SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2000

OR

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

For the transition period from to

000-30419

(Commission File Number)

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)

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act: Common stock, par value $0.01 per share

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained therein, and will not be contained to the best of registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

The aggregate market value of voting stock held by non-affiliates of the Registrant as of February 28, 2001 is $214,575,570. Shares held by executive officers, directors and persons owning more than 10% of the outstanding Common Stock have been excluded because such persons may be deemed to be affiliates of the Company.

The number of shares of the registrant's Common Stock outstanding at February 28, 2001 was 172,782,789.

Documents Incorporated by Reference

Portions of the Annual Report to Stockholders for the year ended December 31, 2000 are incorporated by reference into Parts I, II, and IV.

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 23, 2001 are incorporated by reference into Part III hereof.

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PART I

Item 1. *Business*

Business Overview

ON Semiconductor Corporation ("ON Semiconductor" or "the Company") is a global supplier of high-performance broadband and power management integrated circuits and standard semiconductors used in numerous advanced devices ranging from high-speed fiber optic networking equipment to the precise power management functions found in today's advanced portable electronics. Our technology portfolio is lead by high-speed digital and mixed signal silicon critical to today's technology solutions requiring speed, capacity and throughput. Our analog technology product portfolio is critical in serving power management needs for portable electronics and access to today's pervasively connected world.

Our products provide high-performance clock management and data flow management for precision computing and communications systems, and power management for distributing and monitoring the supply of power to the different elements within virtually every electronic device. The principal end-user markets for our products are networking and computing, wireless communications, consumer electronics, automotive electronics and industrial electronics. Applications for our products in these markets include routers and other advanced networking equipment, cellular telephones and portable electronic, industrial automation and control systems.

We have three principal product lines: broadband and advanced logic (application specific standard products, communication integrated circuits, clocks, translators and drivers) power management and standard analog (amplifiers, voltage, interfaces, references and comparators); and standard semiconductors.

We sell our products to customers around the world, including original equipment manufacturers such as Advantest, Agilent, Alcatel, Cisco Systems, Huawei, Lucent, Nortel Networks, Nokia, Sony and Sun Microsystems, electronic manufacturing service providers such as Celestica, Flextronics, SCI and Solectron, and distributors such as Arrow and Avnet. We have design operations in Phoenix and Chandler, Arizona; East Greenwich, Rhode Island; Irvine, California; Grenoble and Toulouse France; Rozov, Czech Republic; Tokyo and Aizu, Japan; and Hong Kong, China. We operate manufacturing facilities in Arizona and Rhode Island in the United States, China, the Czech Republic, Japan, Malaysia, Mexico, the Philippines and Slovakia, directly or through joint ventures.

Immediately prior to our August 4, 1999 recapitalization (the "Recapitalization"), we were a wholly-owned subsidiary of Motorola, Inc. ("Motorola"). We held and continue to hold, through direct and indirect subsidiaries, substantially all of the assets and operations of the Semiconductor Components Group of Motorola's Semiconductor Products Sector ("SCG"). As part of the Recapitalization, an affiliate of Texas Pacific Group purchased a portion of our common stock from Motorola for $337.5 million, and we redeemed common stock held by Motorola for a total of approximately $952 million. As a result, immediately subsequent to the Recapitalization, Texas Pacific Group's affiliate owned approximately 91%, and Motorola owned approximately 9%, of our voting common stock. To finance a portion of the Recapitalization, Semiconductor Components Industries, LLC, our primary domestic operating subsidiary, borrowed $740.5 million under senior secured bank facilities, $91 million through a junior subordinated note to Motorola and $400 million through senior subordinated notes that were coissued by the Company. We also issued mandatorily redeemable preferred stock with a total initial liquidation preference of $209 million to Motorola and Texas Pacific Group's affiliate. Because Texas Pacific Group's affiliate did not acquire substantially all of SCG's common stock, the basis of SCG's assets and liabilities for financial reporting purposes was not impacted by our Recapitalization. At the time of the Recapitalization, Motorola agreed to provide us with transition and manufacturing services in order to facilitate our transition to a stand-alone company independent of Motorola.

On April 3, 2000, we acquired all of the outstanding capital stock of Cherry Semiconductor Corporation ("Cherry") for approximately $253.2 million in cash (including acquisition related costs), which we financed with cash on hand and borrowings of $220.0 million under our senior secured bank facilities. Cherry, which we

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have renamed Semiconductor Components Industries of Rhode Island, Inc., designs and manufactures analog and mixed signal integrated circuits for the power management and automotive markets.

On May 3, 2000, we completed the initial public offering ("IPO") of our common stock, selling 34.5 million shares with an issue price of $16 per share. Net proceeds from the IPO (after deducting issuance costs) were approximately $514.8 million. The net proceeds were used to redeem all outstanding preferred stock (including accrued dividends), redeem a portion of the senior subordinated notes and prepay a portion of the loans outstanding under the senior bank facilities. In connection with this debt prepayment, we incurred prepayment penalties and redemption premiums of $17.3 million and wrote off $11.9 million of debt issuance costs. These amounts, totaling $29.2 million ($17.5 million or $0.11 per share, net of income taxes), have been classified as an extraordinary loss in the accompanying consolidated statement of operations and comprehensive income for 2000.

Products and Technology

The following table provides information regarding our primary product lines:

	Broadband and Advanced Logic	Power Management and Standard Analog	Standard Semiconductors
Approximate 2000 net product revenues	$312 million	$533 million	$1,167 million
Primary product function	Interfacing functions, such as interconnecting and routing (moving) electronic signals within electronic systems.	Power control and Interfacing functions in Portable and high-power Applications.	Power control and power protection functions in a broad range of products.

Sample applications	Fast routing of signals used in communication and networking switches, high-end servers, high-performance work stations, highly dense memory modules, storage networks and precision measurement test systems.	Intelligent power management and battery protection in portable applications such as pagers and portable computers.	Power management for computers, televisions, audio equipment, fluorescent lights, monitors and automotive control systems.
Types of product	Mixed-signal and emitter- coupled logic.	Amplifiers, voltage references, interfaces, comparators and mixed signal.	Bipolar and MOS gated power transistors, small signal transistors, zeners, thyristors, rectifiers, standard logic integrated circuits.
Representative original equipment manufacturers customers and end users	Alcatel Cisco Systems Ericsson Fujitsu Hewlett-Packard Lucent Technologies Motorola Nokia Nortel Networks Siemens	Alcatel Delphi Ericsson Intel Motorola Nokia Philips Siemens Sony Visteon	DaimlerChrysler Delphi Delta Motorola Nokia Philips Seagate Siemens Valeo Visteon

Broadband Products. ON Semiconductor is a global leader in creating high-performance integrated circuit solutions critical to today's broadband applications. We design and deliver application-specific integrated circuits using advanced technologies that address the high-performance needs of wireless, networking and data management. Our extensive broadband portfolio, led by our ECLinPS family, are designed into state-of-the-art systems such as communication and networking switches, high-end servers, high-performance work stations, highly dense memory modules, storage networks and precision measurement test systems. We enable application specific designs for today's advanced networks, including Asynchronous Transfer Mode (ATM), Enterprise Networks, Storage Area Networks (SAN) and Internet Protocol (IP) applications.

Power Management Products and Standard Analog. One of the fastest growing segments within the analog market is power management. ON Semiconductor is one of the largest suppliers of power management analog products. We have a complete power management portfolio in the six major product categories, which include DC/ DC regulators, AC/ DC off-line regulators, linear regulators, PWM/ PFM controllers, PFC pre-regulators and battery charging/management integrated circuits. Our products are engineered and manufactured to meet the power management needs of high-performance applications to customers in the wireless, automotive and computing markets.

Standard Semiconductor Products. ON Semiconductor offers an extensive line of standard semiconductors, including standard logic integrated circuits and nearly all discrete semiconductors other than sensors, optoelectronics, RF and microwave power transistors. These products are found in nearly every electronic product, including computers, cellular phones, mass storage devices, televisions, radios, VCRs, DVD players and pagers.

Customers

Our customer base includes original equipment manufacturers, electronic manufacturing service providers and preferred distributors. Our products are ultimately purchased by end users for use in a variety of markets, including networking and computing, wireless communications, consumer electronics, automotive electronics and industrial. Sales to Arrow, Avnet and Motorola accounted for approximately 12%, 11% and 10%, respectively, of our total revenue during 2000, compared to 9%, 10% and 16%, respectively, of our total revenue for the period from August 4, 1999 to December 31, 1999.

Original Equipment Manufacturers. Direct sales to original equipment manufacturers accounted for approximately 43% of our net product revenues in 2000 and approximately 48% of our net product revenues in 1999. These customers include a variety of companies in the electronics industry, such as Agilent, Alcatel, Cisco Systems, Hewlett-Packard, Lucent Technologies, Motorola, Nortel Networks, Philips, Siemens and Sony, and automotive manufacturers, such as DaimlerChrysler, Delphi and Visteon. We intend to focus on three types of original equipment manufacturers: multi-nationals, selected regional accounts and target market customers. We expect large multi-nationals and selected regional accounts, which are significant in specific markets, to be our core original equipment manufacturer customers. The target market customers in the communications, power management and broadband markets are original equipment manufacturers that are on the leading edge of specific technologies and provide direction for technology and new product development. We expect overall sales to original equipment manufacturers to continue to decline as a percentage of sales as these customers increasingly purchase component products through distributors or outsource their manufacturing to electronic manufacturing service providers. Distributors and electronic manufacturing service providers are representing a larger share of the market in general, and we expect these customers to represent a larger percentage of our total addressable market in the future. We do not anticipate any significant effect on our overall sales from this shift in the customer base.

Distributors. Sales to distributors accounted for approximately 45% of our net product revenues in 2000 and approximately 44% of our net product revenues in 1999. Our distributors, which include Arrow, Avnet and All American, resell to mid-sized and smaller original equipment manufacturers and to electronic manufacturing service providers and other companies. They expect larger original equipment manufacturers to become an increasingly important category of distributors' direct customers.

Electronic Manufacturing Service Providers. Direct sales to electronic manufacturing service providers accounted for approximately 12% of our net product revenues in 2000 and approximately 8% of our net product revenues in 1999. Our largest electronic manufacturing service customers are Celestica, Delta Electronics, Flextronics, Solectron and SCI. These customers are manufacturers who typically provide contract manufacturing services for original equipment manufacturers. Originally, these companies were involved primarily in the assembly of printed circuit boards, but they now typically provide design, supply management and manufacturing solutions. Many original equipment manufacturers now outsource a large part of their manufacturing to electronic manufacturing service providers in order to focus on their core competencies. We are pursuing a number of strategies to service this increasingly important marketplace, including the use of the Internet not only for order and payment processing but also to promote more immediate communication among our sales and support staff and these customers.

Manufacturing Operations

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

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

Location	Products	Size
		(sq. ft.)
Integrated Facilities:		
Roznov, Czech Republic (Tesla joint venture)	Power Management and Standard Analog	321,000
Seremban, Malaysia	Standard semiconductors	90,000
Guadalajara, Mexico	Standard semiconductors	254,000
Front-end Facilities:		
Phoenix, Arizona	Broadband and Advanced Logic, Standard semiconductors	239,000
Aizu, Japan	Power Management and Standard Analog, Standard semiconductors	256,000
Piestany, Slovakia	Standard semiconductors	915,000
East Greenwich, Rhode Island	Power Management and Standard Analog	209,000
Back-end Facilities:		
Leshan, China (Leshan joint venture)	Standard semiconductors	264,000
Seremban, Malaysia (joint venture with Philips)	Standard semiconductors	514,000
Seremban, Malaysia	Standard semiconductors	239,000
Carmona, Philippines	All	180,000
Other Facilities:		
Roznov, Czech Republic (Terosil joint venture)	Raw wafers	69,000

We have entered into an agreement with Motorola to continue to provide manufacturing services to each other for limited periods of time following our Recapitalization. We negotiated fixed prices with Motorola for the services covered by these agreements to approximate each party's cost of providing the services. Subject to

our right to cancel upon six months written notice, we have minimum commitments to purchase manufacturing services from Motorola of approximately $56 million, $45 million and $44 million in 2001, 2002 and 2003, respectively. Motorola has no minimum purchase commitments remaining.

A portion of our manufacturing activity is conducted through our joint ventures in the Czech Republic, China and Malaysia. In 2000, purchases from the joint ventures represented approximately $193 million of our cost of sales.

In the Czech Republic, we operate two joint ventures, Tesla and Terosil. These joint ventures are publicly traded Czech companies in which we currently directly own a 78.8% and 75.2% equity interest, respectively. The Tesla joint venture operates an integrated front-end manufacturing and back-end assembly facility. The Terosil joint venture manufactures raw wafers that are used by a number of our facilities. We have committed to purchase all of the output of the Tesla joint venture or, to the extent we do not do so, pay for its fixed and semi-fixed costs of production. We also have fixed minimum commitments for the Terosil joint venture. In 2000, we purchased the total output of Tesla and 77% of the sales of Terosil, which exceeded our minimum commitment. These commitments expire in February 2004.

In Leshan, China, we operate one joint venture, Leshan-Phoenix Semiconductor Company Ltd. We beneficially own a majority of the outstanding equity interests of the Leshan joint venture, and the remainder is owned by Leshan Radio Company Ltd. Due to certain rights held by the minority shareholder, we do not exercise control over this entity and therefore, account for it using the equity method of accounting for investments. The Leshan joint venture operates a back-end manufacturing facility. We have committed to purchase a percentage of the total output commensurate with our ownership stake, and in 2000 actually purchased 75% of the total sales of Leshan. The Leshan joint venture expires in 2045.

In Seremban, Malaysia, we have a 50% investment in Semiconductor Miniatures Products Malaysia Sdn. Bhd., ("SMP") a joint venture with Philips Semiconductors International B.V. SMP operates a back-end assembly facility. The terms of the joint venture agreement provide Philips with the right to purchase our interest, between January 2001 and July 2002. On February 1, 2001, Philips exercised its purchase right, acquiring full ownership of this joint venture. We do not expect the acquisition by Philips to have a material impact on our financial condition or results of operations.

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

Sales, Marketing and Distribution

Our global sales and marketing organization serves customers in 37 countries. We operate regional headquarters Aylesbury, U.K., Phoenix, Arizona, and Hong Kong, China. We support our customers through logistics organizations, and just-in-time warehouses. Global and regional distribution partners further support our customer's needs for quick response and service. We offer efficient, cost-effective Internet-based applications support from our laboratories in the Czech Republic, China and the United States. Through on-line connectivity, applications developed in one region of the world are now instantaneously available to all other regions.

Motorola agreed to continue to provide us with worldwide shipping and freight services for a period of up to three years following our Recapitalization. The cost allocated to us by Motorola for these services is based our sales as a percentage of total Motorola Semiconductor Products Sector plus ON Semiconductor sales. Because our products are sold in higher volumes than other Motorola products for comparable sales, this allocation may result in better

prices than we could obtain from third parties. However, we believe we will be able to replace these services on comparable terms at the expiration of this agreement because of increased

efficiencies resulting from a shipping and freight organization dedicated to our products and ongoing factory consolidations (see Note 6 to the Consolidated Financial Statements at Exhibit 13 of this Form 10-K for a discussion of the restructuring programs in 1999 and 2000 at manufacturing facilities in Mesa, Arizona and Guadalajara, Mexico).

Patents, Trademarks, Copyrights and Other Intellectual Property Rights

We own rights to a number of patents, trademarks, copyrights, trade secrets, and other intellectual property directly related to and important to our business. In connection with our Recapitalization, Motorola also granted rights and licenses to certain patents, trademarks, copyrights, trade secrets, and other intellectual property necessary for us to manufacture, market and sell our existing products and those contemplated in its long range plans. Presently, we own more than 740 U.S. and foreign patents, 57 trademarks and intellectual property rights in as many as 39 semiconductor fabrication processes. Our policy is to protect our products and processes by asserting our intellectual property rights where appropriate and prudent and by obtaining patents, copyrights and other intellectual property rights used in connection with our business when practicable and appropriate.

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

We market our products under the ON Semiconductor™ name. For one year after our Recapitalization, we retained the limited ability to use the Motorola trade name in connection with the sale, distribution and advertisement of some products we offer. If, however, the removal of the Motorola trade name from any of these products would require the product to be requalified by any of our customers, then we may continue to use the Motorola trade name, for up to two years after our Recapitalization, to allow us to continue selling the product pending its requalification. In addition, for two years after our Recapitalization, we have the ability to utilize the transition statement “formerly a division of Motorola” in connection with the sale, distribution and advertisement of some products we offer.

Seasonality

Historically, our revenues have been affected by the seasonal trends of the semiconductor and related industries. As a result of these trends, we typically experienced sales increases in the first two quarters of the year and relatively flat sales levels in the third and fourth quarters. However, over the past three years, various events have disrupted this pattern. In 1998, third quarter revenues declined, primarily as a result of the Asian economic crisis. In 1999, third and fourth quarter revenues increased due to the continuing recovery in the semiconductor market. In 2000, fourth quarter revenues declined due slowing demand in the semiconductor market.

Backlog

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

including market demand, pricing and customer order patterns in reaction to product lead times. Backlog on December 31, 2000 was approximately $402 million compared to approximately $400 million on December 31, 1999. See Exhibit 13 to this Form 10-K, “Recent Developments” on page 10 of the 2000 Annual Report to Stockholders.

In the semiconductor industry, backlog quantities and shipment schedules under outstanding purchase orders are frequently revised to reflect changes in customer needs. Agreements calling for the sale of specific quantities at specific prices are, typically, contractually subject to price or quantity revisions and are, as a matter of industry practice, often not enforced. Therefore, we believe that a significant portion of our order backlog may be cancelable. For these reasons, the amount of backlog as of any particular date may not be an accurate indicator of future results.

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

Competition

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

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

Government Regulation

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

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

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

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

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

Employees

We employ approximately 14,900 people worldwide, consisting of approximately 10,700 people employed directly and approximately 4,200 people employed through our joint ventures, most of whom are engaged in manufacturing services. We do not currently have any collective bargaining arrangements with our employees, except for those arrangements, such as works councils, that are obligatory for all employees or all employers in a particular industry under applicable foreign law.

Executive Officers of the Registrant

See Part III, Item 10 of this report for information concerning executive officers.

Geographical Information

For certain geographic operating information, see Note 17, “Segment Information” of the Notes to Consolidated Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in Exhibit 13 on this Form 10K.

In addition to the above for this Item 1. Business, see pages 4 to 8 of the 2000 Annual Report to Stockholders included in Exhibit 13 to this Form 10-K and incorporated by reference herein.

Item 2. ***Properties***

In the United States, our corporate headquarters as well as manufacturing, research and development and warehouse operations are located in approximately 1.8 million square feet of space in properties that we own in Phoenix, Arizona and East Greenwich, Rhode Island. We also lease approximately 40,000 square feet in Tempe and Chandler, Arizona that is used for research and development, warehouse and office facilities. We have entered into lease agreements for approximately 115,000 square feet of space used for sales offices and warehouses in locations such as Huntsville, Alabama; Irvine, San Diego, Cupertino, Encino and Santa Clara, California; Littleton, Colorado; Boca Raton and Tampa, Florida; Duluth, Georgia; Schaumburg, Illinois; Indianapolis and Kokomo, Indiana; Woburn, Massachusetts; Columbia, Maryland; Livonia and Troy, Michigan; Plymouth, Minnesota; Raleigh, North Carolina; Rochester and Hauppauge, New York; Portland, Oregon; Hatfield, Pennsylvania; Plano, Texas; Bellevue, Washington; and Brookfield, Wisconsin. Lease terms range between one year and five years. Prices for the leases have been fixed throughout their terms at amounts intended to approximate the actual historical cost of the covered properties.

As part of our Recapitalization, Motorola conveyed to us the surface rights to a portion of the land located at our Phoenix facility, excluding the subsurface rights, and conveyed buildings located at the Phoenix facility. These buildings do not include any treatment facilities relating to Motorola’s environmental clean-up operations at the Phoenix facility. We executed a declaration of covenants, easements and restrictions with Motorola providing access easements for the parties and granting to us options to purchase or to lease the subsurface rights of the land.

We own our manufacturing facilities in Japan, Malaysia, Mexico, the Philippines and Slovakia. These facilities are primarily manufacturing operations, but also include office facilities and warehouse space. We own approximately 817,000 square feet of manufacturing, warehouse and office space in Japan, Malaysia, the

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Philippines and Slovakia and own a approximately 382,000 square foot manufacturing and office complex in Guadalajara, Mexico.

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

We have also entered into lease agreements for approximately 190,000 square feet of space for research and development, warehouses, logistics centers, sales and trading offices in locations including Bermuda, Brazil, Canada, China, Czech Republic, Denmark, Finland, France, Germany, India, Israel, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, Philippines, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand and the United Kingdom. Lease terms for the sales offices are between one year and five years. We operate distribution centers, which are leased or contracted through a third party, in locations including Canada, China, France, Germany, Japan, Mexico, Singapore and Taiwan, as well as in Alabama, Indiana and Pennsylvania in the United States. Also, Motorola leases approximately 70,000 square feet of space at our Phoenix facility for a period which expires in 2004. In general, prices for these leases have been fixed throughout their term at amounts intended to approximate the actual historical cost of the covered properties.

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

Item 3. ***Legal Proceedings***

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

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

None

PART II

Item 5. ***Market for Registrant’s Common Equity and Related Stockholder Matters***

Our common stock is traded on the over-the-counter market under the symbol ONNN and is quoted on the Nasdaq National Market. Although our initial public offering was completed on May 3, 2000, our stock began trading on an as-issued basis on April 28, 2000. The following table sets forth the quarterly high and low sale prices for our common stock as reported by the Nasdaq National Market for 2000 from April 28, 2000:

Range of Sales Price

2000	High	Low
Second Quarter (from April 28, 2000)	$27.7500	$17.8125
Third Quarter	$24.6875	$10.1250
Fourth Quarter	$12.9375	$ 4.0000

As of December 31, 2000 there were 98 stockholders of record and 172,746,435 common shares outstanding.

We have neither declared nor paid any cash dividends on our common stock since our initial public offering, and we do not presently intend to do so. Future dividend policy will depend upon our earnings, capital requirements, financial condition and other factors deemed relevant by our Board of Directors.

Item 6. ***Selected Financial Data***

This item is incorporated by reference from page 8 of the 2000 Annual Report to Stockholders included in Exhibit 13 to this Form 10-K.

Item 7. ***Management’s Discussion and Analysis of Financial Condition and Results of Operations***

This item is incorporated by reference from pages 9 to 19 of the 2000 Annual Report to Stockholders included in Exhibit 13 to this Form 10-K.

Item 7A. ***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.

As of December 31, 2000, our long-term debt (including current maturities) totaled $1,258.3 million. We have no interest rate exposure due to rate changes for our fixed rate interest bearing debt, which totaled $389.0 million. We do have interest rate exposure with respect to the $869.3 million outstanding balance on our senior bank facilities due to its variable LIBOR pricing; however, from time to time, we have entered into interest rate swaps to reduce this interest rate exposure. As of December 31, 2000, we had four interest rate swaps covering exposures on $255 million of our variable interest rate debt. A 50 basis point increase in interest rates would result in increased annual interest expense of $3.1 million for 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 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 8. ***Financial Statements and Supplementary Data***

The Report of Independent Accountants, the independent auditors report the consolidated financial statements for the year ended December 31, 2000 and the period from August 4, 1999 to December 31, 1999 and the notes to the consolidated financial statements and the combined statements of revenues less directed and allocated expenses before taxes for the period from January 1, 1999 through August 3, 1999 and the year ended December 31, 1998 are incorporated by reference from pages 20 to 52 of the 2000 Annual Report to Stockholders. See Part IV, Item 14 of this report for information concerning financial statements and schedules filed with this report.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Reference is made to the text under the captions, “Management Proposals — Proposal 1 — Election of Directors”, “The Board of Directors”, “Compensation of Executive Officers”, and “Section 16(b) Reporting Compliance” in the Proxy Statement for the May 23, 2001 Annual Meeting of Stockholders of the Registrant for incorporation of information concerning directors and persons nominated to become directors, and executive officers. Certain additional information concerning executive officers and key officers as of December 31, 2000 is set forth below.

