Tampa, Florida 33610, Attention of Standby LC Department (Telecopy No. (813) 432-5161);

(d) if to the Swingline Lender, to JPMorgan Chase Bank, Loan and Agency Services Group, 1111 Fannin, 10th Floor, Houston, TX 77002, Attention of Maryann T. Bui (Telecopy No. (713) 750-2358); 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 9.02. 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 Actual 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.

SECTION 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 Actual 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 \$1,000,000 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. This Agreement shall become effective as provided in the Amendment and Restatement 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. Existing Credit Agreement; Effectiveness of Amendment and Restatement. Until this Agreement becomes effective in accordance with the terms of the Amendment and Restatement Agreement, the Existing 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 Existing Credit Agreement shall become obligations of the Borrower hereunder, secured by the Security Documents, and the provisions of the Existing 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 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.

SECTION 9.16. [Intentionally Omitted]

SECTION 9.17. Conversion of Currencies. (a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of the Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "Applicable Creditor") shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which such sum is stated to be due hereunder (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Borrower contained in this Section 9.17 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

SUPPLEMENT NO. 1 dated as of September 23, 2003, to the Security Agreement dated as of August 4, 1999 as amended and restated as of March 3, 2003 (the "*Security Agreement*"), by and among SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company (the "*Borrower*"), ON SEMICONDUCTOR CORPORATION, a Delaware corporation (formerly known as SCG HOLDING CORPORATION, "*Holdings*") and, together with the Borrower and any Subsidiary becoming a party thereto pursuant to Section 5.12 of the Credit Agreement referred to below, the "*Grantors*") in favor of JPMORGAN CHASE BANK (formerly known as THE CHASE MANHATTAN BANK), a New York banking corporation, as collateral agent (in such capacity the "*Collateral Agent*") for the Secured Parties (as such term is defined below).

A. Reference is made to the Credit Agreement, dated as of August 4, 1999, as amended and restated as of September 17, 2003, as amended (the "*Credit Agreement*"), among the Borrower, Holdings, the Lenders party thereto and JPMorgan Chase Bank as administrative agent, collateral agent and syndication agent (the Lenders, the Issuing Bank, the Administrative Agent and the Collateral Agent, collectively, the "*Secured Parties*").

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. Section 4.12 (e) of the Security Agreement requires the Grantors to notify the Collateral Agent of all Collateral of any Grantor that has not been previously identified to the Collateral Agent. The Grantors have identified additional Collateral as set forth on the Schedules hereto. The undersigned Grantors are executing this Supplement in accordance with the requirements of the Security Agreement in order to facilitate a supplemental filing to be made by the Collateral Agent with the Patent and Trademark office.

Accordingly, the Collateral Agent and each of the Grantors agree as follows:

SECTION 1. Schedules III, IV and V of the Security Agreement is hereby supplemented by the information set forth in Schedules III, IV, and V hereto.

SECTION 2. 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 each of the Grantors 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 3. Each of the Grantors hereby represents and warrants that the information set forth on Schedules III, IV and V attached hereto are true and correct.

SECTION 4. Except as expressly supplemented hereby, the Security 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 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 7. The Grantors agree 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 parties hereto have duly executed this Supplement to the Security Agreement as of the day and year first above written.

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

by /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

ON SEMICONDUCTOR CORPORATION,

by /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

EACH OF THE SUBSIDIARY
GUARANTORS LISTED ON SCHEDULE
I TO THE SECURITY AGREEMENT,

/s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

JPMORGAN CHASE BANK,
as Collateral Agent,

by /s/ EDMOND DEFOREST

Name: Edmond DeForest
Title: Vice President

REAFFIRMATION AGREEMENT, dated as of September 23, 2003 (as the same may from time to time be amended, supplemented or otherwise modified, this "Agreement"), among ON SEMICONDUCTOR CORPORATION (formerly known as SCG HOLDING CORPORATION) ("Holdings"), SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC (the "Borrower"), each subsidiary of Holdings listed on the signature pages hereof (collectively, the "Subsidiary Loan Parties" and, together with Holdings and the Borrower, the "Reaffirming Parties") and JPMORGAN CHASE BANK, as Administrative Agent, Issuing Bank and Collateral Agent (in such capacities, "JPMCB") 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, the Lenders party thereto, and JPMCB have entered into an Amendment and Restatement Agreement (the "Amendment and Restatement Agreement"), dated as of September 17, 2003, which amends and restates the Credit Agreement dated as of August 4, 1999, as amended and restated as of April 3, 2000 (as amended and restated after giving effect to the Amendment and Restatement Agreement, 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 Amendment and Restatement Agreement and as a result of the Amendment and Restatement Agreement becoming effective; and

WHEREAS the execution and delivery of this Agreement is a condition precedent to the effectiveness of the Amendment and Restatement 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. (a) Each of the Reaffirming Parties hereby consents to the Amendment and Restatement Agreement and hereby confirms its

respective guarantees, pledges and grants of security interests, as applicable, under each of the Loan Documents to which it is a party, and agrees that notwithstanding the effectiveness of the Amendment and Restatement 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.