Name	Age	Position
Steven P. Hanson	52	President and Chief Executive Officer*
James Thorburn	45	Senior Vice President and Chief Operating Officer*
William George	58	Senior Vice President and Chief Manufacturing Officer*
Dario Sacomani	44	Senior Vice President, Chief Financial Officer and Treasurer*
Michael Rohleder	44	Senior Vice President and Director of Sales and Marketing*
George H. Cave	43	Vice President, Secretary and General Counsel*
Samuel Anderson	43	Vice President and Director of Strategic Business Development**
Alistair Banham	45	Vice President and General Manager EMEA and Service and E-Commerce Strategy**
Collette T. Hunt	48	Vice President and General Manager of Discrete Products Business Unit**
Henry Leung	48	Vice President and General Manager Asia Pacific**
Ralph Quinsey	44	Vice President and General Manager of Analog Products Business Unit**
William Schromm	42	Vice President and General Manager of Logic Products Business Unit**
James Stoeckmann	45	Vice President and Director of Human Resources**
Chandramohan Subramaniam	44	Vice President and Director of Internal Manufacturing**
Frans van Wijk	43	Vice President and General Manager of Broadband Business Unit**
Peter Zdebel	55	Vice President and Chief Technology Officer**

* Executive Officers of both ON Semiconductor and Semiconductor Components Industries, LLC (“SCI, LLC”).
** Executive Officers of SCI, LLC.

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

James Thorburn. Prior to assuming the position of Senior Vice President and Chief Operating Officer in August 1999, Mr. Thorburn was the Chief Financial Officer of Zilog, Inc., a position he had held since May 1998. Prior to his tenure at Zilog, Mr. Thorburn spent 17 years at National Semiconductor, most recently as Vice President of Operations Finance. Effective March 10, 2001, Mr. Thorburn separated from ON Semiconductor and SCI, LLC, and each of their subsidiaries.

William George. For two years prior to assuming the position of Senior Vice President and Chief Manufacturing Officer in August 1999, Mr. George held several executive and management positions, including directing investment and operation strategy for Motorola’s worldwide manufacturing operations, since he joined Motorola in 1968. Mr. George also holds a position as director on the board of Primarion, Inc.

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

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

George H. Cave. Mr. Cave has served as General Counsel and Assistant Secretary for the Company since August 1999. He was elected Secretary in March 2000 and Vice President in May 2000. Before his tenure with the Company, he served for two years as the Regulatory Affairs Director for Motorola’s Semiconductor Components Group in Geneva, Switzerland. Prior to that position, Mr. Cave was Senior Counsel in the Corporate Law Department of Motorola in Phoenix, Arizona for a period of five years.

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

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

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

Henry Leung. Prior to assuming the position of Vice President and General Manager, Asia Pacific in August 1999, Mr. Leung served as the director in the Asia Pacific Region for Motorola's Semiconductor Components Group beginning in 1994. Mr. Leung has held several positions, including Business Director of Motorola's Semiconductor Component Group (Discrete Products) for the Asia Pacific Region, since he joined Motorola in 1976.

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

William Schromm. Prior to assuming his position as Vice President and General Manager of Logic Products Business Unit in November 2000, Mr. Schromm held the position of Director of Standard Logic Operations from September of 1999. Before his tenure with the Company, Mr. Schromm served in director

and managerial positions for Motorola within its manufacturing, product and marketing operations since he joined Motorola in 1980.

James Stoeckmann. Prior to assuming the position of Vice President and Director of Human Resources in August 1999, Mr. Stoeckmann served as the Director of Human Resources for Motorola's Semiconductor Components Group beginning in January 1997. Mr. Stoeckmann has held several positions, including Human Resources Director for SCG Worldwide Manufacturing, since he joined Motorola in 1984.

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

Frans van Wijk. Prior to assuming the position of Vice President and General Manager of Broadband Business Unit, Mr. van Wijk served as Senior Vice President and General Manager of Philips Semiconductor from April 1996 to September 2000. Mr. van Wijk also served as General Manager, Marketing Consumer Integrated Circuits for Philips Semiconductor, Nijmegen, The Netherlands from February 1993 to April 1996; along with numerous other management positions with Philips Semiconductor since 1982.

Peter Zdebel. Prior to assuming the position of Vice President and Chief Technology Officer, Mr. Zdebel held several director and management positions, including Vice President and Director of System-on-Chip Technology Strategy, after joining Motorola in 1984.

The present term of office for the officers named above will generally expire on their earlier retirement, resignation or removal. There is no family relationship among any such officers.

Item 11. ***Executive Compensation***

Information concerning executive compensation is incorporated by reference from the text under the captions, "The Board of Directors — Compensation of Directors", "Compensation of Executive Officers", "Compensation Committee Report", "Performance Graph — Stock Price Performance", and "Compensation Committee Interlocks and Insider Participation" in the Proxy Statement for the May 23, 2001 Annual Meeting of Stockholders.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

Information concerning ownership of equity stock of the Registrant by certain beneficial owners and management is incorporated by reference from the text under the captions, "Principal Stockholders" and "Share Ownership of Directors and Officers" in the Proxy Statement for the May 23, 2001 Annual Meeting of Stockholders.

Item 13. ***Certain Relationships and Related Transactions***

Information concerning certain relationships and related transactions involving the Registrant and certain others is incorporated by reference from the text under the caption, "Relationships and Related Transactions" in the Proxy Statement for the May 23, 2001 Annual Meeting of Stockholders.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a)(1) Consolidated Financial Statements:

The report of independent accountants, the independent auditors' report and the following financial statements of the Company are incorporated herein by reference from the 2000 Annual Report to Stockholders and are included in Exhibit 13 in this form 10-K. Page number references are to the 2000 Annual Report to Stockholders.

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ON Semiconductor Corporation and Subsidiaries Consolidated Financial Statements:	
Report of Independent Accountants	20
Consolidated Balance Sheets as of December 31, 2000 and December 31, 1999	22
Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2000 and for the period from August 4, 1999 through December 31, 1999	23
Consolidated Statements of Stockholders' Equity (Deficit) for the year ended December 31, 2000 and the period from August 4, 1999 through December 31, 1999	24
Consolidated Statements of Cash Flows for the year ended December 31, 2000 and the period from August 4, 1999 through December 31, 1999	25
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Semiconductor Components Group of Motorola, Inc. Combined Financial Statements:	
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Combined Statements of Revenues Less Direct and Allocated Expenses Before Taxes for the year ended December 31, 1998 and the period from January 1, 1999 through August 3, 1999	46
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(2) Consolidated Financial Statement Schedules:

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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or related notes.

(b) Reports on Form 8-K :

During the fourth quarter of 2000, ON Semiconductor filed one report on Form 8-K dated December 12, 2000 and filed December 13, 2000. The report, which was filed pursuant to Items 5 and 7, reported revised revenue and earnings per share estimates for the Company's fourth quarter 2000, first quarter 2001 and fiscal year 2001, and included as an exhibit a press release dated December 12, 2000 titled "ON Semiconductor Updated Fourth Quarter Earnings Estimates."

(c) Exhibits

2.1	Reorganization Agreement, dated as of May 11, 1999, among Motorola, Inc., SCG Holding Corporation and Semiconductor Components Industries LLC.† (incorporated by reference from Exhibit 2.1 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
2.2	Agreement and Plan of Recapitalization and Merger, as amended, dated as of May 11, 1999, among SCG Holding Corporation, Semiconductor Components Industries, LLC, Motorola, Inc., TPG Semiconductor Holdings LLC, and TPG Semiconductor Acquisition Corp. (incorporated by reference from Exhibit 2.2 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)†
2.3	Amendment No. 1 to Agreement and Plan of Recapitalization and Merger, dated as of July 28, 1999, among SCG Holding Corporation, Semiconductor Components Industries, LLC, Motorola, Inc., TPG Semiconductor Holdings LLC, and TPG Semiconductor Acquisition Corp.† (incorporated by reference from Exhibit 2.3 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
3.1	Amended and Restated Certificate of Incorporation of ON Semiconductor Corporation (as of August 9, 2000) (incorporated by reference from Exhibit 3.1 of Third Quarter 2000 Form 10-Q filed with the Commission on November 14, 2000)

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3.2	Amended and Restated Bylaws of SCG Holding Corporation (incorporated by reference from Exhibit 3.2 to Registration Statement No. 333-30670 filed with the Commission on April 7, 2000)
4.1	Specimen of share certificate of Common Stock, par value $.01, SCG Holding Corporation (incorporated by reference from Exhibit 4.1 to Registration Statement No. 333-30670 filed with the Commission on April 7, 2000)
10.1	Amended and Restated Credit Agreement, dated as of April 3, 2000, among SCG Holding Corporation, Semiconductor Components Industries, LLC, The Chase Manhattan Bank, as Administrative Agent, Credit Lyonnais New York Branch as Co-Documentation Agent, DLJ Capital Funding, Inc., as Co-Documentation Agent, Lehman Commercial Paper Inc., as Co-Documentation Agent and Chase Securities Inc., as Arranger and the other financial institutions party thereto (incorporated by reference from Exhibit 10.1 to Registration Statement No. 333-30670 filed with the Commission on April 7, 2000)
10.2	Indenture, dated as of August 4, 1999 among SCG Holding Corporation, Semiconductor Components Industries, LLC, the Note Guarantors named therein and State Street Bank and Trust Company, as trustee, relating to the 12% Senior Subordinated Notes due 2009 (incorporated by reference from Exhibit 4.1 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.3	Stock Purchase Agreement dated March 8, 2000 among Semiconductor Components Industries, LLC, SCG Holding Corporation and The Cherry Corporation (incorporated by reference from Exhibit 10.3 to Registration Statement No. 333-30670 filed with the Commission on April 7, 2000)
10.4	Amended and Restated Intellectual Property Agreement, dated August 4, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.5 to Registration Statement No. 333-90359 filed with the Commission on January 11, 2000)††
10.5	Transition Services Agreement, dated August 4, 1999, among Motorola, Inc., SCG Holding Corporation, and Semiconductor Components Industries, LLC (incorporated by reference from Exhibit 10.6 Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.6	Employee Matters Agreements, as amended, dated July 30, 1999, among Semiconductor Components Industries, LLC, SCG Holding Corporation and Motorola, Inc. (incorporated by reference from Exhibit 10.7 to Registration Statement No. 333-90359 filed with the Commission on January 11, 2000)
10.7	Motorola Assembly Agreement, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.8 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)††
10.8	SCG Assembly Agreement, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.9 Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)††
10.9	Motorola Foundry Agreement, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.10 Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)††
10.10	SCG Foundry Agreement, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.11 Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)††
10.11	Equipment Lease and Repurchase Agreement, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.12 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)

10.12	Equipment Passdown Agreement, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.13 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)††
10.13	SCG Holding Corporation 1999 Founders Stock Option Plan (incorporated by reference from Exhibit 10.14 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.14	Lease for 52nd Street property, dated July 31, 1999, among Motorola Inc. as Lessor and Semiconductor Components Industries, LLC, as Lessee (incorporated by reference from Exhibit 10.15 Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.15	Lease for U.S. Locations (Mesa, Chandler, 56th Street and Tempe), dated July 31, 1999, among Semiconductor Components Industries, LLC as Lessor, and Motorola, Inc. as Lessee (incorporated by reference from Exhibit 10.16 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.16	Declaration of Reciprocal Covenants, Easement of Restrictions and Options to Purchase and Lease, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.17 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.17	Employment Agreement, dated as of October 27, 1999, between Semiconductor Components Industries, LLC and Steve Hanson (incorporated by reference from Exhibit 10.18 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.18	Employment Agreement, dated as of September 13, 1999, between Semiconductor Components Industries, LLC and Michael Rohleder (incorporated by reference from Exhibit 10.19 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.19(a)	Employment Agreement, dated as of November 8, 1999, between Semiconductor Components Industries, LLC and James Thorburn (incorporated by reference from Exhibit 10.20 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.19(b)	Amendment No. 1 to Employment Agreement for James Thorburn, dated as of July 20, 2000 (incorporated by reference from Exhibit 10.2 of Third Quarter 2000 Form 10-Q filed with the Commission on November 14, 2000)(2)
10.20	Employment Agreement, dated as of October 27, 1999, between Semiconductor Components Industries, LLC and William George (incorporated by reference from Exhibit 10.21 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.21	Employment Agreement, dated as of October 27, 1999, between Semiconductor Components Industries, LLC and Dario Sacomani (incorporated by reference from Exhibit 10.22 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.22(a)	Pledge and Security Agreement, dated as of November 8, 1999, between Semiconductor Components Industries, LLC and James Thorburn (incorporated by reference from Exhibit 10.23 to Registration Statement No. 333-90359 filed with the Commission on January 11, 2000)(2)
10.22(b)	Deed of Trust, dated as of July 20, 2000, with James Thorburn as Trustee and Semiconductor Components Industries, LLC as Beneficiary (incorporated by reference from Exhibit 10.3 of Third Quarter 2000 Form 10-Q filed with the Commission on November 14, 2000)(2)
10.23(a)	Promissory Note/ Security Interest, dated as of November 8, 1999, from James Thorburn to Semiconductor Components Industries, LLC (incorporated by reference from Exhibit 10.24 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.23(b)	Promissory Note, dated July 21, 2000, from James Thorburn to Semiconductor Components Industries, LLC (incorporated by reference from Exhibit 10.2 of Third Quarter 2000 Form 10-Q filed with the Commission on November 14, 2000)(2)

10.24	Stock Option Agreement, dated as of November 22, 1999, between SCG Holding Corporation and Steven Hanson (incorporated by reference from Exhibit 10.26 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.25	Stock Option Agreement, dated as of November 22, 1999, between SCG Holding Corporation and Dario Sacomani (incorporated by reference from Exhibit 10.27 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.26	Stock Option Agreement, dated as of November 8, 1999, between SCG Holding Corporation and James Thorburn (incorporated by reference from Exhibit 10.28 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.27	Stock Option Agreement, dated as of November 22, 1999, between SCG Holding Corporation and William George (incorporated by reference from Exhibit 10.29 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.28	Stock Option Agreement, dated as of November 22, 1999, between SCG Holding Corporation and Michael Rohleder (incorporated by reference from Exhibit 10.30 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.29	Stock Option Agreement, dated as of November 22, 1999, between SCG Holding Corporation and Richard Boyce (incorporated by reference from Exhibit 10.31 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.30	Stock Option Agreement, dated as of November 22, 1999 between SCG Holding Corporation and Curtis J. Crawford (incorporated by reference from Exhibit 10.32 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)(2)
10.31	ON Semiconductor Amended and Restated Executive Deferred Compensation Plan (incorporated by reference from Exhibit 10.31 to Registration Statement No. 333-30670 filed with the Commission on April 25, 2000)(2)
10.32	Junior Subordinated Note Due 2011 payable to Motorola, Inc. (incorporated by reference from Exhibit 4.4 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.33(a)	2000 Stock Incentive Plan (incorporated by reference from Exhibit 10.33(a) to Registration Statement No. 333-30670 filed with the Commission on April 25, 2000)(2)
10.33(b)	2000 Stock Incentive Plan — ON Ownership program grant agreement (incorporated by reference from Exhibit 10.33(b) to Registration Statement No. 333-30670 filed with the Commission on April 25, 2000)(2)
10.33(c)	2000 Stock Incentive Plan — incentive stock option agreement (incorporated by reference from Exhibit 10.35(c) to Registration Statement No. 333-30670 filed with the Commission on March 24, 2000)(2)
10.33(d)	2000 Stock Incentive Plan — non-qualified stock option agreement (incorporated by reference from Exhibit 10.35(d) to Registration Statement No. 333-30670 filed with the Commission on March 24, 2000)(2)
10.34	2000 Employee Stock Purchase Plan (incorporated by reference from Exhibit 10.36 to Registration Statement No. 333-30670 filed with the Commission on March 24, 2000)(2)
10.35	ON Semiconductor Director Deferred Compensation Plan (incorporated by reference from Exhibit 10.35 to Registration Statement No. 333-30670 filed with the Commission on April 25, 2000)(2)
10.36	Form of Master Trust Agreement for the ON Semiconductor Deferred Compensation Plans (incorporated by reference from Exhibit 10.36 to Registration Statement No. 333-30670 filed with the Commission on April 25, 2000)(2)
10.37	2000 ON Semiconductor Executive Council Bonus Incentive Plan(1)(2)
10.38	2000 Key Contributor Incentive Plan(1)(2)
10.39	2000 Non-Manufacturing Incentive Plan(1)(2)

10.40	2000 Manufacturing Incentive Plan(1)(2)

10.41	Non-Qualified Stock Option Agreement for Directors, dated as of May 12, 2000, between SCG Holding Corporation and Curtis J. Crawford(1)(2)
10.42	Non-Qualified Stock Option Agreement for Directors, dated as of May 12, 2000, between SCG Holding Corporation and David Bonderman(1)(2)
10.43	Non-Qualified Stock Option Agreement for Directors, dated as of May 12, 2000, between SCG Holding Corporation and Richard W. Boyce(1)(2)
10.44	Non-Qualified Stock Option Agreement for Directors, dated as of May 12, 2000, between SCG Holding Corporation and Justin T. Chang(1)(2)
10.45	Non-Qualified Stock Option Agreement for Directors, dated as of May 12, 2000, between SCG Holding Corporation and William A. Franke(1)(2)
10.46	Non-Qualified Stock Option Agreement for Directors, dated as of April 28, 2000, between SCG Holding Corporation and Jerome Gregoire(1)(2)
10.47	Non-Qualified Stock Option Agreement for Directors, dated as of May 12, 2000, between SCG Holding Corporation and Jerome Gregoire(1)(2)
10.48	Non-Qualified Stock Option Agreement for Directors, dated as of April 28, 2000, between SCG Holding Corporation and Albert Hugo-Martinez(1)(2)
10.49	Non-Qualified Stock Option Agreement for Directors, dated as of May 12, 2000, between SCG Holding Corporation and Albert Hugo-Martinez(1)(2)
10.50	Non-Qualified Stock Option Agreement for Directors, dated as of July 19, 2000, between SCG Holding Corporation and John Marren(1)(2)
10.51	Non-Qualified Stock Option Agreement for Directors, dated as of May 12, 2000, between SCG Holding Corporation and David M. Stanton(1)(2)
11.	Statement re Computation of Per Share Earnings(1)
13.	*2000 Annual Report to Stockholders.* (Portions not incorporated by reference are furnished for informational purposes and are not filed herewith)(1)
21.1	List of Significant Subsidiaries(1)
23.1	Consent of KPMG LLP, independent auditors(1)
23.2	Consent of PricewaterhouseCoopers LLP, independent accountants(1)
24.1	Powers of Attorney(1)
99.1	Risk Factors(1)
99.2	Stockholders Agreement dated as of August 4, 1999 among SCG Holding Corporation, TPG Semiconductor Holdings, LLC and Motorola, Inc. (incorporated by reference from Exhibit 99.5 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)

(1) Filed herewith.

(2) Management contract or compensatory plan, contract or arrangement.

† Schedules or other attachments to these exhibits not filed herewith shall be furnished to the Commission upon request.

†† Portions of these exhibits have been omitted pursuant to a request for confidential treatment.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ON SEMICONDUCTOR CORPORATION

By: /s/STEVEN P. HANSON

Name: Steven P. Hanson
Title: President and Chief Executive Officer

March 29, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Titles	Date
/s/ STEVEN P. HANSON Steven P. Hanson	President, Chief Executive Officer and Director (Principal Executive Officer)	March 29, 2001
/s/ DARIO SACOMANI Dario Sacomani	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 29, 2001
/s/ CURTIS J. CRAWFORD Curtis J. Crawford*	Chairman of the Board of Directors	March 29, 2001
/s/ DAVID BONDERMAN David Bonderman*	Director	March 29, 2001
/s/ RICHARD W. BOYCE Richard W. Boyce*	Director	March 29, 2001
/s/ JUSTIN T. CHANG	Director	March 29, 2001

Justin T. Chang* /s/ WILLIAM A. FRANKE	Director	March 29, 2001
William A. Franke* /s/ JEROME N. GREGOIRE	Director	March 29, 2001
Jerome N. Gregoire* /s/ ALBERT HUGO-MARTINEZ	Director	March 29, 2001
Albert Hugo-Martinez* /s/ JOHN J. LEGERE	Director	March 29, 2001
John J. Legere* /s/ JOHN W. MARREN	Director	March 29, 2001
John W. Marren* *By: /s/ DARIO SACOMANI	Attorney in Fact	March 29, 2001
Dario Sacomani		

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Report of Independent Accountants on

Financial Statement Schedule

To the Board of Directors of

ON Semiconductor Corporation:

Our audits of the consolidated financial statements referred to in our report dated February 1, 2001 incorporated by reference in this Annual Report on Form 10-K of ON Semiconductor Corporation also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP

Phoenix, Arizona

February 1, 2001

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ON SEMICONDUCTOR CORPORATION

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions/ Writeoffs	Balance at End of Period
			(in millions)		
Allowance for doubtful accounts Period from August 4, 1999 through December 31, 1999	$ —	$2.0	$ —	$ —	$2.0
Year ended December 31, 2000	$2.0	$0.8	$1.4(1)	$1.1	$3.1

(1) These amounts represent valuation reserves obtained through the acquisition of Cherry Semiconductor.

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Other information about ON Semiconductor Corporation may be found in its quarterly Form 10-Q and its Annual Report to Stockholders. These reports, as well as additional copies of this Form 10-K (without exhibits), are available without charge by contacting the Investor Relations Specialist at our corporate headquarters as set forth below. For more information visit ON Semiconductor’s Web site at http://www.onsemi.com.

ON Semiconductor Corporation
Attn: Investor Relations Specialist
5005 East McDowell Road
Phoenix, AZ 85008 USA
602.244.5438 (tel)
investor@onsemi.com

Exhibit 10.37

2000 ON SEMICONDUCTOR EXECUTIVE COUNCIL BONUS INCENTIVE

Members of the ON Semiconductor ("Company") Executive Council include the President and Chief Executive Officer and each of the Senior Vice Presidents ("Executive Council"). This Bonus Program offers members of the Executive Council and others as identified by the Chief Executive Officer, an opportunity to earn bonus amounts in addition to the bonus paid to them under the 2000 Key Contributor Incentive Plan ("KCIP").

If the Company's revenues (from organic growth) in calendar year 2000 are less than $2 billion, no amounts are paid under the Bonus Program. The bonus is triggered for this Plan at amount above $2 billion, with a cap for amounts at or above $2.2 billion.

Subject to the target goal set forth above (i) if the Company's revenues in calendar year 2000 are above $2 billion but less than $2.2 billion, the Executive Council member or Participant may earn an amount equal to 2.5% of the final KCIP pay out in additional bonus for each additional 1% growth in revenue above $2 billion but below $2.2 billion, or (ii) if the Company's revenues for calendar year 2000 are equal to or above $2.2 billion, the Executive Council member or Participant may earn an amount under this Bonus Program equal to 25% of the final KCIP pay out in additional bonus. Thus for amounts at or above $2.2 billion, the maximum additional bonus is 25% of the KCIP pay out.

Amounts will be paid under this Bonus Program only if the average profit margin for revenues generate above $2 billion are equal to or greater than the profit margins generated on business below the $2 billion goal.

Exhibit 10.38

ON SEMICONDUCTOR

2000 KEY CONTRIBUTOR INCENTIVE PLAN (KCIP)

1. Purpose. The Purpose of the ON Semiconductor 2000 Key Contributor Incentive Plan ("Plan") is to provide an annual incentive program for the key contributors who are in management leadership or significant individual leadership roles with, or other employees who provide significant contribution to, the Company or any subsidiary. The Plan was effective as of January 1, 2000 and will terminate on December 31, 2000.

2. Administration. The Plan is administered by the Compensation Committee of the Company's Board of Directors ("Committee"). The Committee has the discretion to determine all matters related to the Plan, including but not limited to, matters related to eligibility, participation, Company and Employee Goals, award determinations, and any other administrative matter to be determined under the Plan.

3. Eligibility and Participation.

(a) Eligibility. All regular full-time and part time employees of the Company or any subsidiary working 20 hours or more per week are eligible to participate in the Plan. Any employee of the Company or a subsidiary who is designated as an on-call, intern, co-op, part-time working less than 20 hours, or any individual designated as a contractor, consultant, or hired via a temporary staffing agency is not eligible to participate in the Plan. Retirees are eligible to participate and receive a pro-rata award under the Plan.

(b) Participation. From among the eligible employees of the Company or any subsidiary, the Company will select those individuals who will participate in the Plan. The Committee will notify those selected to participate in the Plan as soon as practicable after they are selected. If an employee is selected to participate in the Plan, except as provided below, he or she must be actively employed by the Company or any subsidiary at the time that the amounts are paid under the Plan to be entitled to receive an award under the Plan. Retirees are eligible to participate and receive a pro-rata award under the Plan.

4. Performance Measures.

An employee's total award under the Plan is computed based on (i) the employee's base salary, (ii) whether the Company achieves its "threshold," "target," or "stretch" EBITDA goal, and (iii) the Employee's Individual Performance Goal ("Employee Goal"). EBITDA means the Company's Earnings Before Interest, Taxes, Depreciation, and Amortization and is determined after December 31, 2000.

(a) Employee's Target Bonus. Under the Plan, an employee's target bonus amount is determined by the Committee and will generally range from 10% to 75% of the employee's base salary as of December 31, 2000.

(b) Company EBITDA Goals.

(i) For former employees of Cherry Semiconductor, the Company's EBITDA goals for calendar year 2000, including financial results from the combined Cherry Semiconductor and the Company, are as follows:

EBITDA GOAL	COMPANY EBITDA
Threshold	$425,000,000
Target	$455,000,000
Stretch	$535,000,000

(ii) For employees of the Company or any subsidiary, other than former employees of Cherry Semiconductor, the Company's EBITDA goals for calendar year 2000, not including financial results from Cherry Semiconductor, are as follows:

EBITDA GOAL	COMPANY EBITDA
Threshold	$400,000,000
Target	$425,000,000
Stretch	$500,000,000

The Committee reserves the right to amend the EBITDA goals in the event of a future acquisition, disposition, or other significant event affecting the Company or any subsidiary.

(c) Employee's Individual Performance Goals. The Employee's individual performance goals are determined by the employee's supervisor in consultation with the employee.

5. Award Determination.

(a) EBITDA Goal and Employee Goal Weighted Percentage. The EBITDA goal will be weighted at 75% of the employee's target bonus and the Employee's Goal will be weighted at 25% of the employee's target bonus.

(b) EBITDA Goals. If the Company does not achieve the Threshold E BITDA goal, no amounts will be paid under the Plan (either based on Company performance or the employee's individual performance). If the Company achieves the Threshold EBITDA goal, the employee's award will be based on 50% of the target bonus percentage. If the Company achieves the Target EBITDA goal, the employee's target bonus percentage will remain unchanged. If the Company achieves the Stretch EBITDA goal, the employee's award will be based on 200% of the target bonus percentage.

The Committee will adjust these percentage on a pro rata basis if the Company's EBITDA falls in between the Threshold, Target, and Stretch EBITDA goals.

(c) Employee's Goal. The Employee Goal will range from 0% to 150% of the employee's target bonus percentage. The Committee will have the final determination regarding whether and to what extent the Employee Goal has been satisfied.

6. Transfers, Promotions, New Hires, and Salary Adjustments.

TYPE OF CHANGE	EFFECT ON AWARDS
Move into Eligible Position and New Hires	Eligible for participation in Plan if moved in or hired before December 1, 2000. Award prorated on the basis of months of service in eligible position.
Move Into Ineligible Position	Award prorated at end of Plan Year on the basis of months of service in eligible position.
Move Into Another Eligible Position	Award prorated on the basis of months of service in each position for the varying target bonus percentages.
Change of Salary	No impact. The employee's base salary on December 31, 2000 determines the employee's target bonus percentage.

7. Effect of Termination on Award. If an employee terminates employment with the Company or a subsidiary for any reason prior to December 31, 2000, the employee will not be entitled to receive an award under the Plan. In addition, an employee must be an active employee of the Company or any subsidiary as of the date of payment to receive an award under the Plan; provided, however, if the employee is on an a Company-approved leave of absence, becomes disabled, or dies before the date of the payment (but after December 31, 2000), the employee will be entitled to receive a payment under the Plan. If an employee retires during the calendar year 2000, the employee will be entitled to receive payment, prorated on the basis of the months of services during that calendar year.

8. Deferral of Bonus Amounts. Certain eligible individuals could elect to defer all or a percentage of their bonus amounts into the ON Semiconductor Executive Deferred Compensation Plan. This will delay the income tax but not the FICA tax obligation on the deferred funds. Participants who elect to defer payments shall be liable for payment of any applicable taxes due at the time of deferral; however, such taxes shall not reduce the amount of the deferral but shall be deducted from the employee's base pay. The executive will have income equal to the amount paid from the Executive Plan and the Company is entitled to a tax deduction when paid. All participants in the Executive Plan must qualify as a "select group of management or highly compensated employees" to participate in the plan. Generally, those executive earning more than $125,000 per year and who have significant management responsibility to fall within this category.

9. Former Cherry Employees. Former Cherry Semiconductor employees may receive payouts under his plan on a pro-rated basis on the date of the acquisition or date of hire, which ever is later.

Exhibit 10.39

ON SEMICONDUCTOR
2000 NON-MANUFACTURING INCENTIVE PLAN

1. Purpose. The Purpose of the ON Semiconductor 2000 Non-Manufacturing Incentive Plan ("Plan") is to provide an annual incentive program for the Non-Manufacturing employees who are normally not affiliated within a manufacturing facility of the Company or any subsidiary and who are not on the Company's Key Contributor Incentive Plan (KCIP). The Plan was effective as of January 1, 2000 and will terminate on December 31, 2000.

2. Administration. The Plan is administered by the Compensation Committee of the Company's Board of Directors ("Committee"). The Committee has the discretion to determine all matters related to the Plan, including but not limited to, matters related to eligibility, participation, Company and Employee Goals, award determinations, and any other administrative matter to be determined under the Plan.

3. Eligibility and Participation.

(a) Eligibility. Regular full-time and part-time employees of the Company or any subsidiary working 20 hours or more per week in a non-manufacturing role of the Company that is not eligible for the KCIP are eligible to participate in the Plan. Any employee of the Company or a subsidiary who is designated as an on-call, intern, co-op, part-time working less than 20 hours, or any individual designated as a contractor, consultant, or hired via a temporary staffing agency is not eligible to participate in the Plan.

(b) Participation. From among the eligible employees of the Company or any subsidiary, the Company will determine those individuals who will participate in the Plan. The Committee will notify those selected to participate in the non-manufacturing Plan as soon as practicable after they are determined. If an employee is determined as eligible, within a non-manufacturing role, to participate in the Plan, except as provided below, he or she must be actively employed by the Company or any subsidiary at the time that the amounts are paid under the Plan to be entitled to receive an award under the Plan.

4. Performance Measures.

An employee's total award under the Plan is computed based on (i) the employee's base salary, and (ii) whether the Company achieves its "threshold," "target," or "stretch" EBITDA goal. EBITDA means the Company's Earnings Before Interest, Taxes, Depreciation, and Amortization and is determined after December 31, 2000.

(a) Employee's Target Bonus. Under the Plan, an employee's target bonus amount is determined by the Committee and will generally range from 2% to 10% of the employee's base salary as of December 31, 2000.

(b) Company EBITDA Goals.

(i) For former employees of Cherry Semiconductor, the Company's EBITDA goals for calendar year 2000, including financial results from the combined Cherry Semiconductor and the Company, are as follows:

EBITDA GOAL	COMPANY EBITDA
Threshold	$425,000,000
Target	$455,000,000
Stretch	$535,000,000

(ii) For employees of the Company or any subsidiary, other than former employees of Cherry Semiconductor, the Company's EBITDA goals for calendar year 2000, not including financial results from Cherry Semiconductor, are as follows:

EBITDA GOAL	COMPANY EBITDA
Threshold	$400,000,000
Target	$425,000,000
Stretch	$500,000,000

The Committee reserves the right to amend the EBITDA goals in the event of a future acquisition, disposition, or other significant event affecting the Company or any subsidiary.

(c) The Employee's individual performance goals are not a factor in determining the individual employee's award; the entire award is based on the Company meeting its EBITDA goals as described above.

5. Award Determination.

(a) Non-Manufacturing goals. Each employee has individual goals in support of the company's EBITDA goals; these specific goals are not a determining factor in the award.

(b) EBITDA Goals. If the Company does not achieve the Threshold EBITDA goal, no amounts will be paid under the Plan (either based on Company performance or the individual's performance). If the Company achieves the Threshold EBITDA goal, the employee's award will be based on 2% of eligible earnings. If the Company achieves the Target EBITDA goal, the employee's target bonus percentage will be 4% of eligible earnings. If the Company achieves the Stretch EBITDA goal, the employee's award will be based on 10% of eligible earnings.

The Committee will adjust these percentage on a pro rata basis if the Company's EBITDA falls in between the Threshold, Target, and Stretch EBITDA goals.

6. Transfers, Promotions, New Hires, and Salary Adjustments.

TYPE OF CHANGE	EFFECT ON AWARDS
Move into Eligible Position and New Hires	Eligible for participation in Plan if moved in or hired before December 1, 2000. Award prorated on the basis of months of service in eligible position.
Move Into Ineligible Position	Award prorated at end of Plan Year on the basis of months of service in eligible position.
Move Into Another Eligible Position	Award prorated on the basis of months of service in each position for the varying target bonus percentages.
Change of Salary	No impact. The employee's base salary on December 31, 2000 determines the employee's target bonus percentage.

7. Effect of Termination on Award. If an employee terminates employment with the Company or a subsidiary for any reason prior to December 31, 2000, the employee will not be entitled to receive an award under the Plan. In addition, an employee must be an active employee of the Company or any subsidiary as of the date of payment to receive an award under the Plan; provided, however, if the employee is on an a Company-approved leave of absence, becomes disabled, or dies before the date of the payment (but after December 31, 2000), the employee will be entitled to receive a payment under the Plan. If an employee retires during the calendar year 2000, the employee will be entitled to receive payment, prorated on the basis of the months of services during that calendar year.

8. Former Cherry Employees. Former Cherry Semiconductor employees may receive payouts under his plan on a pro-rated basis on the date of the acquisition or date of hire, which ever is later.

Exhibit 10.40

ON SEMICONDUCTOR
2000 MANUFACTURING INCENTIVE PLAN

1. Purpose. The Purpose of the ON Semiconductor 2000 Manufacturing Incentive Plan ("Plan") is to provide an annual incentive program for the Manufacturing employees who are normally affiliated with a manufacturing facility of the Company or any subsidiary. The Plan was effective as of January 1, 2000 and will terminate on December 31, 2000.

2. Administration. The Plan is administered by the Compensation Committee of the Company's Board of Directors ("Committee"). The Committee has the discretion to determine all matters related to the Plan, including but not limited to, matters related to eligibility, participation, Company and Employee Goals, award determinations, and any other administrative matter to be determined under the Plan.

3. Eligibility and Participation.

(a) Eligibility. Regular full-time and part-time employees of the Company or any subsidiary working 20 hours or more per week with a manufacturing facility of the Company are eligible to participate in the Plan. Any employee of the Company or a subsidiary who is designated as an on-call, intern, co-op, part-time working less than 20 hours, or any individual designated as a contractor, consultant, or hired via a temporary staffing agency is not eligible to participate in the Plan.

(b) Participation. From among the eligible employees of the Company or any subsidiary, the Company will determine those individuals who will participate in the Plan. The Committee will notify those selected to participate in the manufacturing Plan as soon as practicable after they are determined. If an employee is determined as eligible, within a manufacturing facility, to participate in the Plan, except as provided below, he or she must be actively employed by the Company or any subsidiary at the time that the amounts are paid under the Plan to be entitled to receive an award under the Plan.

4. Performance Measures.

An employee's total award under the Plan is computed based on (i) the employee's base salary, (ii) whether the Company achieves its "threshold" EBITDA goal, and (iii) whether the manufacturing plant meets its manufacturing goals. EBITDA means the Company's Earnings Before Interest, Taxes, Depreciation, and Amortization and is determined after December 31, 2000.

(a) Employee's Target Bonus. Under the Plan, an employee's target bonus amount is determined by the Committee and will generally range from 2% to 10% of the employee's base salary as of December 31, 2000.

(b) Company Threshold EBITDA Goals.

(i) For former employees of Cherry Semiconductor, the Company's EBITDA goals for calendar year 2000, including financial results from the combined Cherry Semiconductor and the Company, are as follows:

EBITDA GOAL	COMPANY EBITDA
Threshold	$425,000,000

(ii) For employees of the Company or any subsidiary, other than former employees of Cherry Semiconductor, the Company's EBITDA goals for calendar year 2000, not including financial results from Cherry Semiconductor, are as follows:

EBITDA GOAL	COMPANY EBITDA
Threshold	$400,000,000

The Committee reserves the right to amend the Threshold EBITDA goals in the event of a future acquisition, disposition, or other significant event affecting the Company or any subsidiary.

(c) The Employee's individual performance goals are not a factor in determining the individual employee's award; the entire award is based on the Company meeting its EBITDA goals as described above.

5. Award Determination.

(a) Manufacturing goals. Each plant determines the weight of each measurement category by placing a certain percentage on each of the three measures: Cycle time; Shipments; and Costs.

(b) EBITDA Goals. If the Company does not achieve the Threshold EBITDA goal, no amounts will be paid under the Plan (either based on Company performance or the individual plant's performance).

The Committee will adjust these percentage on a pro rata basis if the Company's EBITDA falls in between the Threshold, Target, and Stretch EBITDA goals.

6. Transfers, Promotions, New Hires, and Salary Adjustments.

TYPE OF CHANGE	EFFECT ON AWARDS
Move into Eligible Position and New Hires	Eligible for participation in Plan if moved in or hired before December 1, 2000. Award prorated on the basis of months of service in eligible position.
Move Into Ineligible Position	Award prorated at end of Plan Year on the basis of months of service in eligible position.
Move Into Another Eligible Position	Award prorated on the basis of months of service in each position for the varying target bonus percentages.
Change of Salary	No impact. The employee's base salary on December 31, 2000 determines the employee's target bonus percentage.

7. Effect of Termination on Award. If an employee terminates employment with the Company or a subsidiary for any reason prior to December 31, 2000, the employee will not be entitled to receive an award under the Plan. In addition, an employee must be an active employee of the Company or any subsidiary as of the date of payment to receive an award under the Plan; provided, however, if the employee is on an a Company-approved leave of absence, becomes disabled, or dies before the date of the payment (but after December 31, 2000), the employee will be entitled to receive a payment under the Plan. If an employee retires during the calendar year 2000, the employee will be entitled to receive payment, prorated on the basis of the months of services during that calendar year.

8. Former Cherry Employees. Former Cherry Semiconductor employees may receive payouts under this plan on a pro-rated basis on the date of the acquisition or date of hire, which ever is later.

Exhibit 10.41

SCG HOLDING CORPORATION
2000 STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR DIRECTORS

This Option Agreement is made and entered into by and between SCG HOLDING CORPORATION ("Company") and CURTIS J. CRAWFORD ("Optionee"), as of the 12th day of May, 2000 ("Date of Grant").

RECITALS

A. The Board of Directors of the Company has adopted the SCG Holding Corporation 2000 Stock Incentive Plan ("Plan") as an incentive to retain members of the Board of Directors, key employees, officers, and consultants of the Company and to enhance the ability of the Company to attract such individuals whose services are considered unusually valuable by providing an opportunity for them to have a proprietary interest in the success of the Company.

B. The Board has approved the granting of options to the Optionee pursuant to the Plan to provide an incentive to the Optionee to focus on the long-term growth of the Company.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Optionee agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Optionee the right and option (hereinafter referred to as the "Option") to purchase an aggregate of 7,017 shares (such number being subject to adjustment as provided in paragraph 11 hereof and Section 14 of the Plan) of the Common Stock of the Company (the "Stock") on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time to time as hereinafter provided. The Option granted under this Agreement is NOT intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. VESTING OF OPTION. The Option shall vest and become exercisable in accordance with the schedule below:

- 33 1/3% of the Option grant shall become exercisable on May 12, 2001;

- an additional 33 1/3% of the Option grant shall become exercisable on May 12, 2002; and

- the final 33 1/3% of the Option grant shall become exercisable on May 12, 2003.

3. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $21.375 per share.

4. TERM OF OPTION. The Option granted under this Agreement shall expire, unless otherwise exercised, ten years from the Date of Grant, through and including the normal close of business of the Company on May 12, 2010 ("Expiration Date"), subject to earlier termination as provided in paragraph 8 hereof.

5. EXERCISE OF OPTION. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of written notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of written notice, which notice shall be effective on the date received by the Company ("Effective Date"). The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be signed by the Optionee and shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 8 hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. METHOD OF PAYMENT FOR OPTIONS. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Board and communicated to the Optionee in writing prior to the date the Optionee exercises all or any portion of the Option.

8. TERMINATION OF SERVICES.

8.1 GENERAL. If the Optionee ceases to perform services as a member of the Board of Directors of the Company for any reason other than death or Disability, then the Optionee may at any time within ninety (90) days after the effective date of termination of services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the date of termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date. Any portion of the Option that is not vested on the date the Optionee ceases to perform services as a Company Director, shall be forfeited on such date.

8.2 DEATH OR DISABILITY OF OPTIONEE. In the event of the death or Disabili (as that term is defined in the Plan) of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including ninety (90) days after termination of services (the "Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons

entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Board shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

9. NONTRANSFERABILITY. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as provided in paragraph 8 above, only by the Optionee during his lifetime and while a Director of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution.

10. MARKET STAND-OFF AGREEMENT. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed 180 days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

11. ADJUSTMENTS IN NUMBER OF SHARES AND OPTION PRICE. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 14 of the Plan.

12. DELIVERY OF SHARES. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Board, the Optionee has delivered to the Board an Investment Letter in form and content satisfactory to the Company as provided in paragraph 13 hereof.

13. SECURITIES ACT. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Board may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the

Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Board in its sole discretion.

14. DEFINITIONS; COPY OF PLAN. To the extent not specifically provided herein, all capitalized terms used in this Option Agreement shall have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

15. ADMINISTRATION. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Board in accordance with the terms of and as provided in the Plan. The Board shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Board with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

16. CONTINUATION OF SERVICES. This Option Agreement shall not be construed to confer upon the Optionee any right to continue providing services as a Company Director and shall not limit the right of the Company, in its sole discretion, to terminate the services of the Optionee at any time.

17. OBLIGATION TO EXERCISE. The Optionee shall have no obligation to exercise any option granted by this Agreement.

18. GOVERNING LAW. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

19. AMENDMENTS. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee. The Company and the Optionee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or the Optionee. In any such event, the Company and the Optionee agree that this Option Agreement may be amended as necessary to secure for the Company and the Optionee any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

IN WITNESS WHEREOF, the Company has caused this Option Agreement to be signed by its duly authorized representative and the Optionee has signed this Option Agreement as of the date first written above.

SCG HOLDING CORPORATION

By: /s/ George H. Cave

Its: Vice President & Secretary

OPTIONEE/CURTIS J. CRAWFORD

/s/ Curtis J. Crawford

Exhibit 10.42

SCG HOLDING CORPORATION
2000 STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR DIRECTORS

This Option Agreement is made and entered into by and between SCG HOLDING CORPORATION ("Company") and DAVID BONDERMAN ("Optionee"), as of the 12th day of May, 2000 ("Date of Grant").

RECITALS

A. The Board of Directors of the Company has adopted the SCG Holding Corporation 2000 Stock Incentive Plan ("Plan") as an incentive to retain members of the Board of Directors, key employees, officers, and consultants of the Company and to enhance the ability of the Company to attract such individuals whose services are considered unusually valuable by providing an opportunity for them to have a proprietary interest in the success of the Company.

B. The Board has approved the granting of options to the Optionee pursuant to the Plan to provide an incentive to the Optionee to focus on the long-term growth of the Company.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Optionee agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Optionee the right and option (hereinafter referred to as the "Option") to purchase an aggregate of 7,017 shares (such number being subject to adjustment as provided in paragraph 11 hereof and Section 14 of the Plan) of the Common Stock of the Company (the "Stock") on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time to time as hereinafter provided. The Option granted under this Agreement is NOT intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. VESTING OF OPTION. The Option shall vest and become exercisable in accordance with the schedule below:

- 33 1/3% of the Option grant shall become exercisable on May 12, 2001;

- an additional 33 1/3% of the Option grant shall become exercisable on May 12, 2002; and

- the final 33 1/3% of the Option grant shall become exercisable on May 12, 2003.

3. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $21.375 per share.

4. TERM OF OPTION. The Option granted under this Agreement shall expire, unless otherwise exercised, ten years from the Date of Grant, through and including the normal close of business of the Company on May 12, 2010 ("Expiration Date"), subject to earlier termination as provided in paragraph 8 hereof.

5. EXERCISE OF OPTION. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of written notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of written notice, which notice shall be effective on the date received by the Company ("Effective Date"). The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be signed by the Optionee and shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 8 hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. METHOD OF PAYMENT FOR OPTIONS. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Board and communicated to the Optionee in writing prior to the date the Optionee exercises all or any portion of the Option.

8. TERMINATION OF SERVICES.

8.1 GENERAL. If the Optionee ceases to perform services as a member of the Board of Directors of the Company for any reason other than death or Disability, then the Optionee may at any time within ninety (90) days after the effective date of termination of services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the date of termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date. Any portion of the Option that is not vested on the date the Optionee ceases to perform services as a Company Director, shall be forfeited on such date.

8.2 DEATH OR DISABILITY OF OPTIONEE. In the event of the death or Disability (as that term is defined in the Plan) of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including ninety (90) days after termination of services (the "Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons

entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Board shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

9. NONTRANSFERABILITY. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as provided in paragraph 8 above, only by the Optionee during his lifetime and while a Director of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution.

10. MARKET STAND-OFF AGREEMENT. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed 180 days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

11. ADJUSTMENTS IN NUMBER OF SHARES AND OPTION PRICE. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 14 of the Plan.

12. DELIVERY OF SHARES. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Board, the Optionee has delivered to the Board an Investment Letter in form and content satisfactory to the Company as provided in paragraph 13 hereof.

13. SECURITIES ACT. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Board may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the

Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Board in its sole discretion.

14. DEFINITIONS; COPY OF PLAN. To the extent not specifically provided herein, all capitalized terms used in this Option Agreement shall have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

15. ADMINISTRATION. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Board in accordance with the terms of and as provided in the Plan. The Board shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Board with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

16. CONTINUATION OF SERVICES. This Option Agreement shall not be construed to confer upon the Optionee any right to continue providing services as a Company Director and shall not limit the right of the Company, in its sole discretion, to terminate the services of the Optionee at any time.