(b) Each of the Reaffirming Parties hereby confirms and agrees that the Additional Term Loans and the Revolving Loans constitute Obligations under each of the Loan Documents.

SECTION 1.02. Amendment and Restatement. On and after the effectiveness of the Amendment and Restatement Agreement, (i) each reference in each Loan Document 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) and (ii) the definition of any term defined in any Loan Document by reference to the terms defined in the "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.

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 JPMCB, 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 JPMCB and the Lenders under applicable law, if an Event of Default shall have occurred and be continuing, JPMCB, 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 JPMCB or such Lender, irrespective of whether or not JPMCB or such Lender shall have made any demand under this Agreement or such other Loan Document. The rights of JPMCB and each Lender under this Section 3.02 are in addition to other rights and remedies (including other rights of setoff) which JPMCB 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 JPMCB 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 JPMCB 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 by 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 Existing Credit Agreement shall become obligations under the Amended and Restated Credit Agreement, secured by the Loan Documents as reaffirmed hereby. Neither this Agreement nor the execution, delivery or effectiveness of the Amendment and Restatement Agreement shall extinguish the obligations for the payment of money outstanding under the Amendment and Restatement Agreement or the Amended and Restated Credit Agreement or discharge or release the Lien or priority of any Security Document or any other security therefor. Nothing herein contained shall be construed as a substitution or novation of the obligations outstanding under the Existing 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 express or implied in this Agreement, the Amendment and Restatement Agreement, the Amended and Restated Credit Agreement or in any other document contemplated hereby or thereby shall be construed as a release or other

discharge of Holdings, the Borrower or any Subsidiary Loan Party under any Loan Document from any of its obligations and liabilities as “Holdings”, a “Borrower”, a “Subsidiary Loan Party”, a “Guarantor”, a “Grantor”, a “Pledgor”, a “party to the Indemnity, Subrogation and Contribution Agreement” or a “party to the Collateral Assignment” under the Existing Credit Agreement or the Loan Documents. Each of the Existing Credit Agreement and the Loan 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 JPMCB have caused this Agreement to be duly executed and delivered as of the date first above written.

ON SEMICONDUCTOR CORPORATION,

By: /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

By: /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

SCG INTERNATIONAL DEVELOPMENT LLC,

By: /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

SCG (MALAYSIA SMP) HOLDING CORPORATION,

By: /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

SCG (CZECH) HOLDING CORPORATION,

By: /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

SCG (CHINA) HOLDING CORPORATION,

By: /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and
Chief Financial Officer

SEMICONDUCTOR COMPONENTS INDUSTRIES PUERTO RICO, INC.,

By: /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and Chief Financial Officer

SEMICONDUCTOR COMPONENTS INDUSTRIES OF RHODE ISLAND, INC.,

By: /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and Chief Financial Officer

SEMICONDUCTOR COMPONENTS INDUSTRIES INTERNATIONAL OF RHODE ISLAND, INC.,

By: /s/ DONALD A. COLVIN

Name: Donald A. Colvin
Title: Senior Vice President and Chief Financial Officer

JPMORGAN CHASE BANK, as
Administrative Agent, Issuing Bank and
Collateral Agent,

By: /s/ EDMOND DEFOREST

Name: Edmond DeForest
Title: Vice President

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Keith D. Jackson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ON Semiconductor Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2003

/s/ KEITH D. JACKSON

Keith D. Jackson
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Donald Colvin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ON Semiconductor Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2003

/s/ DONALD COLVIN

Donald Colvin
Chief Financial Officer

Certification**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of ON Semiconductor Corporation, a Delaware corporation ("Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended October 3, 2003 ("Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2003

/s/ KEITH D. JACKSON

Keith D. Jackson
President and Chief Executive Officer

Dated: November 7, 2003

/s/ DONALD COLVIN

Donald Colvin
Senior Vice President and
Chief Financial Officer

(A signed original of this written statement required by Section 906 has been provided to ON Semiconductor Corporation and will be retained by ON Semiconductor Corporation and furnished to the Securities and Exchange Commission or its staff upon request.)