17. OBLIGATION TO EXERCISE. The Optionee shall have no obligation to exercise any option granted by this Agreement.

18. GOVERNING LAW. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

19. AMENDMENTS. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee. The Company and the Optionee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or the Optionee. In any such event, the Company and the Optionee agree that this Option Agreement may be amended as necessary to secure for the Company and the Optionee any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

IN WITNESS WHEREOF, the Company has caused this Option Agreement to be signed by its duly authorized representative and the Optionee has signed this Option Agreement as of the date first written above.

SCG HOLDING CORPORATION   OPTIONEE/DAVID BONDERMAN

By: /s/ George H. Cave   /s/ David Bonderman

Its: Vice President & Secretary

Exhibit 10.43

SCG HOLDING CORPORATION
2000 STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR DIRECTORS

This Option Agreement is made and entered into by and between SCG HOLDING CORPORATION ("Company") and RICHARD W. BOYCE ("Optionee"), as of the 12th day of May, 2000 ("Date of Grant").

RECITALS

A. The Board of Directors of the Company has adopted the SCG Holding Corporation 2000 Stock Incentive Plan ("Plan") as an incentive to retain members of the Board of Directors, key employees, officers, and consultants of the Company and to enhance the ability of the Company to attract such individuals whose services are considered unusually valuable by providing an opportunity for them to have a proprietary interest in the success of the Company.

B. The Board has approved the granting of options to the Optionee pursuant to the Plan to provide an incentive to the Optionee to focus on the long-term growth of the Company.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Optionee agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Optionee the right and option (hereinafter referred to as the "Option") to purchase an aggregate of 7,017 shares (such number being subject to adjustment as provided in paragraph 11 hereof and Section 14 of the Plan) of the Common Stock of the Company (the "Stock") on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time to time as hereinafter provided. The Option granted under this Agreement is NOT intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. VESTING OF OPTION. The Option shall vest and become exercisable in accordance with the schedule below:

- 33 1/3% of the Option grant shall become exercisable on May 12, 2001;

- an additional 33 1/3% of the Option grant shall become exercisable on May 12, 2002; and

- the final 33 1/3% of the Option grant shall become exercisable on May 12, 2003.

3. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $21.375 per share.

4. TERM OF OPTION. The Option granted under this Agreement shall expire, unless otherwise exercised, ten years from the Date of Grant, through and including the normal close of business of the Company on May 12, 2010 ("Expiration Date"), subject to earlier termination as provided in paragraph 8 hereof.

5. EXERCISE OF OPTION. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of written notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of written notice, which notice shall be effective on the date received by the Company ("Effective Date"). The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be signed by the Optionee and shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 8 hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. METHOD OF PAYMENT FOR OPTIONS. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Board and communicated to the Optionee in writing prior to the date the Optionee exercises all or any portion of the Option.

8. TERMINATION OF SERVICES.

8.1 GENERAL. If the Optionee ceases to perform services as a member of the Board of Directors of the Company for any reason other than death or Disability, then the Optionee may at any time within ninety (90) days after the effective date of termination of services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the date of termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date. Any portion of the Option that is not vested on the date the Optionee ceases to perform services as a Company Director, shall be forfeited on such date.

8.2 DEATH OR DISABILITY OF OPTIONEE. In the event of the death or Disability (as that term is defined in the Plan) of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including ninety (90) days after termination of services (the "Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons

entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Board shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

9. NONTRANSFERABILITY. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as provided in paragraph 8 above, only by the Optionee during his lifetime and while a Director of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution.

10. MARKET STAND-OFF AGREEMENT. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed 180 days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

11. ADJUSTMENTS IN NUMBER OF SHARES AND OPTION PRICE. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 14 of the Plan.

12. DELIVERY OF SHARES. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Board, the Optionee has delivered to the Board an Investment Letter in form and content satisfactory to the Company as provided in paragraph 13 hereof.

13. SECURITIES ACT. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Board may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the

Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Board in its sole discretion.

14. DEFINITIONS; COPY OF PLAN. To the extent not specifically provided herein, all capitalized terms used in this Option Agreement shall have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

15. ADMINISTRATION. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Board in accordance with the terms of and as provided in the Plan. The Board shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Board with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

16. CONTINUATION OF SERVICES. This Option Agreement shall not be construed to confer upon the Optionee any right to continue providing services as a Company Director and shall not limit the right of the Company, in its sole discretion, to terminate the services of the Optionee at any time.

17. OBLIGATION TO EXERCISE. The Optionee shall have no obligation to exercise any option granted by this Agreement.

18. GOVERNING LAW. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

19. AMENDMENTS. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee. The Company and the Optionee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or the Optionee. In any such event, the Company and the Optionee agree that this Option Agreement may be amended as necessary to secure for the Company and the Optionee any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

IN WITNESS WHEREOF, the Company has caused this Option Agreement to be signed by its duly authorized representative and the Optionee has signed this Option Agreement as of the date first written above.

SCG HOLDING CORPORATION

By: /s/ George H. Cave

Its: Vice President & Secretary

OPTIONEE/RICHARD W. BOYCE

/s/ Richard W. Boyce

Exhibit 10.44

SCG HOLDING CORPORATION
2000 STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR DIRECTORS

This Option Agreement is made and entered into by and between SCG HOLDING CORPORATION ("Company") and JUSTIN T. CHANG ("Optionee"), as of the 12th day of May, 2000 ("Date of Grant").

RECITALS

A. The Board of Directors of the Company has adopted the SCG Holding Corporation 2000 Stock Incentive Plan ("Plan") as an incentive to retain members of the Board of Directors, key employees, officers, and consultants of the Company and to enhance the ability of the Company to attract such individuals whose services are considered unusually valuable by providing an opportunity for them to have a proprietary interest in the success of the Company.

B. The Board has approved the granting of options to the Optionee pursuant to the Plan to provide an incentive to the Optionee to focus on the long-term growth of the Company.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Optionee agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Optionee the right and option (hereinafter referred to as the "Option") to purchase an aggregate of 7,017 shares (such number being subject to adjustment as provided in paragraph 11 hereof and Section 14 of the Plan) of the Common Stock of the Company (the "Stock") on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time to time as hereinafter provided. The Option granted under this Agreement is NOT intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. VESTING OF OPTION. The Option shall vest and become exercisable in accordance with the schedule below:

- 33 1/3% of the Option grant shall become exercisable on May 12, 2001;

- an additional 33 1/3% of the Option grant shall become exercisable on May 12, 2002; and

- the final 33 1/3% of the Option grant shall become exercisable on May 12, 2003.

3. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $21.375 per share.

4. TERM OF OPTION. The Option granted under this Agreement shall expire, unless otherwise exercised, ten years from the Date of Grant, through and including the normal close of business of the Company on May 12, 2010 ("Expiration Date"), subject to earlier termination as provided in paragraph 8 hereof.

5. EXERCISE OF OPTION. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of written notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of written notice, which notice shall be effective on the date received by the Company ("Effective Date"). The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be signed by the Optionee and shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 8 hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. METHOD OF PAYMENT FOR OPTIONS. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Board and communicated to the Optionee in writing prior to the date the Optionee exercises all or any portion of the Option.

8. TERMINATION OF SERVICES.

8.1 GENERAL. If the Optionee ceases to perform services as a member of the Board of Directors of the Company for any reason other than death or Disability, then the Optionee may at any time within ninety (90) days after the effective date of termination of services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the date of termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date. Any portion of the Option that is not vested on the date the Optionee ceases to perform services as a Company Director, shall be forfeited on such date.

8.2 DEATH OR DISABILITY OF OPTIONEE. In the event of the death or Disability (as that term is defined in the Plan) of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including ninety (90) days after termination of services (the "Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons

entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Board shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

9. NONTRANSFERABILITY. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as provided in paragraph 8 above, only by the Optionee during his lifetime and while a Director of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution.

10. MARKET STAND-OFF AGREEMENT. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed 180 days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

11. ADJUSTMENTS IN NUMBER OF SHARES AND OPTION PRICE. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 14 of the Plan.

12. DELIVERY OF SHARES. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Board, the Optionee has delivered to the Board an Investment Letter in form and content satisfactory to the Company as provided in paragraph 13 hereof.

13. SECURITIES ACT. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Board may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the

Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Board in its sole discretion.

14. DEFINITIONS; COPY OF PLAN. To the extent not specifically provided herein, all capitalized terms used in this Option Agreement shall have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

15. ADMINISTRATION. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Board in accordance with the terms of and as provided in the Plan. The Board shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Board with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

16. CONTINUATION OF SERVICES. This Option Agreement shall not be construed to confer upon the Optionee any right to continue providing services as a Company Director and shall not limit the right of the Company, in its sole discretion, to terminate the services of the Optionee at any time.

17. OBLIGATION TO EXERCISE. The Optionee shall have no obligation to exercise any option granted by this Agreement.

18. GOVERNING LAW. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

19. AMENDMENTS. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee. The Company and the Optionee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or the Optionee. In any such event, the Company and the Optionee agree that this Option Agreement may be amended as necessary to secure for the Company and the Optionee any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

IN WITNESS WHEREOF, the Company has caused this Option Agreement to be signed by its duly authorized representative and the Optionee has signed this Option Agreement as of the date first written above.

SCG HOLDING CORPORATION   OPTIONEE/JUSTIN T. CHANG

By: /s/ George H. Cave   /s/ Justin T. Chang

Its: Vice President & Secretary

Exhibit 10.45

SCG HOLDING CORPORATION
2000 STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR DIRECTORS

This Option Agreement is made and entered into by and between SCG HOLDING CORPORATION ("Company") and WILLIAM A. FRANKE ("Optionee"), as of the 12th day of May, 2000 ("Date of Grant").

RECITALS

A. The Board of Directors of the Company has adopted the SCG Holding Corporation 2000 Stock Incentive Plan ("Plan") as an incentive to retain members of the Board of Directors, key employees, officers, and consultants of the Company and to enhance the ability of the Company to attract such individuals whose services are considered unusually valuable by providing an opportunity for them to have a proprietary interest in the success of the Company.

B. The Board has approved the granting of options to the Optionee pursuant to the Plan to provide an incentive to the Optionee to focus on the long-term growth of the Company.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Optionee agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Optionee the right and option (hereinafter referred to as the "Option") to purchase an aggregate of 7,017 shares (such number being subject to adjustment as provided in paragraph 11 hereof and Section 14 of the Plan) of the Common Stock of the Company (the "Stock") on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time to time as hereinafter provided. The Option granted under this Agreement is NOT intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. VESTING OF OPTION. The Option shall vest and become exercisable in accordance with the schedule below:

- 33 1/3% of the Option grant shall become exercisable on May 12, 2001;

- an additional 33 1/3% of the Option grant shall become exercisable on May 12, 2002; and

- the final 33 1/3% of the Option grant shall become exercisable on May 12, 2003.

3. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $21.375 per share.

4. TERM OF OPTION. The Option granted under this Agreement shall expire, unless otherwise exercised, ten years from the Date of Grant, through and including the normal close of business of the Company on May 12, 2010 ("Expiration Date"), subject to earlier termination as provided in paragraph 8 hereof.

5. EXERCISE OF OPTION. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of written notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of written notice, which notice shall be effective on the date received by the Company ("Effective Date"). The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be signed by the Optionee and shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 8 hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. METHOD OF PAYMENT FOR OPTIONS. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Board and communicated to the Optionee in writing prior to the date the Optionee exercises all or any portion of the Option.

8. TERMINATION OF SERVICES.

8.1 GENERAL. If the Optionee ceases to perform services as a member of the Board of Directors of the Company for any reason other than death or Disability, then the Optionee may at any time within ninety (90) days after the effective date of termination of services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the date of termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date. Any portion of the Option that is not vested on the date the Optionee ceases to perform services as a Company Director, shall be forfeited on such date.

8.2 DEATH OR DISABILITY OF OPTIONEE. In the event of the death or Disability (as that term is defined in the Plan) of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including ninety (90) days after termination of services (the "Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons

entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Board shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

9. NONTRANSFERABILITY. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as provided in paragraph 8 above, only by the Optionee during his lifetime and while a Director of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution.

10. MARKET STAND-OFF AGREEMENT. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed 180 days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

11. ADJUSTMENTS IN NUMBER OF SHARES AND OPTION PRICE. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 14 of the Plan.

12. DELIVERY OF SHARES. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Board, the Optionee has delivered to the Board an Investment Letter in form and content satisfactory to the Company as provided in paragraph 13 hereof.

13. SECURITIES ACT. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Board may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the

Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Board in its sole discretion.

14. DEFINITIONS; COPY OF PLAN. To the extent not specifically provided herein, all capitalized terms used in this Option Agreement shall have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

15. ADMINISTRATION. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Board in accordance with the terms of and as provided in the Plan. The Board shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Board with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

16. CONTINUATION OF SERVICES. This Option Agreement shall not be construed to confer upon the Optionee any right to continue providing services as a Company Director and shall not limit the right of the Company, in its sole discretion, to terminate the services of the Optionee at any time.

17. OBLIGATION TO EXERCISE. The Optionee shall have no obligation to exercise any option granted by this Agreement.

18. GOVERNING LAW. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

19. AMENDMENTS. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee. The Company and the Optionee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or the Optionee. In any such event, the Company and the Optionee agree that this Option Agreement may be amended as necessary to secure for the Company and the Optionee any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

IN WITNESS WHEREOF, the Company has caused this Option Agreement to be signed by its duly authorized representative and the Optionee has signed this Option Agreement as of the date first written above.

SCG HOLDING CORPORATION

By: /s/ George H. Cave

Its: Vice President & Secretary

OPTIONEE/WILLIAM A. FRANKE

/s/ William A. Franke

EXHIBIT 10.46

SCG HOLDING CORPORATION
2000 STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR DIRECTORS

This Option Agreement is made and entered into by and between SCG HOLDING CORPORATION ("Company") and JEROME GREGOIRE ("Optionee"), as of the 28th day of April, 2000 ("Date of Grant").

RECITALS

A. The Board of Directors of the Company has adopted the SCG Holding Corporation 2000 Stock Incentive Plan ("Plan") as an incentive to retain members of the Board of Directors, key employees, officers, and consultants of the Company and to enhance the ability of the Company to attract such individuals whose services are considered unusually valuable by providing an opportunity for them to have a proprietary interest in the success of the Company.

B. The Board has approved the granting of options to the Optionee pursuant to the Plan to provide an incentive to the Optionee to focus on the long-term growth of the Company.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Optionee agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Optionee the right and option (hereinafter referred to as the "Option") to purchase an aggregate of 3,125 shares (such number being subject to adjustment as provided in paragraph 11 hereof and Section 14 of the Plan) of the Common Stock of the Company (the "Stock") on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time to time as hereinafter provided. The Option granted under this Agreement is NOT intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. VESTING OF OPTION. The Option is fully vested and immediately exercisable as of the Date of Grant.

3. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $16.00 per share.

4. TERM OF OPTION. The Option granted under this Agreement shall expire, unless otherwise exercised, ten years from the Date of Grant, through and including the normal close of business of the Company on April 28, 2010 ("Expiration Date"), subject to earlier termination as provided in paragraph 8 hereof.

5. EXERCISE OF OPTION. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of written notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of written notice, which notice shall be effective on the date received by the Company ("Effective Date"). The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be signed by the Optionee and shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 8 hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. METHOD OF PAYMENT FOR OPTIONS. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Board and communicated to the Optionee in writing prior to the date the Optionee exercises all or any portion of the Option.

8. TERMINATION OF SERVICES.

8.1 GENERAL. If the Optionee ceases to perform services for the Company for any reason other than death or Disability, then the Optionee may at any time within 90 days after the effective date of termination of services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the date of termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date.

8.2 DEATH OR DISABILITY OF OPTIONEE. In the event of the death or Disability (as that term is defined in the Plan) of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including 90 days after termination of services (the "Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Board shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

9. NONTRANSFERABILITY. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as

provided in paragraph 8 above, only by the Optionee during his lifetime and while a Director of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution.

10. MARKET STAND-OFF AGREEMENT. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed 180 days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

11. ADJUSTMENTS IN NUMBER OF SHARES AND OPTION PRICE. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 14 of the Plan.

12. DELIVERY OF SHARES. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Board, the Optionee has delivered to the Board an Investment Letter in form and content satisfactory to the Company as provided in paragraph 13 hereof.

13. SECURITIES ACT. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Board may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Board in its sole discretion.

14. DEFINITIONS; COPY OF PLAN. To the extent not specifically provided herein, all capitalized terms used in this Option Agreement shall have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

15. ADMINISTRATION. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Board in accordance with the terms of and as provided in the Plan. The Board shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Board with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

16. CONTINUATION OF SERVICES. This Option Agreement shall not be construed to confer upon the Optionee any right to continue providing services to the Company and shall not limit the right of the Company, in its sole discretion, to terminate the services of the Optionee at any time.

17. OBLIGATION TO EXERCISE. The Optionee shall have no obligation to exercise any option granted by this Agreement.

18. GOVERNING LAW. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

19. AMENDMENTS. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee. The Company and the Optionee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or the Optionee. In any such event, the Company and the Optionee agree that this Option Agreement may be amended as necessary to secure for the Company and the Optionee any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

IN WITNESS WHEREOF, the Company has caused this Option Agreement to be signed by its duly authorized representative and the Optionee has signed this Option Agreement as of the date first written above.

SCG HOLDING CORPORATION	OPTIONEE/JEROME N. GREGOIRE
By: /s/ George H. Cave	/s/ Jerome N. Gregoire
Its: Vice President & Secretary	

EXHIBIT 10.47

SCG HOLDING CORPORATION
2000 STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR DIRECTORS

This Option Agreement is made and entered into by and between SCG HOLDING CORPORATION ("Company") and JEROME N. GREGOIRE ("Optionee"), as of the 12th day of May, 2000 ("Date of Grant").

RECITALS

A. The Board of Directors of the Company has adopted the SCG Holding Corporation 2000 Stock Incentive Plan ("Plan") as an incentive to retain members of the Board of Directors, key employees, officers, and consultants of the Company and to enhance the ability of the Company to attract such individuals whose services are considered unusually valuable by providing an opportunity for them to have a proprietary interest in the success of the Company.

B. The Board has approved the granting of options to the Optionee pursuant to the Plan to provide an incentive to the Optionee to focus on the long-term growth of the Company.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Optionee agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Optionee the right and option (hereinafter referred to as the "Option") to purchase an aggregate of 4,678 shares (such number being subject to adjustment as provided in paragraph 11 hereof and Section 14 of the Plan) of the Common Stock of the Company (the "Stock") on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time to time as hereinafter provided. The Option granted under this Agreement is NOT intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. VESTING OF OPTION. The Option shall vest and become exercisable in accordance with the schedule below:

- 33 1/3% of the Option grant shall become exercisable on May 12, 2001;

- an additional 33 1/3% of the Option grant shall become exercisable on May 12, 2002; and

- the final 33 1/3% of the Option grant shall become exercisable on May 12, 2003.

3. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $21.375 per share.

4. TERM OF OPTION. The Option granted under this Agreement shall expire, unless otherwise exercised, ten years from the Date of Grant, through and including the normal close of business of the Company on May 12, 2010 ("Expiration Date"), subject to earlier termination as provided in paragraph 8 hereof.

5. EXERCISE OF OPTION. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of written notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of written notice, which notice shall be effective on the date received by the Company ("Effective Date"). The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be signed by the Optionee and shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 8 hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. METHOD OF PAYMENT FOR OPTIONS. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Board and communicated to the Optionee in writing prior to the date the Optionee exercises all or any portion of the Option.

8. TERMINATION OF SERVICES.

8.1 GENERAL. If the Optionee ceases to perform services as a member of the Board of Directors of the Company for any reason other than death or Disability, then the Optionee may at any time within ninety (90) days after the effective date of termination of services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the date of termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date. Any portion of the Option that is not vested on the date the Optionee ceases to perform services as a Company Director, shall be forfeited on such date.

8.2 DEATH OR DISABILITY OF OPTIONEE. In the event of the death or Disability (as that term is defined in the Plan) of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including ninety (90) days after termination of services (the "Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons

entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Board shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

9. NONTRANSFERABILITY. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as provided in paragraph 8 above, only by the Optionee during his lifetime and while a Director of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution.

10. MARKET STAND-OFF AGREEMENT. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed 180 days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

11. ADJUSTMENTS IN NUMBER OF SHARES AND OPTION PRICE. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 14 of the Plan.

12. DELIVERY OF SHARES. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Board, the Optionee has delivered to the Board an Investment Letter in form and content satisfactory to the Company as provided in paragraph 13 hereof.

13. SECURITIES ACT. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Board may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the

Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Board in its sole discretion.

14. DEFINITIONS; COPY OF PLAN. To the extent not specifically provided herein, all capitalized terms used in this Option Agreement shall have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

15. ADMINISTRATION. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Board in accordance with the terms of and as provided in the Plan. The Board shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Board with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

16. CONTINUATION OF SERVICES. This Option Agreement shall not be construed to confer upon the Optionee any right to continue providing services as a Company Director and shall not limit the right of the Company, in its sole discretion, to terminate the services of the Optionee at any time.

17. OBLIGATION TO EXERCISE. The Optionee shall have no obligation to exercise any option granted by this Agreement.

18. GOVERNING LAW. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

19. AMENDMENTS. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee. The Company and the Optionee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or the Optionee. In any such event, the Company and the Optionee agree that this Option Agreement may be amended as necessary to secure for the Company and the Optionee any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

IN WITNESS WHEREOF, the Company has caused this Option Agreement to be signed by its duly authorized representative and the Optionee has signed this Option Agreement as of the date first written above.

SCG HOLDING CORPORATION	OPTIONEE/JEROME N. GREGOIRE
By: /s/ George H. Cave	/s/ Jerome N. Gregoire
Its: Vice President & Secretary	

EXHIBIT 10.48

SCG HOLDING CORPORATION
2000 STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR DIRECTORS

This Option Agreement is made and entered into by and between SCG HOLDING CORPORATION ("Company") and ALBERT HUGO-MARTINEZ ("Optionee"), as of the 28th day of April, 2000 ("Date of Grant").

RECITALS

A. The Board of Directors of the Company has adopted the SCG Holding Corporation 2000 Stock Incentive Plan ("Plan") as an incentive to retain members of the Board of Directors, key employees, officers, and consultants of the Company and to enhance the ability of the Company to attract such individuals whose services are considered unusually valuable by providing an opportunity for them to have a proprietary interest in the success of the Company.

B. The Board has approved the granting of options to the Optionee pursuant to the Plan to provide an incentive to the Optionee to focus on the long-term growth of the Company.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Optionee agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Optionee the right and option (hereinafter referred to as the "Option") to purchase an aggregate of 3,125 shares (such number being subject to adjustment as provided in paragraph 11 hereof and Section 14 of the Plan) of the Common Stock of the Company (the "Stock") on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time to time as hereinafter provided. The Option granted under this Agreement is NOT intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. VESTING OF OPTION. The Option is fully vested and immediately exercisable as of the Date of Grant.

3. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $16.00 per share.

4. TERM OF OPTION. The Option granted under this Agreement shall expire, unless otherwise exercised, ten years from the Date of Grant, through and including the normal close of business of the Company on April 28, 2010 ("Expiration Date"), subject to earlier termination as provided in paragraph 8 hereof.

5. EXERCISE OF OPTION. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of written notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of written notice, which notice shall be effective on the date received by the Company ("Effective Date"). The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be signed by the Optionee and shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 8 hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. METHOD OF PAYMENT FOR OPTIONS. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Board and communicated to the Optionee in writing prior to the date the Optionee exercises all or any portion of the Option.

8. TERMINATION OF SERVICES.

8.1 GENERAL. If the Optionee ceases to perform services for the Company for any reason other than death or Disability, then the Optionee may at any time within 90 days after the effective date of termination of services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the date of termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date.

8.2 DEATH OR DISABILITY OF OPTIONEE. In the event of the death or Disability (as that term is defined in the Plan) of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including 90 days after termination of services (the "Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Board shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

9. NONTRANSFERABILITY. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as

provided in paragraph 8 above, only by the Optionee during his lifetime and while a Director of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution.

10. MARKET STAND-OFF AGREEMENT. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed 180 days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

11. ADJUSTMENTS IN NUMBER OF SHARES AND OPTION PRICE. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 14 of the Plan.

12. DELIVERY OF SHARES. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Board, the Optionee has delivered to the Board an Investment Letter in form and content satisfactory to the Company as provided in paragraph 13 hereof.

13. SECURITIES ACT. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Board may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Board in its sole discretion.

14. DEFINITIONS; COPY OF PLAN. To the extent not specifically provided herein, all capitalized terms used in this Option Agreement shall have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

15. ADMINISTRATION. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Board in accordance with the terms of and as provided in the Plan. The Board shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Board with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

16. CONTINUATION OF SERVICES. This Option Agreement shall not be construed to confer upon the Optionee any right to continue providing services to the Company and shall not limit the right of the Company, in its sole discretion, to terminate the services of the Optionee at any time.

17. OBLIGATION TO EXERCISE. The Optionee shall have no obligation to exercise any option granted by this Agreement.

18. GOVERNING LAW. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

19. AMENDMENTS. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee. The Company and the Optionee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or the Optionee. In any such event, the Company and the Optionee agree that this Option Agreement may be amended as necessary to secure for the Company and the Optionee any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

IN WITNESS WHEREOF, the Company has caused this Option Agreement to be signed by its duly authorized representative and the Optionee has signed this Option Agreement as of the date first written above.

SCG HOLDING CORPORATION	OPTIONEE/ALBERT HUGO-MARTINEZ
By: /s/ George H. Cave	/s/ Albert Hugo-Martinez
Its: Vice President & Secretary	

EXHIBIT 10.49

SCG HOLDING CORPORATION
2000 STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR DIRECTORS

This Option Agreement is made and entered into by and between SCG HOLDING CORPORATION ("Company") and ALBERT HUGO-MARTINEZ ("Optionee"), as of the 12th day of May, 2000 ("Date of Grant").

RECITALS

A. The Board of Directors of the Company has adopted the SCG Holding Corporation 2000 Stock Incentive Plan ("Plan") as an incentive to retain members of the Board of Directors, key employees, officers, and consultants of the Company and to enhance the ability of the Company to attract such individuals whose services are considered unusually valuable by providing an opportunity for them to have a proprietary interest in the success of the Company.

B. The Board has approved the granting of options to the Optionee pursuant to the Plan to provide an incentive to the Optionee to focus on the long-term growth of the Company.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Optionee agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Optionee the right and option (hereinafter referred to as the "Option") to purchase an aggregate of 4,678 shares (such number being subject to adjustment as provided in paragraph 11 hereof and Section 14 of the Plan) of the Common Stock of the Company (the "Stock") on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time to time as hereinafter provided. The Option granted under this Agreement is NOT intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. VESTING OF OPTION. The Option shall vest and become exercisable in accordance with the schedule below:

- 33 1/3% of the Option grant shall become exercisable on May 12, 2001;

- an additional 33 1/3% of the Option grant shall become exercisable on May 12, 2002; and

- the final 33 1/3% of the Option grant shall become exercisable on May 12, 2003.

3. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $21.375 per share.

4. TERM OF OPTION. The Option granted under this Agreement shall expire, unless otherwise exercised, ten years from the Date of Grant, through and including the normal close of business of the Company on May 12, 2010 ("Expiration Date"), subject to earlier termination as provided in paragraph 8 hereof.

5. EXERCISE OF OPTION. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of written notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of written notice, which notice shall be effective on the date received by the Company ("Effective Date"). The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be signed by the Optionee and shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 8 hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. METHOD OF PAYMENT FOR OPTIONS. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Board and communicated to the Optionee in writing prior to the date the Optionee exercises all or any portion of the Option.

8. TERMINATION OF SERVICES.

8.1 GENERAL. If the Optionee ceases to perform services as a member of the Board of Directors of the Company for any reason other than death or Disability, then the Optionee may at any time within ninety (90) days after the effective date of termination of services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the date of termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date. Any portion of the Option that is not vested on the date the Optionee ceases to perform services as a Company Director, shall be forfeited on such date.

8.2 DEATH OR DISABILITY OF OPTIONEE. In the event of the death or Disability (as that term is defined in the Plan) of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including ninety (90) days after termination of services (the "Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons

entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Board shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

9. NONTRANSFERABILITY. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as provided in paragraph 8 above, only by the Optionee during his lifetime and while a Director of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution.

10. MARKET STAND-OFF AGREEMENT. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed 180 days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

11. ADJUSTMENTS IN NUMBER OF SHARES AND OPTION PRICE. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 14 of the Plan.

12. DELIVERY OF SHARES. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Board, the Optionee has delivered to the Board an Investment Letter in form and content satisfactory to the Company as provided in paragraph 13 hereof.

13. SECURITIES ACT. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Board may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the

Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Board in its sole discretion.

14. DEFINITIONS; COPY OF PLAN. To the extent not specifically provided herein, all capitalized terms used in this Option Agreement shall have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

15. ADMINISTRATION. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Board in accordance with the terms of and as provided in the Plan. The Board shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Board with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

16. CONTINUATION OF SERVICES. This Option Agreement shall not be construed to confer upon the Optionee any right to continue providing services as a Company Director and shall not limit the right of the Company, in its sole discretion, to terminate the services of the Optionee at any time.

17. OBLIGATION TO EXERCISE. The Optionee shall have no obligation to exercise any option granted by this Agreement.

18. GOVERNING LAW. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

19. AMENDMENTS. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee. The Company and the Optionee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or the Optionee. In any such event, the Company and the Optionee agree that this Option Agreement may be amended as necessary to secure for the Company and the Optionee any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

IN WITNESS WHEREOF, the Company has caused this Option Agreement to be signed by its duly authorized representative and the Optionee has signed this Option Agreement as of the date first written above.

SCG HOLDING CORPORATION

By: /s/ George H. Cave

Its: Vice President & Secretary

OPTIONEE/ALBERT HUGO-MARTINEZ

/s/ Albert Hugo-Martinez

EXHIBIT 10.50

SCG HOLDING CORPORATION
2000 STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR DIRECTORS

This Option Agreement is made and entered into by and between SCG HOLDING CORPORATION ("Company") and JOHN MARREN ("Optionee"), as of the 19th day of July, 2000 ("Date of Grant").

RECITALS

A. The Board of Directors of the Company has adopted the SCG Holding Corporation 2000 Stock Incentive Plan ("Plan") as an incentive to retain members of the Board of Directors, key employees, officers, and consultants of the Company and to enhance the ability of the Company to attract such individuals whose services are considered unusually valuable by providing an opportunity for them to have a proprietary interest in the success of the Company.

B. The Board has approved the granting of options to the Optionee pursuant to the Plan to provide an incentive to the Optionee to focus on the long-term growth of the Company.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Optionee agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Optionee the right and option (hereinafter referred to as the "Option") to purchase an aggregate of 7,407 shares (such number being subject to adjustment as provided in paragraph 11 hereof and Section 14 of the Plan) of the Common Stock of the Company (the "Stock") on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time to time as hereinafter provided. The Option granted under this Agreement is NOT intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. VESTING OF OPTION. The Option shall vest and become exercisable in accordance with the schedule below:

- 33 1/3% of the Option grant shall become exercisable on July 19, 2001;

- an additional 33 1/3% of the Option grant shall become exercisable on July 19, 2002; and

- the final 33 1/3% of the Option grant shall become exercisable on July 19, 2003.

3. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $20.25 per share.

4. TERM OF OPTION. The Option granted under this Agreement shall expire, unless otherwise exercised, ten years from the Date of Grant, through and including the normal close of business of the Company on July 19, 2010 ("Expiration Date"), subject to earlier termination as provided in paragraph 8 hereof.

5. EXERCISE OF OPTION. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of written notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of written notice, which notice shall be effective on the date received by the Company ("Effective Date"). The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be signed by the Optionee and shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 8 hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. METHOD OF PAYMENT FOR OPTIONS. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Board and communicated to the Optionee in writing prior to the date the Optionee exercises all or any portion of the Option.

8. TERMINATION OF SERVICES.

8.1 GENERAL. If the Optionee ceases to perform services as a member of the Board of Directors of the Company for any reason other than death or Disability, then the Optionee may at any time within ninety (90) days after the effective date of termination of services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the date of termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date. Any portion of the Option that is not vested on the date the Optionee ceases to perform services as a Company Director, shall be forfeited on such date.

8.2 DEATH OR DISABILITY OF OPTIONEE. In the event of the death or Disability (as that term is defined in the Plan) of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including ninety (90) days after termination of services (the "Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons

entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Board shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

9. NONTRANSFERABILITY. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as provided in paragraph 8 above, only by the Optionee during his lifetime and while a Director of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution.

10. MARKET STAND-OFF AGREEMENT. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed 180 days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

11. ADJUSTMENTS IN NUMBER OF SHARES AND OPTION PRICE. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 14 of the Plan.

12. DELIVERY OF SHARES. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Board, the Optionee has delivered to the Board an Investment Letter in form and content satisfactory to the Company as provided in paragraph 13 hereof.

13. SECURITIES ACT. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Board may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the

Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Board in its sole discretion.

14. DEFINITIONS; COPY OF PLAN. To the extent not specifically provided herein, all capitalized terms used in this Option Agreement shall have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

15. ADMINISTRATION. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Board in accordance with the terms of and as provided in the Plan. The Board shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Board with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

16. CONTINUATION OF SERVICES. This Option Agreement shall not be construed to confer upon the Optionee any right to continue providing services as a Company Director and shall not limit the right of the Company, in its sole discretion, to terminate the services of the Optionee at any time.

17. OBLIGATION TO EXERCISE. The Optionee shall have no obligation to exercise any option granted by this Agreement.

18. GOVERNING LAW. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

19. AMENDMENTS. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee. The Company and the Optionee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or the Optionee. In any such event, the Company and the Optionee agree that this Option Agreement may be amended as necessary to secure for the Company and the Optionee any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

IN WITNESS WHEREOF, the Company has caused this Option Agreement to be signed by its duly authorized representative and the Optionee has signed this Option Agreement as of the date first written above.

SCG HOLDING CORPORATION	OPTIONEE/JOHN MARREN
By: /s/ George H. Cave	/s/ John Marren
Its: Vice President & Secretary	

EXHIBIT 10.51

SCG HOLDING CORPORATION
2000 STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR DIRECTORS

This Option Agreement is made and entered into by and between SCG HOLDING CORPORATION ("Company") and DAVID M. STANTON ("Optionee"), as of the 12th day of May, 2000 ("Date of Grant").

RECITALS

A. The Board of Directors of the Company has adopted the SCG Holding Corporation 2000 Stock Incentive Plan ("Plan") as an incentive to retain members of the Board of Directors, key employees, officers, and consultants of the Company and to enhance the ability of the Company to attract such individuals whose services are considered unusually valuable by providing an opportunity for them to have a proprietary interest in the success of the Company.

B. The Board has approved the granting of options to the Optionee pursuant to the Plan to provide an incentive to the Optionee to focus on the long-term growth of the Company.

In consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Optionee agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Optionee the right and option (hereinafter referred to as the "Option") to purchase an aggregate of 7,017 shares (such number being subject to adjustment as provided in paragraph 11 hereof and Section 14 of the Plan) of the Common Stock of the Company (the "Stock") on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time to time as hereinafter provided. The Option granted under this Agreement is NOT intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. VESTING OF OPTION. The Option shall vest and become exercisable in accordance with the schedule below:

- 33 1/3% of the Option grant shall become exercisable on May 12, 2001;

- an additional 33 1/3% of the Option grant shall become exercisable on May 12, 2002; and

- the final 33 1/3% of the Option grant shall become exercisable on May 12, 2003.

3. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $21.375 per share.

4. TERM OF OPTION. The Option granted under this Agreement shall expire, unless otherwise exercised, ten years from the Date of Grant, through and including the normal close of business of the Company on May 12, 2010 ("Expiration Date"), subject to earlier termination as provided in paragraph 8 hereof.

5. EXERCISE OF OPTION. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of written notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of written notice, which notice shall be effective on the date received by the Company ("Effective Date"). The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be signed by the Optionee and shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 8 hereof, such notice shall be signed by such other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. METHOD OF PAYMENT FOR OPTIONS. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Board and communicated to the Optionee in writing prior to the date the Optionee exercises all or any portion of the Option.

8. TERMINATION OF SERVICES.

8.1 GENERAL. If the Optionee ceases to perform services as a member of the Board of Directors of the Company for any reason other than death or Disability, then the Optionee may at any time within ninety (90) days after the effective date of termination of services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the date of termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date. Any portion of the Option that is not vested on the date the Optionee ceases to perform services as a Company Director, shall be forfeited on such date.

8.2 DEATH OR DISABILITY OF OPTIONEE. In the event of the death or Disability (as that term is defined in the Plan) of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including ninety (90) days after termination of services (the "Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons

entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Board shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

9. NONTRANSFERABILITY. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as provided in paragraph 8 above, only by the Optionee during his lifetime and while a Director of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution.

10. MARKET STAND-OFF AGREEMENT. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed 180 days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

11. ADJUSTMENTS IN NUMBER OF SHARES AND OPTION PRICE. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 14 of the Plan.

12. DELIVERY OF SHARES. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Board, the Optionee has delivered to the Board an Investment Letter in form and content satisfactory to the Company as provided in paragraph 13 hereof.

13. SECURITIES ACT. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Board may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the

Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Board in its sole discretion.

14. DEFINITIONS; COPY OF PLAN. To the extent not specifically provided herein, all capitalized terms used in this Option Agreement shall have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

15. ADMINISTRATION. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Board in accordance with the terms of and as provided in the Plan. The Board shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Board with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

16. CONTINUATION OF SERVICES. This Option Agreement shall not be construed to confer upon the Optionee any right to continue providing services as a Company Director and shall not limit the right of the Company, in its sole discretion, to terminate the services of the Optionee at any time.

17. OBLIGATION TO EXERCISE. The Optionee shall have no obligation to exercise any option granted by this Agreement.

18. GOVERNING LAW. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

19. AMENDMENTS. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee. The Company and the Optionee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or the Optionee. In any such event, the Company and the Optionee agree that this Option Agreement may be amended as necessary to secure for the Company and the Optionee any benefits that may result from such legislation. Any such amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

IN WITNESS WHEREOF, the Company has caused this Option Agreement to be signed by its duly authorized representative and the Optionee has signed this Option Agreement as of the date first written above.

SCG HOLDING CORPORATION

By: /s/ George H. Cave

Its: Vice President & Secretary

OPTIONEE/DAVID M. STANTON

/s/ David M. Stanton

EXHIBIT 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

COMPUTATION OF PER SHARE EARNINGS

(IN MILLIONS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31, 2000	AUGUST 4, 1999 THROUGH DECEMBER 31, 1999
Net income before extraordinary loss	$ 88.6	$ 29.8
Less: Redeemable preferred dividends	(8.8)	(10.6)
Net income before extraordinary loss available for common stock	79.8	19.2
Extraordinary loss on debt prepayment	(17.5)	--
Net income available for common stock	$ 62.3	$ 19.2
Basic weighted average common shares outstanding	160.2	136.7
Add: Dilutive effect of stock options	5.4	7.9
Diluted weighted average common shares outstanding:	165.6	144.6
Earnings per share:		
Basic:		
Net income before extraordinary loss available for common stock	$ 0.50	$ 0.14
Extraordinary loss on debt prepayment	(0.11)	--
Net income available for common stock	$ 0.39	$ 0.14
Diluted:		
Net income before extraordinary loss available for common stock	$ 0.49	$ 0.13
Extraordinary loss on debt prepayment	(0.11)	--
Net income available for common stock	$ 0.38	$ 0.13

EXHIBIT 13

"Take a breath. In the amount of time it took you to do that, ON Semiconductor produced 1,600 chips; 12,000 in the time it took to tie your shoes this morning; 2,800,000 in an hour; 25 billion in the year 2000."

ON SEMICONDUCTOR -- EXCELLENCE BY DESIGN

ON Semiconductor designs and manufactures products critical to the functioning of today's digital world. Semiconductors, the small silicon-based devices that enable the digital revolution, control the flow of electricity in the equipment that makes our world easier to manage and more enjoyable to live in.

The principal end-user markets for ON Semiconductor products are networking and computing, wireless communications, consumer, automotive and industrial electronics. Our products can be found in routers, switches and other advanced networking equipment, computers, servers, cellular telephones, portable electronics, industrial automation and control systems and many other electronic devices.

The company boasts three main product lines: broadband (application specific products, communication integrated circuits, clock and data distribution, translators and drivers); power management (amplifiers, voltage regulators, interfaces, controllers and comparators); and standard semiconductors.

In little more than a year, ON Semiconductor commenced business as an independent company, conducted a successful initial public offering and acquired Cherry Semiconductor. ON Semiconductor is now positioned as one of the top two suppliers of power management devices and a global leader in broadband solutions.

ON Semiconductor continues to prove itself as a fast mover in the industry. The company generates 51% of its revenue from high-margin, high-profit Integrated Circuits (ICs), an increase of seven percentage points in 2000 alone.

The company is committed to tripling its investment in research and development, or 5% to 6% of annual sales revenue, over the next three years.

[ARTWORK]

NETWORKING & COMPUTING APPLICATIONS:
Routers, networking, cable and other high-speed modems, set-top boxes, laser printers, scanners, Ethernet cards, disk drives.

[RESEARCH & DEVELOPMENT SPENDING BAR CHART]

[THE INNOVATION ENGINE (number of new products) BAR CHART]

[ARTWORK]

WIRELESS COMMUNICATION APPLICATIONS:
Portable electronic devices, cellular phones, pagers, satellite receivers.

ON Semiconductor's International design centers provide the innovation that has enabled the company to introduce more than 400 new products in the past year. Many of these devices are solid revenue generators with significant product life cycles. ON Semiconductor owns more than 740 U.S. and foreign patents, 57 trademarks and intellectual property rights in as many as 39 semiconductor fabrication processes.

ON Semiconductor's products are the great enablers of connectivity, convergence, capacity and portability that characterize our highly mobile, information dependent society. The freedom of wireless communications and the instantaneous access to information through the Internet are but two examples of the capabilities that semiconductors bring to our world.

O N   S E M I C O N D U C T O R -- A   L E A D E R   I N   P O W E R   M A N A G E M E N T

The Venture Development Corporation(TM) estimates that the global power-management market will grow at a compounded annual rate of 27% to $10 billion in 2003. The demand for smaller, more efficient portable electronic devices such as cell phones, Personal Digital Assistants (PDA), and smart appliances drive this growth trend.

ON Semiconductor designs and manufactures voltage-supervisory, battery-management, Radio-Frequency (RF)amplifier control, Input/Output (I/O) protection and smart card interface ICs that meet numerous requirements for portable electronics and cellular communications. Do you have a cell phone? If you do, it is more than likely you also own several of ON Semiconductor's industry-leading products that ensure precise distribution of power across the device. The company is a major supplier of products to most major cellular phone

[ARTWORK]

"As one of the pioneers of the world's fastest logic silicon...we still lead the market three decades later."

manufacturers. Every time you hit the send button on your phone, ON Semiconductor products help turn your wireless communications into a reality.

ON Semiconductor continues to develop and introduce power-management ICs that enable longer battery life for smaller, more efficient portable electronic devices. The company produces the devices that extend the life of your phone's battery, enabling you to carry your phone over increasing periods of time. In the not-so-distant future, advances in battery composition and power-management semiconductor design will enable you to use your phone for up to a year before recharging.

BROADBAND--WORLD'S FASTEST LOGIC SILICON

It is almost impossible to send an email message or surf the Internet without using ON Semiconductor's products. You can find the company's devices in your computer, the high-speed modem, the router at your service provider's central office and in the advanced switches that are the backbone of the Internet.

Venture Development Corporation estimates the broadband IC market will grow 28% at a compounded annual rate from $1.3 billion in 1999 to $3.5 billion in 2003. As one of the pioneers of the world's fastest logic silicon, ON Semiconductor is uniquely positioned to take advantage of this growth.

[ARTWORK]

CONSUMER ELECTRONIC APPLICATIONS:
DVD players, home security systems, small
household appliances, smart cards.

[ ] [ ] [ ]
[ ] [ ] [ ]   [ARTWORK]

AUTOMOTIVE ELECTRONIC APPLICATIONS:
GPS and navigational tools, air bag controls, anti-lock braking systems.

Already positioned as a global leader in this market, ON Semiconductor designs, develops and supplies clock management, high-performance digital and communications ICs for the high-growth broadband communications markets. Applications in these markets include fiber-optic modules, communication and networking switches, high-end routers, high-performance work stations, highly dense memory modules, storage-area networks and precision measurement test systems.

ON Semiconductor provides broadband semiconductor technology that has evolved into an essential component of the global networking backbone. The company pioneered the development of high-performance silicon products under the broadband umbrella to address increased performance demands of next-generation networking equipment. ON Semiconductor is creating advanced semiconductor processes that employ deep sub-micron technology optimized for performance in OC-192 systems and beyond.

As demand for bandwidth rapidly accelerates, service providers strive to be the first to deploy broadband multi-service networks. Network equipment manufacturers are challenged to meet the requirement for products that can help break the bandwidth bottleneck. This next generation of networking equipment must be able to do significantly more in less space and at lower power while maintaining high-performance specifications.

ON Semiconductor is creating high-performance semiconductors that are critical in powering broadband equipment that supports the global networking infrastructure. As the number of users increase the load on the Internet infrastructure, ON Semiconductor will be there to provide the silicon solutions for the next-generation network equipment.

[ARTWORK]
1992   1995   1999   TODAY

STANDARD SEMICONDUCTORS--DISCRETES AND BEYOND

ON Semiconductor's discrete and standard logic businesses provide the company with scale and leverage in its manufacturing capability. These businesses, growing more than 7% last year, provide ON Semiconductor with a powerful complement to its growth engines and strategies because of their low level of reinvestment, product pull through and cash generation. Discretes play an important role in virtually every device that uses power.

[ARTWORK]

INDUSTRIAL APPLICATIONS: Automation and control systems, power supplies, motor controls, lighting controls.

As consumer demand increases for competitively priced portable-electronic devices with increased functionality, engineers face the difficult task of fitting an increasing number of faster, smaller and noise-sensitive micropackages into ever-shrinking design space. ON Semiconductor solves these design issues by using advanced manufacturing processes to deliver a low-cost family of discrete-integration devices.

Micropackaging and discrete-integration capabilities enable the company to significantly reduce the component count and the required printed-circuit board space that are not possible with traditional techniques.

CUSTOMERS - THE DRIVING FORCE OF THE COMPANY'S SUCCESS

ON Semiconductor's focus on service, growth, cost and speed resonate with its customers. In fact, its customers recognized the company with more than 15 awards as a leading supplier during the past year. ON Semiconductor sells its products to customers around the world including original equipment manufacturers, such as Cisco Systems, Lucent, Nortel Networks, Nokia, Motorola, Visteon, Sony and Sun Microsystems, electronic manufacturing service providers, such as Celestica, Flextronics, SCI and Solectron, and global distributors, such as Arrow and Avnet.

ON SEMICONDUCTOR - THE GLOBAL START UP

From its headquarters in Phoenix, Arizona, the company commands nine manufacturing facilities, eleven design centers, over 14,000 employees and numerous sales offices strategically placed worldwide to meet the needs of its global customers.

ON Semiconductor has design operations in San Jose and Irvine, California; Phoenix and Chandler, Arizona; East Greenwich, Rhode Island; Grenoble and Toulouse, France; Roznov, Czech Republic; Tokyo and Aizu, Japan; and Hong Kong, China.

The company operates manufacturing facilities in Arizona and Rhode Island in the United States, China, the Czech Republic, Japan, Malaysia, Mexico, the Phillippines and Slovak Republic, directly or through joint ventures.

*Venture Development Corporation, the global market for power supply and power management integrated circuits, second edition, December 2000.

The following table sets forth our selected financial data for the periods indicated. We derived the statement of operations data set forth below for the year ended December 31, 2000 and the period from August 4, 1999 through December 31, 1999, and the balance sheet data for December 31, 2000 and 1999, from our audited historical post-Recapitalization consolidated financial statements. We derived the statement of operations data set forth below for the years ended December 31, 1998, 1997 and 1996 and the period from January 1, 1999 through August 3, 1999, and balance sheet data as of December 31, 1998, 1997 and 1996, from our audited combined financial statements prior to our Recapitalization. You should read this information in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and our audited combined financial statements included in Exhibit 13 in this Form 10-K.

	POST-RECAPITALIZATION		PRE-RECAPITALIZATION			
	YEAR ENDED DECEMBER 31,	AUGUST 4, 1999 THROUGH DECEMBER 31,	JANUARY 1, 1999 THROUGH AUGUST 3,	YEAR ENDED DECEMBER 31,		
	2000	1999	1999	1998	1997	1996
STATEMENT OF OPERATIONS DATA:	(IN MILLIONS, EXCEPT PER SHARE DATA)					
Total revenues	$2,073.9	$798.7	$986.4	$1,657.6	$1,992.7	$1,907.5
Write-off acquired in-process research and development(1)	26.9	--	--	--	--	--
Restructuring charges	4.8	3.7	--	189.8	--	--
Extraordinary loss on debt prepayment(2)	17.5	--	--	--	--	--
Net income (loss)(3)	71.1	29.8	104.8	(136.3)	270.0	289.7
Diluted earnings per common share (4)	$ 0.38	$ 0.13				

	DECEMBER 31,		DECEMBER 31,		
	2000	1999	1998	1997	1996
BALANCE SHEET DATA:					
Total assets	$2,023.0	$1,616.8	$840.7	$935.3	$768.9
Long-term debt, less current portion(5)	1,252.7	1,295.3			
Redeemable preferred stock(6)	--	219.6	--	--	--
Stockholders equity(deficit)/business equity(7)	337.7	(247.7)	681.0	866.4	746.1

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(1) Write-off of acquired in-process research and development relates to the April 2000 acquisition of Cherry Semiconductor Corporation.

(2) Prepayment penalties, redemption premiums and the write-off of deferred debt issuance costs were incurred in connection with the repayment of debt in 2000 net of tax.

(3) Prior to our Recapitalization, cost of sales, research and development expenses, selling and marketing expenses, general and administrative expenses and interest expense included amounts allocated to us by Motorola. In addition, Motorola did not allocate income tax expense to us.

(4) Diluted earnings per common share for the year ended December 31, 2000 and the period from August 4, 1999 to December 31, 1999 are calculated by deducting dividends on our redeemable preferred stock of $8.8 million and $10.6 million, respectively, from net income for such periods and then dividing the resulting amounts by the weighted average number of common shares outstanding (including the incremental shares issuable upon the assumed exercise of stock options) during such periods.

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

(6) Repaid with a portion of the proceeds from our initial public offering.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our audited historical post-Recapitalization consolidated financial statements and our audited historical pre-Recapitalization combined financial statements, which are included elsewhere in this Annual Report to Stockholders. The post-Recapitalization consolidated financial statements present our consolidated financial position, results of operations and cash flows on a stand-alone basis. The pre-Recapitalization combined financial statements present the combined revenues less direct and allocated expenses before taxes of the business of Motorola's Semiconductor Components Group prior to our August 4, 1999 Recapitalization and are not intended to be a complete presentation of the results of operations or cash flows that would have been recorded by us on a stand-alone basis.

ON Semiconductor is a global supplier of high performance broadband and power management integrated circuits and standard semiconductors used in numerous advanced devices ranging from high speed fiber optic networking equipment to the precise power management functions found in today's advanced portable electronics.

Recent Developments. Entering 2001, we continue to experience slowing demand for our products as customers have delayed or cancelled bookings in order to manage their inventories in line with incoming business. With the recent economic downturn, our customers are unable to provide us with much visibility to their expected requirements. We project net product revenues for the first quarter of 2001 to be down approximately 30% from the fourth quarter of 2000, with an expected loss per share of approximately $0.13-$0.15, excluding restructuring charges and amortization of goodwill and other intangibles. In the fourth quarter of 2000 we reported net product revenues of $490.7 million and net income of $21.2 million, or $0.12 per share, excluding amortization of goodwill and other intangibles. We are managing our resources prudently, staying close to our customers for signals of an upturn and continuing our new product development efforts. We will continue to actively adjust our cost structure to limit the impact of reduced revenue on profitability. Cost reduction actions include accelerating our manufacturing moves into lower cost regions, transitioning higher-cost external supply to internal manufacturing, working with our materials suppliers to further lower cost, and aggressively streamlining our overhead. As a result of actions already initiated, we expect to incur a restructuring charge in the first quarter 2001. We estimate the cash portion of this restructuring charge will be approximately $30-40 million (before income taxes), primarily associated with severance costs. We plan to continue to execute on our long-range growth plan in broadband and power management solutions while appropriately managing short-term demand fluctuations.

Recapitalization and initial public offering. Immediately prior to our Recapitalization, we were a wholly-owned subsidiary of Motorola. We held and continue to hold, through direct and indirect subsidiaries, substantially all of the assets and operations of the Semiconductor Components Group of Motorola's Semiconductor Products Sector ("SCG"). As part of our Recapitalization, an affiliate of the Texas Pacific Group purchased our common shares from Motorola for $337.5 million, and we redeemed common stock held by Motorola for a total of approximately $952 million. As a result, Texas Pacific Group's affiliate owned approximately 91% and Motorola owned approximately 9% of our voting common stock. To finance a portion of the Recapitalization, Semiconductor Components Industries, LLC ("SCI LLC"), our primary domestic operating subsidiary, borrowed $740.5 million under senior secured bank facilities, we and SCI LLC issued $400 million of senior subordinated notes and SCI LLC issued a $91 million junior subordinated note to Motorola. We also issued mandatorily redeemable preferred stock with a total liquidation preference of $209 million to Motorola and Texas Pacific Group's affiliate. Because Texas Pacific Group's affiliate did not acquire substantially all of SCG's common stock, the basis of SCG's assets and liabilities for financial reporting purposes was not impacted by our Recapitalization. At the time of the Recapitalization, Motorola agreed to provide us with transition and manufacturing services in order to facilitate our transition to a stand-alone company independent of Motorola.

On May 3, 2000, we completed the initial public offering of our common stock, selling 34.5 million shares with an issue price of $16 per share. Net proceeds from the IPO (after deducting issuance costs) were approximately $514.8 million. The net proceeds were used to redeem all outstanding preferred stock (including accrued dividends), redeem a portion of the senior subordinated notes and prepay a portion of the loans outstanding under the senior bank facilities. In connection with this debt prepayment, we incurred prepayment penalties and redemption premiums of $17.3 million and wrote off $11.9 million of debt issuance costs. These amounts, totaling $29.2 million ($17.5 million or $0.11 per share, net of income taxes), have been classified as an extraordinary loss in the consolidated statement of operations and comprehensive income for 2000.

Acquisition. On April 3, 2000, we acquired all of the outstanding capital stock of Cherry Semiconductor Corporation for approximately $253.2 million in cash (including acquisition related costs), which was financed with cash on hand and borrowings of $220.0 million under our senior bank facilities. Cherry, which was renamed Semiconductor Components Industries of Rhode Island, Inc., designs and manufactures analog and mixed signal integrated circuits for the power management and automotive markets, and had revenues for its fiscal year ended February 29, 2000 of $129.1 million.

The Cherry acquisition was accounted for using the purchase method of accounting and, as a result, the purchase price and related costs were allocated to the estimated fair value of assets acquired and liabilities assumed at the time of the acquisition based on independent appraisals and management estimates as follows (in millions):

Fair value of tangible net assets	$ 71.3
Developed technology	59.3
In-process research and development	26.9
Assembled workforce	10.0
Excess of purchase price over net assets acquired (goodwill)	85.7
	$ 253.2

Developed technology and assembled workforce are being amortized on a straight-line basis over estimated useful lives of five years while goodwill is being amortized over an estimated life of ten years. Accumulated amortization of these intangible assets totaled $16.8 million at December 31, 2000.

The fair value of the acquired in-process research and development was determined using the income approach, which discounts expected future cash flows to present value. Significant assumptions that had to be made in using this approach included revenue and operating margin projections and determination of the applicable discount rate. The fair value of the acquired in-process research and development was based on sales forecasts and cost assumptions projected to be achievable by Cherry on a standalone basis. Operating margins were based on cost of goods sold and selling, general and administrative expenses as a percentage of revenues. All projected revenue and cost information was based on historical results and trends and did not include any synergies or cost savings that may result from the acquisition. The rate used to discount future projected cash flows resulting from the acquired in-process research and development was 20%, which was derived from a weighted average cost of capital analysis adjusted upward to reflect additional risks inherent in the development life cycle.

At the date of acquisition, the in-process research and development had not yet reached technological feasibility and no alternative future uses had been identified. Accordingly, these costs were expensed as of the acquisition date. The expected release dates for the products incorporating the acquired technology vary, but we expect that such products will be completed and begin to generate cash flows in 2001. The ultimate development of these technologies remains a significant risk due to the remaining efforts required to achieve technical viability, rapidly changing customer markets, uncertain standards for new products and significant competitive threats from numerous companies. The nature of the efforts to develop the acquired technology into commercially viable products consists principally of design and development, engineering and testing activities necessary to determine that the product can meet market expectations, including functionality and technical requirements. Failure to bring these products to market in a timely manner could result in a loss of market share, or a lost opportunity to capitalize on emerging markets, and could have a material adverse impact on our business and operating results.

The forecasts used in valuing the acquired in-process research and development were based upon assumptions we believe are reasonable; however, such assumptions may be incomplete or inaccurate, and unanticipated events and circumstances are likely to occur. There can be no assurance that the underlying assumptions used to estimate expected project sales or profits, or the events associated with such projects, will transpire as estimated. For these reasons, actual results may vary from the projected results.

Cherry's results of operations have been included in our consolidated results from the date of acquisition. The following pro forma disclosures present our results of operations for 2000 as if we had acquired Cherry as of January 1, 2000 (in millions, except per share data):

	(unaudited)
Total revenues	$ 2,110.3
Net income before extraordinary loss	85.4
Net income	67.9
Diluted earnings per share before extraordinary loss	$ 0.46
Diluted earnings per share	$ 0.35

These amounts include the results of Cherry for the first quarter of 2000 and are adjusted to reflect interest and amortization charges that would have occurred had the purchase taken place on January 1, 2000. The amounts are based upon certain assumptions and estimates, and do not reflect any benefit from any cost savings, which might be achieved from combined operations. The pro forma results are not necessarily indicative of the actual results that would have occurred had the acquisition been consummated as of January 1, 2000.

Market. Our products are sold primarily to three different customer bases: original equipment manufacturers, electronic manufacturing service providers, and distributors. Since the products we sell are ultimately purchased by end users for use in a variety of markets, we are less dependent on either specific customers or specific end-use applications. Direct sales to original equipment manufacturers, electronic manufacturing service providers, and distributors accounted for approximately 43%, 12% and 45%, respectively, of our net product

revenues in 2000 and approximately 48%, 8%, and 44%, respectively, of our net product revenues in 1999. We expect overall sales to original equipment manufacturers to continue to decline as a percentage of sales as these customers increasingly purchase component products through distributors or outsource their manufacturing to electronic manufacturing service providers. Distributors and electronic manufacturing service providers are representing a larger share of the market in general, and we expect these

customers to represent a larger percentage of our total addressable market in the future. We do not anticipate any significant effect on our overall sales from this shift in customer base.

Market share. We experienced a decline in our market share from 1994 through 2000. Our market share as a percentage of our total addressable market was 10.3% in 1994, 9.1% in 1995, 8.6% in 1996, 8.5% in 1997, 7.9% in 1998, 7.3% in 1999 and 6.6% in 2000. We believe this decline was attributable primarily to the emphasis of Motorola's Semiconductor Products Sector, prior to our Recapitalization, on the sale of more complex and higher-priced semiconductors, including the diversion of research and development, capital expenditures and manufacturing capacity to these products and incentives provided to their sales force and third-party distributors linked to the sale of these products. Although our total addressable market may continue to decline in 2001, we expect that any such decline will not materially affect our operating results because we have chosen to focus on products with significant growth potential, such as analog and emitter-coupled logic ("ECL") products.

Joint ventures. We have a majority ownership in two joint ventures located in the Czech Republic. As we have the ability to control these joint ventures, we have consolidated them in our financial statements. We also have a majority interest in a Chinese joint venture and, through January 31, 2001, a 50% interest in a joint venture located in Malaysia. As we do not have the ability to control these joint ventures, we use the equity method to account for them in our financial statements.

The other owner of the Malaysia joint venture is Philips Semiconductors International B.V.("Philips") The terms of the joint venture agreement provide Philips with the right to purchase our interest, between January 2001 and July 2002. On February 1, 2001, Philips exercised its purchase right, acquiring full ownership of this joint venture. This transaction resulted in proceeds of approximately $20.4 million and a pretax gain of approximately $3.2 million. We do not expect the acquisition by Philips to have a material impact on our financial condition or results of operations. See "Business Overview -- Manufacturing Operations".

RESULTS OF OPERATIONS

Earnings per common share. Our diluted earnings per share on an actual and adjusted basis for 2000 and for the period from August 4, 1999 to December 31, 1999 is as follows:

	PERIOD FROM AUGUST 4, 1999 THROUGH DECEMBER 31, 1999		YEAR ENDED DECEMBER 31, 2000	
	IN MILLIONS	PER SHARE	IN MILLIONS	PER SHARE
Net income	$ 29.8		$ 71.1	
Less: Redeemable preferred stock dividends	(10.6)		(8.8)	
Net income available for common stock	19.2	$ 0.13	62.3	$ 0.38
Plus: (net of tax)				
Amortization of goodwill and other intangibles	--	--	10.1	0.06
Write-off of acquired in-process research and development	--	--	16.1	0.10
Restructuring charges	3.7	0.03	2.9	0.02
Extraordinary loss	--	--	17.5	0.10
Adjusted net income available for common stock	$ 22.9	$ 0.16	$ 108.9	$ 0.66
Weighted average common shares outstanding: Diluted	144.6		165.6	

The following table summarizes certain information relating to our operating results that has been derived from our audited post-Recapitalization consolidated financial statements and our audited pre-Recapitalization combined financial statements (in millions):

	PRE-RECAPITALIZATION		POST-RECAPITALIZATION	PRO FORMA	POST-RECAPITALIZATION
	YEAR ENDED DECEMBER 31, 1998	JANUARY 1 THROUGH AUGUST 3, 1999	AUGUST 4 THROUGH DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 2000
Revenues:					
Net product revenues	$ 1,495.3	$ 895.4	$ 728.8	$ 1,624.2	$ 2,012.2
Foundry revenues	162.3	91.0	69.9	160.9	61.7
Total revenues	1,657.6	986.4	798.7	1,785.1	2,073.9
Cost of sales	1,222.3	711.3	573.3	1,284.6	1,355.0
Gross profit	435.3	275.1	225.4	500.5	718.9
Operating expenses:					
Research and development	67.5	34.3	16.3	50.6	69.2
Selling and marketing	92.4	39.0	24.6	63.6	100.1
General and administrative	205.7	89.4	77.3	166.7	233.4
Amortization of goodwill and other intangibles	--	--	--	--	16.8
Write-off of acquired in-process research and development	--	--	--	--	26.9
Restructuring charges	189.8	--	3.7	3.7	4.8
Total operating expenses	555.4	162.7	121.9	284.6	451.2
Operating income (loss)	(120.1)	112.4	103.5	215.9	267.7
Other income (expenses), net:					
Interest expense	(19.8)	(9.1)	(55.9)	(65.0)	(131.2)
Equity in earnings of joint ventures	5.7	2.4	1.4	3.8	4.4
Other income (expenses), net	(14.1)	(6.7)	(54.5)	(61.2)	(126.8)
Income before income taxes, minority interests and extraordinary loss	(134.2)	105.7	49.0	154.7	140.9
Minority interests	(2.1)	(0.9)	(1.1)	(2.0)	(2.2)
Revenues less direct and allocated expenses before taxes	$ (136.3)	$ 104.8	47.9	$ 152.7	138.7
Provision for income taxes	n/a	n/a	(18.1)	n/a	(50.1)
Net income before extraordinary loss	n/a	n/a	29.8	n/a	88.6
Extraordinary loss on debt prepayment, net of tax	n/a	n/a	--	n/a	(17.5)
Net income	n/a	n/a	$29.8	n/a	$ 71.1

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

	PRE-RECAPITALIZATION		POST-RECAPITALIZATION	PRO FORMA	POST-RECAPITALIZATION
	YEAR ENDED DECEMBER 31, 1998	JANUARY 1 THROUGH AUGUST 3, 1999	AUGUST 4 THROUGH DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 2000
Revenues:					
Net product revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Foundry revenues	10.9	10.2	9.6	9.9	3.1
Total revenues	110.9	110.2	109.6	109.9	103.1
Cost of sales	81.8	79.5	78.7	79.1	67.4
Gross profit	29.1	30.7	30.9	30.8	35.7
Operating expenses:					
Research and development	4.5	3.8	2.2	3.1	3.5
Selling and marketing	6.2	4.4	3.4	3.9	5.0
General and administrative	13.8	10.0	10.6	10.3	11.6
Amortization of goodwill and other intangibles	--	--	--	--	0.8
Write-off of acquired in-process research and development	--	--	--	--	1.3
Restructuring charges	12.7	--	0.5	0.2	0.2
Total operating expenses	37.2	18.2	16.7	17.5	22.4
Operating income (loss)	(8.1)	12.5	14.2	13.3	13.3
Other income (expenses), net:					
Interest expense	(1.3)	(1.0)	(7.7)	(4.0)	(6.5)
Equity in earnings of joint ventures	0.4	0.3	0.2	0.2	0.2
Other income (expenses), net	(0.9)	(0.7)	(7.5)	(3.8)	(6.3)
Income before income taxes, minority interests and extraordinary loss	(9.0)	11.8	6.7	9.5	7.0
Minority interests	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)
Revenues less direct and allocated expenses before taxes	(9.1)%	11.7%	6.5	9.4%	6.9
Provision for income taxes	n/a	n/a	(2.4)	n/a	(2.5)
Net income before extraordinary loss	n/a	n/a	4.1	n/a	4.4
Extraordinary loss on debt prepayment	n/a	n/a	-	n/a	(0.9)
Net income	n/a	n/a	4.1%	n/a	3.5%

YEAR ENDED DECEMBER 31, 2000 COMPARED TO PRO FORMA YEAR ENDED DECEMBER 31, 1999

Total revenues. Total revenues increased $288.8 million, or 16.2%, to $2,073.9 million in 2000 from $1,785.1 million in 1999, due to an increase in net product revenues, partially offset by a planned decrease in foundry revenues as described below.

Net product revenues. Net product revenues increased $388.0 million, or 23.9%, to $2,012.2 million in 2000 from $1,624.2 million in 1999. Unit volume increased by 32.5% in 2000 compared to 1999, while the average selling price for our products decreased by 6.5%, primarily as a result of increased micropackaged business, in higher volume, lower average selling price small signal products. Net revenues for broadband products, which accounted for 15.5% of net product revenues in 2000, increased 50.4% compared to 1999 as a result of a strong increase in demand for ECL products. Net revenues for analog products, which accounted for 26.5% of net product revenues in 2000, increased 61.6% compared to 1999 as a result of the Cherry acquisition and increased demand in the power management market. Net revenues for standard semiconductor products, which accounted for 58.0% of net product revenues for 2000, increased 7.4% compared to 1999, fueled mainly by increased demand in micropackaged products within the small signal and rectifier product families. Other product families, including thyristors, TMOS, and standard logic also experienced revenue growth due to increases in demand. Approximately 46%, 33% and 21% of our net product revenues were derived from the Americas, Asia/Pacific and Europe (including the Middle East), respectively, in both 2000 and 1999.

Foundry revenues. Foundry revenues decreased $99.2 million, or 61.7%, to $61.7 million in 2000 from $160.9 million in 1999. These foundry revenues are a result of agreements made with Motorola in connection with our Recapitalization. We expect that these revenues will continue to decline in the future as the separation from Motorola progresses. Motorola continues to be one of our largest original equipment manufacturer customers, and those product revenues are distinctly different from, and not included with, the aforementioned foundry revenues.

Cost of sales. Cost of sales increased $70.4 million, or 5.5%, to $1,355.0 million in 2000 from $1,284.6 million in 1999, primarily as a result of increased sales volume, partially offset by cost reductions from the restructuring programs instituted over the past three years. These programs included the implementation of ongoing cost-saving initiatives to rationalize our product portfolio, close plants and relocate or outsource related operations to take advantage of lower-cost labor markets and make our manufacturing processes more efficient as described below in "Restructuring charges". We expect these cost reductions will continue to have a positive impact on our gross margin as a percentage of net product revenues.

Gross profit. Gross profit (computed as total revenues less cost of sales) increased $218.4 million, or 43.6%, to $718.9 million in 2000 from $500.5 million in 1999. As a percentage of total revenues, gross margin improved to 34.7% (35.7% for product gross margin) in 2000 from 28.0% in 1999. The improvement in gross profit resulted mainly from reductions in costs from our restructuring programs, increased sales volume and a shift in product mix toward higher margin products, including broadband and analog families.

Operating expenses

Research and development. Research and development costs increased $18.6 million, or 36.8%, to $69.2 million in 2000 from $50.6 million in 1999, primarily as a result of the Cherry acquisition and planned increased investments in research and development, offset by the elimination of corporate allocations from Motorola incurred in 1999 prior to our Recapitalization, which totaled $13.3 million. Research and development costs that we incurred directly (excluding the corporate allocations from Motorola in 1999) increased $31.9 million or 86% from 1999 to 2000. As a percentage of net product revenues, research and development costs increased to 3.5% in 2000 from 3.1% in 1999. During 2000, we introduced 422 new products. The main emphasis of our new product development is in the high-growth market applications of power management and broadband solutions with 80% of our overall research and development investment targeted in these areas. Our long-term target for research and development costs is 5-6% of revenues.

Selling and marketing. Selling and marketing expenses increased by $36.5 million, or 57.4%, to $100.1 million in 2000 from $63.6 million in 1999. The increase in selling and marketing expenses was attributable to the Cherry acquisition and increased branding and marketing costs associated with establishing the ON Semiconductor trade name. As a percentage of net product revenues, these costs increased to 5.0% in 2000 from 3.9% in 1999.

General and administrative. General and administrative expenses increased by $66.7 million, or 40.0% to $233.4 million in 2000 from $166.7 million in 1999, as a result of the Cherry acquisition, costs incurred to establish corporate functions, costs resulting from our separation from Motorola, higher performance bonuses in 2000 and increases in professional services. As a percentage of net product revenues, these costs increased to 11.6% in 2000 from 10.3% in 1999.

Write-off of acquired in-process research and development. In 2000, we incurred a $26.9 million charge for the write-off of acquired in-process research and development resulting from the Cherry acquisition. No such charges were incurred in 1999.

Amortization of goodwill and other intangibles. Amortization of goodwill and other intangibles was $16.8 million in 2000 due to the intangible assets that were acquired with Cherry, including amounts related to developed technology, assembled workforce and goodwill. No such amortization was charged in 1999.

Restructuring charges. In March 2000, we recorded a $4.8 million charge to cover costs associated with a restructuring program at our manufacturing facility in Guadalajara, Mexico. The charge included $3.2 million to cover employee separation costs associated with the termination of approximately 500 employees and $1.6 million for equipment write-downs that were charged directly against the related assets.

In September 2000, we completed a detailed evaluation of the costs to be incurred to complete the March 2000 restructuring program. Based on this evaluation, we released $0.8 million of the remaining restructuring reserve for employee separation costs to income as a credit to restructuring charges in the consolidated statement of operations and comprehensive income. Also in conjunction with this evaluation, we recorded an additional charge of $0.8 million for asset impairments that was charged directly against the related assets.

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

A summary of activity in our restructuring reserves during 2000 is as follows (in millions):

	BALANCE AS OF DECEMBER 31, 1999	PROVISION	AMOUNTS USED	RESERVE RELEASED	BALANCE AS OF DECEMBER 31, 2000
Consolidation of manufacturing operations	$ 6.0	$ -	$ (6.0)	$ -	$ -
Employee separations	3.5	3.2	(5.2)	(0.8)	0.7
Total	$ 9.5	$ 3.2	$(11.2)	$ (0.8)	$ 0.7

Operating income. Operating income increased $51.8 million, or 24.0%, to $267.7 million in 2000 from $215.9 million in 1999. This increase was due to increased net product revenues, an improved product mix towards higher-margin products and cost reductions from our prior period restructuring programs, offset by increased investment in research and development, increased costs associated with our separation from Motorola and the amortization of goodwill and other intangibles. Cost reductions resulting from our prior period restructuring programs relate to the consolidation of manufacturing operations and the relocation or outsourcing of related operations to take advantage of lower-cost labor markets and make our manufacturing processes more efficient.

Interest expense. Interest expense increased $66.2 million, or 101.8% to $131.2 million in 2000 from $65.0 million in 1999, due to borrowings under our senior bank facilities and the issuance of our senior subordinated notes and our junior subordinated note in order to finance our Recapitalization. A portion of the interest expense for 1999 was an allocation we received from Motorola for the portion of the year prior to our Recapitalization.

Equity in earnings of joint ventures. Equity in earnings from joint ventures increased $0.6 million to $4.4 million in 2000 from $3.8 million in 1999, due primarily to increased capacity and manufacturing efficiencies in our Chinese joint venture and improved capacity utilization in both our Chinese and Malaysian joint ventures.

Minority interests. Minority interests, which represent the portion of net income of two Czech joint ventures attributable to the minority owners of each joint venture, increased to $2.2 million in 2000 from $2.0 million in 1999 due to increased net income from the joint ventures, offset by our acquisition of a portion of the minority interests in the fourth quarter of 2000, which reduced the effective ownership of the minority shareholders.

Provision for income taxes. Provision for income taxes increased $32.0 million, or 176.8% to $50.1 million in 2000 from $18.1 million in 1999. A provision for taxes was not made for periods prior to our Recapitalization. Our effective tax rate decreased to 35.6% in 2000 as compared to 37.0% from our post-Recapitalization period for 1999 primarily due to increased research and foreign tax credits.

Extraordinary loss on debt prepayment. In May 2000, we used a portion of the proceeds from our IPO to redeem a portion of our senior subordinated notes and prepay a portion of the loans outstanding under our senior bank facilities. In connection with this debt prepayment, we incurred an extraordinary loss of $29.2 million ($17.5 million, or $0.11 per share, net of income taxes) related to prepayment penalties and redemption premiums as well as the write-off of capitalized debt issuance costs.

PRO FORMA YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

Total revenues. Total revenues increased $127.5 million, or 7.7%, to $1,785.1 million in 1999 from $1,657.6 million in 1998, due to an increase in net product revenues partially offset by a slight decrease in foundry revenues. Foundry revenues relate to products manufactured for Motorola and are recognized at the time of shipment to Motorola.

Net product revenues. Net product revenues increased $128.9 million, or 8.6%, to $1,624.2 million in 1999 from $1,495.3 million in 1998. Unit volume increased by 27.1% in 1999 compared to 1998, while the average selling price for our products decreased by 14.6%, primarily as a result of excess semiconductor manufacturing capacity, product mix and aggressive pricing actions taken to maintain market share. Net revenues for analog products, which accounted for 20.3% of net product revenues in 1999, increased 17.9% compared to 1998, as a result of increased demand in the telecommunications industry and our focus on expanding the sales of this product line. Net revenues for broadband products, which accounted for 12.8% of net product revenues in 1999, increased 43.8% compared to 1998, due to increased demand for ECL products. Net revenues for standard semiconductor products, which accounted for 66.9% of net product revenues in 1999, remained relatively flat compared to 1998, as increased demand in the rectifier, thyristor and zener product families was partially offset by the sale of a product line in August 1998.

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

Foundry revenues. Foundry revenues decreased $1.4 million or 0.9% to $160.9 million in 1999 from $162.3 million in 1998. We expect that foundry revenues will decline in the future as the separation from Motorola progresses.

Cost of sales. Cost of sales increased $62.3 million, or 5.1%, to $1,284.6 million in 1999 from $1,222.3 million in 1998, primarily as a result of increased sales volume, partially offset by cost reductions from the restructuring program commenced in 1998. The restructuring program included the implementation of ongoing cost-saving initiatives to rationalize our product portfolio, close plants and relocate or outsource related operations to take advantage of lower-cost labor markets and make our manufacturing processes more efficient. In connection with the restructuring program, we have closed wafer fabrication and assembly and test facilities located in the Philippines and Arizona and have outsourced or moved related operations to other facilities in Malaysia, Mexico, the Czech Republic and Japan. We expect these cost reductions will continue to have a positive impact on our gross margin as a percentage of net product revenues.

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

Operating expenses

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

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

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

Restructuring charges. In June 1998, Motorola recorded a charge to cover one-time costs related to a restructuring program, including costs related to the consolidation of manufacturing operations, the exit of non-strategic or poorly performing businesses by discontinuance of selected product lines and the rationalization of our product portfolio, and a reduction in the number of our employees. Asset impairment and other charges were also recorded for the write-down of assets that had become impaired as a result of business conditions or business portfolio decisions. Motorola allocated $189.8 million of this charge to us, of which $53.9 million represented asset impairments charged directly against machinery and equipment. The remaining charges consisted of $13.2 million for the consolidation of manufacturing operations, $20.7 million for business exits and $102.0 million for employment reductions. Through December 31, 1998, we had spent $67.9 million in connection with this restructuring program, including $58.5 million for employee separation costs and $9.4 million for business exits, leaving a reserve of $68.0 million as of that date.

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

	BALANCE AS OF DECEMBER 31, 1998	PROVISION	AMOUNTS USED	AMOUNTS RETAINED BY MOTOROLA	RESERVE RELEASED	BALANCE AS OF DECEMBER 31, 1999
Consolidation of manufacturing operations	$13.2	$ --	$(4.6)	$ --	$ (2.6)	$6.0
Business exits	11.3	--	(6.5)	--	(4.8)	--
Employee separations	43.5	3.5	(14.7)	(28.8)	--	3.5
Total	$68.0	$3.5	$(25.8)	$(28.8)	$ (7.4)	$9.5

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

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

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

Operating income (loss). We generated operating income of $215.9 million in 1999 compared to an operating loss of $120.1 million in 1998. This improvement is attributable to the restructuring charge in 1998 as well as subsequent cost reductions resulting from the restructuring and an increase in net product sales. As described above, cost reductions from the restructuring related to the consolidation of manufacturing operations, the relocation or outsourcing of related operations to take advantage of lower-cost labor markets, the exit of non-strategic or poorly performing businesses by discontinuance of select product lines and the rationalization of our product portfolio, and a reduction in the number of employees. Excluding the restructuring charge, we generated operating income of $69.7 million, or 4.7% of net product revenues during 1998.

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Prior to our Recapitalization, Motorola performed cash management on a centralized basis, and its Semiconductor Products Sector processed receivables and payables, payroll and other activities for the Semiconductor Components Group. Most of these systems were not designed to track receivables, liabilities, cash receipts and payments on a division-specific basis. Accordingly, it is not practical to determine assets and liabilities associated with the Semiconductor Components Group prior to our Recapitalization.

Net cash provided by operating activities was $301.3 million in 2000 compared to $40.7 million for the period from August 4, 1999 to December 31, 1999. Cash generated by operating activities in 2000 was due primarily to net income of $71.1 million, adjusted for non-cash charges, including depreciation and amortization of $158.9 million, the write-off of acquired in-process research and development of $26.9 million and non-operating charges relating to the extraordinary loss on debt prepayment of $29.2 million. Cash generated by operating activities was also affected by changes in assets and liabilities, including an increase in accounts payable of $47.1 million and an increase in accrued expenses of $34.8 million, offset by an increase in inventories of $33.1 million and an increase in other assets of $25.2 million as well as a decrease in income taxes payable of $8.1 million and a decrease in accrued interest of $12.2 million.

Net cash used in investing activities was $467.9 million in 2000 compared to $95.4 million for the period from August 4, 1999 to December 31, 1999. Net cash used in 2000 included a net cash outflow of $253.2 million resulting from the Cherry acquisition, capital expenditures of $198.8 million and loans to and investments in unconsolidated entities totaling $32.5 million, offset by proceeds from sales of property, plant and equipment of $18.1 million. Capital expenditures were $119.4 million in 1999 ($103.6 million, net of transfers prior to our Recapitalization). Capital expenditures in 2001 are expected to be approximately $140 million and will be used primarily to continue the development of broadband design and manufacturing capacity, continue IT

infrastructure upgrades and provide general maintenance of manufacturing facilities.

Net cash provided by financing activities was $228.8 million for 2000 compared to $181.9 million for the period from August 4, 1999 to December 31, 1999. Cash inflows from financing activities in 2000 consisted of borrowings from senior credit facilities used to finance the Cherry acquisition, a loan from a Japanese bank to finance capital expenditures at our Japanese manufacturing facilities, and proceeds from our initial public offering. In May 2000, we sold 34.5 million shares of our common stock with an issue price of $16 per share. Net proceeds from this offering (after deducting issuance costs) were approximately $514.8 million. Cash outflows from financing activities included the redemption of our outstanding preferred stock of $228.4 million (including accrued dividends), the redemption of a portion of our senior subordinated notes of $156.8 million (including prepayment penalties) and the prepayment of a portion of the loans outstanding under our senior bank facilities totaling $131.5 million (including prepayment penalties) all with the proceeds from our initial public offering. The cash provided by financing activities for the period from August 4, 1999 to December 31, 1999 was primarily from the issuance of common and preferred stock to an affiliate of Texas Pacific Group and the borrowings incurred in conjunction with our Recapitalization, less amounts paid to Motorola as part of our Recapitalization.

As of December 31, 2000, long-term debt (including current maturities) totaled $1,258.3 million and stockholders' equity was $337.7 million. Long-term debt included $869.3 million under our senior bank facilities, $260.0 million senior subordinated notes, $104.5 million junior subordinated notes and a $24.5 million note payable to a Japanese bank. We are required to begin making principal payments on our senior bank facilities in the third quarter of 2001.

As of December 31, 2000, $136.5 million of our $150 million revolving facility was available, reflecting outstanding letters of credit of $13.5 million. In addition, the terms of our credit agreements allow us to incur further additional indebtedness.

Our credit agreements currently do, and other debt instruments we enter into in the future may, impose various restrictions and covenants that could limit our ability to respond to market conditions, to provide for unanticipated capital investments or to take advantage of business opportunities. At December 31, 2000, we were in compliance with all debt covenants. Our ability to remain in compliance with these covenants, to make payments on and to refinance our indebtedness, and to fund working capital, capital expenditures, research and development efforts and strategic acquisitions will depend on our ability to generate cash in the future, which is subject to our future performance, general economic, financial, competitive, legislative, regulatory and other factors, some of which may be beyond our control.

Our primary future cash needs, both in the short term and in the long term, will continue to be for capital expenditures, debt service, working capital and potential business acquisitions. We believe that cash flows from operations and existing credit facilities will be sufficient to enable us to service our indebtedness and to fund our other liquidity needs (other than potential business acquisitions) for the next 12 months. As part of our business strategy, we continuously review acquisition opportunities and proposals. We expect to finance any future acquisitions with borrowings under our revolving credit facility and additional equity and debt financing, to the extent available on attractive terms.

Historically, our revenues have been affected by the seasonal trends of the semiconductor and related industries. As a result of these trends, we typically experienced sales increases in the first two quarters of the year and relatively flat sales levels in the third and fourth quarters. However, over the past three years, various events have disrupted this pattern. In 1998, third quarter revenues declined, primarily as a result of the Asian economic crisis. In 1999, third and fourth quarter revenues increased due to the continuing recovery in the semiconductor market. In 2000, fourth quarter revenues declined due to slowing demand in the semiconductor market.

RECENT ACCOUNTING PRONOUNCEMENTS AND RELATED INTERPRETATIONS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities,"("SFAS 133") which establishes standards for the accounting and reporting for derivative instruments, including derivative instruments embedded in other contracts, and hedging activities. This statement generally requires recognition of gains and losses on hedging instruments based on changes in fair value. SFAS 133, as amended by SFAS 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133", and SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", is effective for the Company as of January 1, 2001.

Our interest rate swaps in effect at January 1, 2000 have been designated as cash flow hedges, which will be measured at fair value and recorded as assets or liabilities in the consolidated balance sheet. We estimate that the adoption of SFAS 133 will require an after-tax charge of approximately $3.4 million to accumulated other comprehensive income (loss) as of January 1, 2001. This charge consists of an approximate $2.1 million adjustment necessary to record our interest rate swaps in the consolidated balance sheet at their estimated fair values as well as the write-off of an approximate $3.5 million deferred charge (included in other assets in the accompanying consolidated balance sheet at December 31, 2000) relating to the payment made in December 2000 for the early termination of an interest rate protection agreement which had been designated as a hedge for a portion of the amounts outstanding under our senior bank facilities, both before income taxes of approximately $2.2 million.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC and, as amended, became effective for us in the fourth quarter of 2000, with effect from January 1, 2000. The implementation of SAB 101 did not impact our results of operations.

In March 2000, the FASB issued Interpretation No.44, "Accounting for Certain Transactions Involving Stock Compensation- an interpretation of APB Opinion 25" ("FIN 44"). FIN 44 clarifies among other issues (a) the definition of an employee of applying APB No. 25, (b) the criteria for determining whether a plan qualifies as a noncompensatory plan, (c) the accounting consequences of various modifications to the terms of a previously fixed stock option award, and (d) the accounting for an exchange of stock compensation awards in a business combination. The adoption of this interpretation did not impact our results of operations.

BUSINESS RISK AND FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K includes "forward-looking statements" as that term is defined in Section 21E of the Securities Exchange Act of 1934. 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. All forward-looking statements in the Form 10-K are made based on management's current expectations and estimates, which involve risks, uncertainties and other factors that could cause results 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 manufacturing capacity, availability of raw materials, competitors' actions, loss of key customers, order cancellations or reduced bookings, changes in manufacturing yields, restructuring programs and the impact of such programs, control of costs and expenses, inability to reduce manufacturing and selling, general and administrative costs, litigation, risks associated with acquisitions, changes in management, and risks involving environmental or other governmental regulation. Additional factors that could affect the company's future operating results are described from time to time in ON Semiconductor's Securities and Exchange Commission reports, including but not limited to those found at Exhibit 99.1, entitled "Risk Factors", on Form 10-K, and for the year ended December 31, 2000 subsequently filed reports. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of ON Semiconductor Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, of stockholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of ON Semiconductor Corporation and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for the year ended December 31, 2000 and for the period from August 4, 1999 through December 31, 1999, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/S/ PRICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP

Phoenix, Arizona
February 1, 2001

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Cash and cash equivalents	$ 188.9	$ 126.8
Receivables, net (including $14.9 and $24.7 due from Motorola)	271.2	249.7
Inventories	258.1	206.2
Other current assets	39.6	26.0
Deferred income taxes	40.7	28.4
Total current assets	798.5	637.1
Property, plant and equipment, net	648.2	569.7
Deferred income taxes	286.8	289.0
Investments in joint ventures	45.3	40.4
Goodwill and other intangibles, net	140.8	-
Other assets	103.4	80.6
Total assets	$ 2,023.0	$ 1,616.8
LIABILITIES, MINORITY INTERESTS, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
Accounts payable (including $7.3 and $13.8 payable to Motorola)	$ 175.0	$ 122.5
Accrued expenses (including $8.3 and $8.2 payable to Motorola)	184.3	142.8
Income taxes payable	22.3	31.9
Accrued interest	17.9	30.1
Current portion of long-term debt	5.6	-
Total current liabilities	405.1	327.3
Long-term debt (including $104.5 and $94.8 payable to Motorola)	1,252.7	1,295.3
Other long-term liabilities	20.8	12.2
Total liabilities	1,678.6	1,634.8
Commitments and contingencies (see Note 13)	-	-
Minority interests in consolidated subsidiaries	6.7	10.1
Redeemable preferred stock ($0.01 par value, 100,000 shares authorized, 2,090 shares issued and outstanding in 1999; 12% annual dividend rate; liquidation value - $209.0 plus $10.6 of accrued dividends in 1999)	-	219.6
Common stock ($0.01 par value, 300,000,000 shares authorized, 172,746,435 and 136,666,666 shares issued and outstanding)	1.7	1.4
Additional paid-in capital	730.4	204.2
Accumulated other comprehensive income (loss)	(0.7)	2.7
Accumulated deficit	(393.7)	(456.0)
Total stockholders' equity (deficit)	337.7	(247.7)
Total liabilities, minority interests, redeemable preferred stock and stockholders' equity (deficit)	$ 2,023.0	$ 1,616.8

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME
(in millions, except per share data)

	YEAR ENDED DECEMBER 31, 2000	AUGUST 4 THROUGH DECEMBER 31, 1999
Revenues:		
Net product revenues (including $144.3 and $61.5 from Motorola)	$ 2,012.2	$ 728.8
Foundry revenues from Motorola	61.7	69.9
Total revenues	2,073.9	798.7
Cost of sales	1,355.0	573.3
Gross profit	718.9	225.4
Operating expenses:		
Research and development	69.2	16.3
Selling and marketing	100.1	24.6
General and administrative	233.4	77.3
Amortization of goodwill and other intangibles	16.8	-
Write-off of acquired in-process research and development	26.9	-
Restructuring charges	4.8	3.7
Total operating expenses	451.2	121.9
Operating income	267.7	103.5
Other income (expenses), net:		
Interest expense	(131.2)	(55.9)
Equity in earnings of joint ventures	4.4	1.4
Other income (expenses), net	(126.8)	(54.5)
Income before income taxes, minority interests and extraordinary loss	140.9	49.0
Provision for income taxes	(50.1)	(18.1)
Minority interests	(2.2)	(1.1)
Net income before extraordinary loss	88.6	29.8
Extraordinary loss on debt prepayment (net of income taxes of $11.7)	(17.5)	-
Net income	71.1	29.8
Less: Redeemable preferred stock dividends	(8.8)	(10.6)
Net income available for common stock	$ 62.3	$ 19.2
Comprehensive income (loss):		
Net income	$ 71.1	$ 29.8
Foreign currency translation adjustments	(3.1)	2.7
Additional minimum pension liability	(0.3)	-
Comprehensive income (loss)	$ 67.7	$ 32.5
Earnings per common share:		
Basic:		
Net income before extraordinary loss	$ 0.50	$ 0.14
Extraordinary loss on debt prepayment	(0.11)	-
Net income	$ 0.39	$ 0.14
Diluted:		
Net income before extraordinary loss	$ 0.49	$ 0.13
Extraordinary loss on debt prepayment	(0.11)	-
Net income	$ 0.38	$ 0.13
Weighted average common shares outstanding:		
Basic	160.2	136.7
Diluted	165.6	144.6

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY(DEFICIT)
(in millions, except share data)

	Common Stock (Shares)	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income / (Loss)	Accumulated Deficit	Total
Shares issued in connection with Recapitalization (see Note 1)	136,666,666	$ 1.4	$ 203.6	$ -	$ (474.6)	$ (269.6)
Redeemable preferred stock dividends	-	-	-	-	(10.6)	(10.6)
Stock options granted in connection with the Recapitalization (see Note 10)	-	-	0.6	-	(0.6)	-
Comprehensive income:						
Net income	-	-	-	-	29.8	29.8
Foreign currency translation adjustments	-	-	-	2.7	-	2.7
Comprehensive income	-	-	-	2.7	-	32.5
Balances at December 31, 1999	136,666,666	1.4	204.2	2.7	(456.0)	(247.7)
Shares issued in connection with initial public offering	34,500,000	0.3	514.4	-	-	514.7
Stock options exercised	601,646	-	0.9	-	-	0.9
Tax benefit of stock option exercise	-	-	3.3	-	-	3.3
Compensation expense-stock options	-	-	0.7	-	-	0.7
Redeemable preferred stock dividends	-	-	-	-	(8.8)	(8.8)
Shares issued under the employee stock purchase plan	978,123	-	6.9	-	-	6.9
Comprehensive income (loss):						
Net income	-	-	-	-	71.1	71.1
Foreign currency translation adjustments	-	-	-	(3.1)	-	(3.1)
Additional minimum pension liability	-	-	-	(0.3)	-	(0.3)
Comprehensive income (loss)	-	-	-	(3.4)	-	67.7
Balances at December 31, 2000	172,746,435	$ 1.7	$ 730.4	$ (0.7)	$ (393.7)	$ 337.7

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)

	YEAR ENDED DECEMBER 31, 2000	AUGUST 4, 1999 THROUGH DECEMBER 31, 1999
Cash flows from operating activities:		
Net income	$ 71.1	$ 29.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	158.9	61.9
Write-off of acquired in-process research and development	26.9	-
Extraordinary loss on debt prepayment	29.2	-
Amortization of debt issuance costs	5.9	2.7
Provision for doubtful accounts	1.7	2.0
Net (gain) loss on disposals of property, plant and equipment	(1.5)	0.7
Non-cash interest on junior subordinated note payable to Motorola	9.6	3.8
Minority interests in earnings of consolidated subsidiaries	2.2	1.1
Undistributed earnings of unconsolidated joint ventures	(4.4)	(1.4)
Tax benefits of stock option exercises	3.3	-
Deferred income taxes	(11.6)	(17.6)
Non-cash compensation charges	0.7	-
Changes in assets and liabilities:		
Receivables	0.3	(238.4)
Inventories	(33.1)	10.5
Other assets	(25.2)	(2.0)
Accounts payable	47.1	84.1
Accrued expenses	34.8	39.9
Income taxes payable	(8.1)	31.8
Accrued interest	(12.2)	30.1
Other long-term liabilities	5.7	1.7
Net cash provided by operating activities	301.3	40.7
Cash flows from investing activities:		
Purchases of property, plant and equipment	(198.8)	(64.0)
Investment in business, net of cash acquired	(253.2)	-
Investments in joint ventures and other	(2.5)	(4.9)
Acquisition of minority interests in consolidated subsidiaries	(1.5)	-
Loans to unconsolidated joint venture	(30.0)	(28.3)
Proceeds from sales of property, plant and equipment	18.1	1.8
Net cash used in investing activities	(467.9)	(95.4)

(continued on next page)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(continued from previous page)

	YEAR ENDED DECEMBER 31, 2000	AUGUST 4, 1999 THROUGH DECEMBER 31, 1999
Cash flows from financing activities:		
Proceeds from initial public offering, net of offering expenses	514.8	-
Proceeds from borrowings	226.1	800.5
Payment of debt issuance costs	(3.2)	(52.6)
Repayment of senior credit facilities, including prepayment penalty	(131.5)	-
Repayment of senior subordinated notes, including prepayment penalty	(156.8)	-
Redemption of preferred stock, including accrued dividends	(228.4)	-
Proceeds from issuance of common stock under the employee stock purchase plan	6.9	-
Proceeds from exercise of stock options	0.9	-
Proceeds from issuance of common stock to an affiliate of Texas Pacific Group	-	187.5
Proceeds from issuance of redeemable preferred stock to an affiliate of Texas Pacific Group	-	150.0
Proceeds from issuance of senior subordinated notes	-	400.0
Repayment of joint venture debt	-	(44.8)
Net cash payments to Motorola in connection with Recapitalization	-	(1,258.7)
Net cash provided by financing activities	228.8	181.9
Effect of exchange rate changes on cash and cash equivalents	(0.1)	(0.4)
Net increase in cash and cash equivalents	62.1	126.8
Cash and cash equivalents, beginning of period	126.8	-
Cash and cash equivalents, end of period	$ 188.9	$ 126.8

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BACKGROUND AND BASIS OF PRESENTATION

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

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

On May 3, 2000, the Company completed the initial public offering ("IPO") of its common stock, selling 34.5 million shares with an issue price of $16 per share. Net proceeds from the IPO (after deducting issuance costs) were approximately $514.8 million. The net proceeds were used to redeem all outstanding preferred stock (including accrued dividends), redeem a portion of the senior subordinated notes and prepay a portion of the loans outstanding under the senior bank facilities. In connection with this debt prepayment, the Company incurred prepayment penalties and redemption premiums of $17.3 million and wrote off $11.9 million of debt issuance costs. These amounts, totaling $29.2 million ($17.5 million or $0.11 per share, net of income taxes), have been classified as an extraordinary loss in the accompanying consolidated statement of operations and comprehensive income for 2000.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and the majority-owned subsidiaries that it controls. An investment in a majority-owned joint venture that the Company does not control as well as an investment in a 50%-owned joint venture are accounted for on the equity method. Investments in companies that represent less than 20% of the related voting stock are accounted for on the cost basis. All material intercompany accounts and transactions have been eliminated (see Note 5).

CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost and are depreciated over useful lives of 30-40 years for buildings and 3-20 years for machinery and equipment using accelerated and straight-line methods. Expenditures for maintenance and repairs are charged to operations in the year in which the expense is incurred.

IMPAIRMENT OF LONG-LIVED ASSETS

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

DEBT ISSUANCE COSTS

In connection with the Recapitalization, the Company incurred $52.6 million in costs relating to the establishment of its senior bank facilities and the issuance of its senior subordinated notes. During 2000, the Company incurred

$3.2 million in costs relating to additional borrowings under its senior bank facilities (see Note 3). These costs have been capitalized and are being amortized on a straight-line basis over the terms of the underlying agreements. Also during 2000, the Company utilized a portion

of the net proceeds from its IPO to redeem a portion of its senior subordinated notes and prepay a portion of the loans outstanding under its senior bank facilities. In connection therewith, the Company wrote off $11.9 million of debt issuance costs (see Note 1). Other assets at December 31, 2000 and 1999 includes $36.1 and $50.2 million, respectively, of unamortized debt issuance costs.

REVENUE RECOGNITION

Product revenues are recognized when title has transferred to the buyer with provisions for anticipated returns and allowance also recorded at that time. Foundry revenues which relate to services provided to Motorola are recognized when the services have been complete.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred.

STOCK-BASED COMPENSATION

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

INCOME TAXES

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

FOREIGN CURRENCIES

The Company's foreign subsidiaries utilize the U.S. dollar as their functional currency, except for subsidiaries in Japan and Western Europe where the local currency is used. For those subsidiaries which use the U.S. dollar as the functional currency, the net effects of gains and losses from foreign currency transactions and from the translation of foreign currency financial statements into U.S. dollars are included in current operations. The net translation gains and losses for subsidiaries using the local currency as the functional currency are included as foreign currency translation adjustments in accumulated other comprehensive income (loss).

EARNINGS PER COMMON SHARE

Basic earnings per share are computed by dividing net income available for common stock (net income less dividends accrued on the Company's redeemable preferred stock) by the weighted average number of common shares outstanding during the period. Diluted earnings per share incorporates the incremental shares issuable upon the assumed exercise of stock options. The number of incremental shares from the assumed exercise of stock options is calculated by applying the treasury stock method. Earnings per share calculations for 2000 and the period August 4, 1999 to December 31, 1999 are as follows (in millions, except per share data):

	2000	1999
Net income before extraordinary loss	$88.6	$29.8
Less: Redeemable preferred dividends	(8.8)	(10.6)
Net income before extraordinary loss available for common stock	79.8	19.2
Extraordinary loss on debt prepayment	(17.5)	-
Net income available for common stock	$62.3	$19.2
Basic weighted average common shares outstanding	160.2	136.7
Add: Dilutive effect of stock options	5.4	7.9
Diluted weighted average common shares outstanding:	165.6	144.6
Earnings per share:		
Basic:		
Net income before extraordinary loss available for common stock	$0.50	$0.14

Extraordinary loss on debt prepayment	(0.11)	-
Net income available for common stock	$0.39	$0.14
Diluted:		
Net income before extraordinary loss available for common stock	$0.49	$0.13
Extraordinary loss on debt prepayment	(0.11)	-
Net income available for common stock	$0.38	$0.13

STOCK SPLITS

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

USE OF ESTIMATES

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

RECENT ACCOUNTING PRONOUNCEMENTS AND RELATED INTERPRETATIONS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities,"("SFAS 133") which establishes standards for the accounting and reporting for derivative instruments, including derivative instruments embedded in other contracts, and hedging activities. This statement generally requires recognition of gains and losses on hedging instruments based on changes in fair value. SFAS 133, as amended by SFAS 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133", and SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", is effective for the Company as of January 1, 2001.

The Company's interest rate swaps in effect at January 1, 2000 have been designated as cash flow hedges, which will be measured at fair value and recorded as assets or liabilities in the consolidated statement of financial position. The Company estimates that the adoption of SFAS 133 will require an after-tax charge of approximately $3.4 million to accumulated other comprehensive income (loss) as of January 1, 2001. This charge consists of an approximate $2.1 million adjustment necessary to record the Company's interest rate swaps in the consolidated balance sheet at their estimated fair values as well as the write-off of an approximate $3.5 million deferred charge (included in other assets in the accompanying consolidated balance sheet at December 31, 2000) relating to the payment made in December 2000 for the early termination of an interest rate protection agreement which had been designated as a hedge for a portion of the amounts outstanding under the Company's senior bank facilities, both before income taxes of approximately $2.2 million.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC and, as amended, became effective for the Company in the fourth quarter of 2000 with effect from January 1, 2000. The implementation of SAB 101 did not impact the Company's results of operations.

In March 2000, the FASB issued Interpretation No.44, "Accounting for Certain Transactions Involving Stock Compensation -- an interpretation of APB Opinion 25" ("FIN 44"). FIN 44 clarifies among other issues (a) the definition of an employee in applying APB No. 25, (b) the criteria for determining whether a plan qualifies as a noncompensatory plan, (c) the accounting consequences of various modifications to the terms of a previously fixed stock option award, and (d) the accounting for an exchange of stock compensation awards in a business combination. The adoption of this interpretation did not impact the Company's results of operations.

NOTE 3: ACQUISITION

On April 3, 2000, the Company acquired all of the outstanding capital stock of Cherry Semiconductor Corporation ("Cherry") for approximately $253.2 million in cash (including acquisition related costs), which was financed with cash on hand and borrowings of $220.0 million under the Company's senior bank facilities. Cherry, which was renamed Semiconductor Components Industries of Rhode Island, Inc., designs and manufactures analog and mixed signal integrated circuits for the power management and automotive markets, and had revenues for its fiscal year ended February 29, 2000 of $129.1 million.

The Cherry acquisition was accounted for using the purchase method of accounting and, as a result, the purchase price and related costs were allocated to the estimated fair value of assets acquired and liabilities assumed at the time of the acquisition based on independent appraisals and management estimates as follows (in millions):

Fair value of tangible net assets	$ 71.3
Developed technology	59.3
In-process research and development	26.9
Assembled workforce	10.0
Excess of purchase price over net assets acquired (goodwill)	85.7
	$ 253.2

Developed technology and assembled workforce are being amortized on a straight-line basis over estimated useful lives of five years while goodwill is being amortized over an estimated life of ten years. Accumulated amortization of these intangible assets totaled $16.8 million at December 31, 2000.

The fair value of the acquired in-process research and development was determined using the income approach, which discounts expected future cash flows to present value. Significant assumptions that had to be made in using this approach included revenue and operating margin projections and determination of

the applicable discount rate. The fair value of the acquired in-process research and development was based on sales forecasts and cost assumptions projected to be achievable by Cherry on a standalone basis. Operating margins were based on cost of goods

sold and selling, general and administrative expenses as a percentage of revenues. All projected revenue and cost information was based on historical results and trends and did not include any synergies or cost savings that may result from the acquisition. The rate used to discount future projected cash flows resulting from the acquired in-process research and development was 20 percent, which was derived from a weighted average cost of capital analysis adjusted upward to reflect additional risks inherent in the development life cycle.

At the date of acquisition, the in-process research and development had not yet reached technological feasibility and no alternative future uses had been identified. Accordingly, these costs were expensed as of the acquisition date. The expected release dates for the products incorporating the acquired technology vary, but the Company expects that such products will be completed and begin to generate cash flows in 2001. The ultimate development of these technologies remains a significant risk due to the remaining efforts required to achieve technical viability, rapidly changing customer markets, uncertain standards for new products and significant competitive threats from numerous companies. The nature of the efforts to develop the acquired technology into commercially viable products consists principally of design and development, engineering and testing activities necessary to determine that the product can meet market expectations, including functionality and technical requirements. Failure to bring these products to market in a timely manner could result in a loss of market share, or a lost opportunity to capitalize on emerging markets, and could have a material adverse impact on the Company's business and operating results.

The forecasts used in valuing the acquired in-process research and development were based upon assumptions the Company believes are reasonable; however, such assumptions may be incomplete or inaccurate, and unanticipated events and circumstances are likely to occur. There can be no assurance that the underlying assumptions used to estimate expected project sales or profits, or the events associated with such projects, will transpire as estimated. For these reasons, actual results may vary from the projected results.

Cherry's results of operations have been included in the Company's consolidated results from the date of acquisition. The following pro forma disclosures present the Company's results of operations for 2000 as if the Company had acquired Cherry as of January 1, 2000 (in millions, except per share data):

	(unaudited)
Total revenues	$ 2,110.3
Net income before extraordinary loss	85.4
Net income	67.9
Diluted earnings per share before extraordinary loss	$ 0.46
Diluted earnings per share	$ 0.35

These amounts include the results of Cherry for the first quarter of 2000 and are adjusted to reflect interest and amortization charges that would have occurred had the purchase taken place on January 1, 2000. The amounts are based upon certain assumptions and estimates, and do not reflect any benefit from any cost savings, which might be achieved from combined operations. The pro forma results are not indicative of the actual results that would have occurred had the acquisition been consummated as of January 1, 2000.

NOTE 4: BALANCE SHEET INFORMATION

Balance sheet information is as follows (in millions):

	DECEMBER 31,	
	2000	1999
RECEIVABLES, NET:		
Accounts receivable	$ 274.3	$ 251.7
Less: Allowance for doubtful accounts	(3.1)	(2.0)
	$ 271.2	$ 249.7
INVENTORIES:		
Raw materials	$ 26.6	$ 25.6
Work in process	123.4	103.8
Finished goods	108.1	76.8
	$ 258.1	$ 206.2
PROPERTY, PLANT AND EQUIPMENT, NET:		
Land	$ 13.6	$ 12.0
Buildings	319.0	257.9
Machinery and equipment	1,264.0	1,287.3

Total property, plant and equipment	1,596.6	1,557.2
Less: Accumulated depreciation	(948.4)	(987.5)
	$ 648.2	$ 569.7
GOODWILL AND OTHER INTANGIBLES, NET:		
Developed technology	$ 59.3	$ -
Assembled work force	10.0	-
Goodwill	85.7	-
Additional minimum pension liability	2.6	-
Total goodwill and other intangibles	157.6	-
Less: Accumulated amortization	(16.8)	-
	$ 140.8	$ -

Depreciation expense totaled $135.8 million and $60.4 million for 2000 and the period from August 4, 1999 to December 31, 1999, respectively.

NOTE 5: INVESTMENTS IN JOINT VENTURES

The Company has interests in two joint ventures which are accounted for using the equity method. The investment in each joint venture approximates the Company's underlying equity interest in each joint venture. Investments in these joint ventures totaled $45.3 and $40.4 million at December 31, 2000 and 1999, respectively, while the Company's equity in the related earnings totaled $4.4 million and $1.4 million for 2000 and

for the period from August 4, 1999 through December 31, 1999, respectively. Summarized financial information for the joint ventures is as follows (in millions):

	LESHAN-PHOENIX SEMICONDUCTOR LTD.	SEMICONDUCTOR MINIATURES PRODUCTS MALAYSIA	TOTAL
Country location	China	Malaysia	
Percentage ownership	51%	50%	
AS OF DECEMBER 31, 2000			
Current assets	$ 19.4	$ 21.8	$ 41.2
Noncurrent assets	110.4	115.1	225.5
Total assets	$129.8	$136.9	$266.7
Current liabilities	$ 16.3	$ 12.7	$ 29.0
Noncurrent liabilities	68.8	97.9	166.7
Venture equity	44.7	26.3	71.0
Total liabilities and equity	$129.8	$136.9	$266.7
AS OF DECEMBER 31, 1999			
Current assets	$ 16.2	$ 15.0	$ 31.2
Noncurrent assets	61.1	109.0	170.1
Total assets	$ 77.3	$124.0	$201.3
Current liabilities	$ 11.1	$ 37.8	$ 48.9
Noncurrent liabilities	28.3	45.1	73.4
Venture equity	37.9	41.1	79.0
Total liabilities and equity	$ 77.3	$124.0	$201.3
YEAR ENDED DECEMBER 31, 2000			
Net sales	$ 77.8	$101.1	$178.9
Gross profit	10.1	10.3	20.4
Net income	5.4	2.7	8.1
AUGUST 4, 1999 THROUGH DECEMBER 31, 1999			
Net sales	$ 16.3	$ 37.0	$ 53.3
Gross profit	2.2	7.6	9.8
Net income (loss)	(0.8)	3.6	2.8

In connection with the Recapitalization, the Company loaned Leshan-Phoenix Semiconductor Ltd. ("Leshan") $28.3 million to refinance third-party non-recourse loans. During 2000, the Company loaned Leshan an additional $30.0 million to finance facility expansion. The Company's loans to Leshan bear interest at 10.5%, payable quarterly, and are included in other assets in the consolidated balance sheets.

As part of the joint venture agreement for Semiconductor Miniatures Products Malaysia Sdn. Bhd. ("SMP"), the Company's joint venture partner, Philips Semiconductors International B.V. ("Philips"), was provided the right to purchase the Company's interest between January 2001 and July 2002. On February 1, 2001, Philips exercised its purchase right, acquiring the entire ownership interest in SMP held by the Company. This transaction resulted in proceeds of approximately $20.4 million and a pre-tax gain of approximately $3.2 million.

NOTE 6: RESTRUCTURING CHARGES

2000

In March 2000, the Company recorded a $4.8 million charge to cover costs associated with a restructuring program at its manufacturing facility in Guadalajara, Mexico. The charge included $3.2 million to cover employee separation costs associated with the termination of approximately 500 employees and $1.6 million for asset impairments that were charged directly against the related assets.

In September 2000, the Company completed a detailed evaluation of the costs to be incurred to complete the March 2000 restructuring. Based on this evaluation, the Company released $0.8 million of its remaining restructuring reserve for employee separation costs to income as a credit to restructuring charges in the consolidated statement of operations and comprehensive income. Also in conjunction with this evaluation, the Company recorded an additional charge of $0.8 million for asset impairments that were charged directly against the related assets. As of December 31, 2000, the remaining liability relating to this restructuring program was $0.7 million.

1999

In December 1999, the Company recorded a restructuring charge of $11.1 million, including $3.5 million to cover employee separation costs relating to

approximately 150 employees at a manufacturing facility in Mesa, Arizona that was closed in December as well as $7.6 million to cover equipment write-downs at that facility and other non-cash business exit costs that were charged directly against the related assets. As of December 31, 2000, there was no remaining liability relating to the 1999 restructuring program.

1998

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

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

In December 1999, the Company completed a detailed evaluation of the costs to be incurred to complete the remaining restructuring actions. Based on this evaluation, the Company released $7.4 million of its remaining 1998 restructuring reserve to income as a credit to restructuring charges in the consolidated statement of operations and comprehensive income. As of December 31, 2000, there was no remaining liability relating to the 1998 restructuring program.

A summary of activity in the Company's restructuring reserves is as follows (in millions):

Balance, August 4, 1999	$ 14.3
Plus: December 1999 employee separation charge	3.5
Less: Payments charged against the reserve	(0.9)
Less: Reserve released to income	(7.4)
Balance, December 31, 1999	9.5
Plus: March 2000 employee separation charge	3.2
Less: Payments charged against the reserve	(11.2)
Less: Reserve released to income	(0.8)
Balance, December 31, 2000	$ 0.7

Restructuring charges are summarized as follows (in millions):

	YEAR ENDED DECEMBER 31, 2000	AUGUST 4, 1999 THROUGH DECEMBER 31, 1999
Reserve released to income	$ (0.8)	$ (7.4)
Restructuring charge (including non-cash portion)	5.6	11.1
	$ 4.8	$ 3.7

NOTE 7: LONG-TERM DEBT

Long-term debt consists of the following (dollars in millions):

	AMOUNT OF FACILITY	DECEMBER 31, 2000 INTEREST RATE	DECEMBER 31, 2000 BALANCE	DECEMBER 31, 1999 INTEREST RATE	DECEMBER 31, 1999 BALANCE
Senior bank facilities:					
Tranche A	$ 200.0	9.438%	$ 18.4	8.927%	$ 125.5
Tranche B	325.0	10.250%	314.0	9.313%	325.0
Tranche C	350.0	10.500%	338.2	9.563%	350.0
Tranche D	200.0	9.750%	198.7	--	--
Revolver	150.0	--	--	--	--
			869.3		800.5
12% senior subordinated notes due 2009			260.0		400.0
10% junior subordinated note payable to Motorola due 2011 (including accrued interest of $13.5 and $3.8)			104.5		94.8
2.25% note payable due 2010 (Japan)			24.5		--
Less: Current maturities			(5.6)		--
			$ 1,252.7		$ 1,295.3

Borrowings under the Tranche A, B, C and D facilities amortize within six to eight years. The Tranche A facility includes a delayed-draw facility of $134.5 million, of which $0 and $60.0 million had been borrowed as of December 31, 2000 and 1999, respectively. Although no amounts are outstanding under the Company's revolving credit facility as of December 31, 2000, the amount available has been reduced by $13.5 million for letters of credit issued on behalf of the Company. The Company is obligated to pay a fee for unutilized commitments at a rate of .50% per annum. Prepayment of borrowings under the Tranche B and C facilities require a premium of 2% of the principal amount prepaid prior to August 4, 2000 and 1% of the principal amount prepaid during the period from August 4, 2000 to August 4, 2001.

Except as discussed below, the senior subordinated notes may not be redeemed prior to August 1, 2004. Redemption prices range from 106% of the principal amount if redeemed in 2004 to 100% if redeemed in 2008 or thereafter. Up to 35% of the aggregate principal amount of the senior subordinated notes may be redeemed prior to August 4, 2002 with the net cash proceeds of a public equity offering at a redemption price equal to 112% of the principal amount redeemed.

On May 3, 2000 the Company completed the initial public offering of its common stock. A portion of the net proceeds were used to redeem $140 million of the senior subordinated notes and to prepay $131 million of the loans outstanding under the senior bank facilities (see Note 1).

On October 27, 2000 the Company's Japanese subsidiary borrowed $26.1 million from a Japanese bank for expansion of facilities in Japan. Interest is due semi-annually. The loan matures over ten years with semi-annual principal payments commencing in 2003.

Interest on the senior subordinated notes is payable semi-annually. Interest on the junior subordinated note compounds semi-annually, and is due at maturity.

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

	LIBOR	ALTERNATE BASE RATE
Tranche A	+2.75%	+1.75%
Tranche B	+3.50%	+2.50%
Tranche C	+3.75%	+2.75%
Tranche D	+3.00%	+2.00%
Revolver	+2.75%	+1.75%

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

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

YEAR ENDING DECEMBER 31:	
2001	$ 5.6
2002	11.7
2003	14.3
2004	17.8
2005	164.7
Thereafter	1,044.2
	$ 1,258.3

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

In connection with the Recapitalization, the Company and SCI LLC, its primary domestic operating subsidiary (collectively, the "Issuers"), issued $400.0 million senior subordinated notes due 2009. As of December 31, 2000, $260.0 million of the senior subordinated notes were outstanding. The Company's other domestic subsidiaries (collectively, the "Guarantor Subsidiaries") have jointly and severally, irrevocably and unconditionally guaranteed the Issuers' obligations under the senior subordinated notes. The Guarantor Subsidiaries include holding companies whose net assets consist primarily of investments in the Company's foreign joint ventures in China, Malaysia and the Czech Republic and nominal equity interests in certain of the Company's foreign subsidiaries as well as Semiconductor Components Industries of Rhode Island, Inc. The foreign joint ventures and the Company's foreign subsidiaries (collectively, the "Non-Guarantor Subsidiaries") themselves are not guarantors of the senior subordinated notes.

The Company does not believe that the separate financial statements and other disclosures concerning the Guarantor Subsidiaries 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):

As of and for the year ended December 31, 2000

	Issuers					
	ON Semiconductor Corporation	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Total
Receivables, net	$ --	$ 118.2	$ --	$ 153.0	$ --	$ 271.2
Inventories	--	48.4	6.6	261.6	(58.5)	258.1
Other current assets	--	81.7	(0.4)	179.7	8.2	269.2
Total current assets	--	248.3	6.2	594.3	(50.3)	798.5
Property, plant and equipment, net	--	157.5	52.4	438.5	(0.2)	648.2
Deferred income taxes	--	278.1	14.2	(5.5)	--	286.8
Goodwill and other intangibles	--	--	140.8	--	--	140.8
Investments and other assets, net	429.4	340.8	57.8	5.6	(684.9)	148.7
Total assets	$ 429.4	$1,024.7	$ 271.4	$1,032.9	$ (735.4)	$2,023.0
Accounts payable	$ --	$ 62.0	$ 7.0	$ 106.0	$ --	$ 175.0
Accrued expenses and other current liabilities	(3.2)	124.4	10.4	97.2	1.3	230.1
Total current liabilities	(3.2)	186.4	17.4	203.2	1.3	405.1
Long-term debt(1)	260.0	1,228.2	--	24.5	(260.0)	1,252.7
Other long-term liabilities	--	9.7	--	11.1	--	20.8
Intercompany(1)	(165.1)	(782.6)	150.4	537.3	260.0	--
Total liabilities	91.7	641.7	167.8	776.1	1.3	1,678.6
Minority interests	--	--	--	--	6.7	6.7
Stockholders' equity (deficit)	337.7	383.0	103.6	256.8	(743.4)	337.7
Liabilities, minority interests and stockholders' equity (deficit)	$ 429.4	$1,024.7	$ 271.4	$1,032.9	$ (735.4)	$2,023.0
Revenues	$ --	$2,245.8	$ 122.4	$2,504.5	$(2,798.8)	$2,073.9
Cost of sales	--	1,765.6	92.0	2,256.4	(2,759.0)	1,355.0
Gross profit	--	480.2	30.4	248.1	(39.8)	718.9
Research and development	--	36.8	13.0	19.4	--	69.2
Selling and marketing	--	56.9	6.4	36.8	--	100.1
General and administrative	--	180.7	5.0	47.7	--	233.4
Amortization of goodwill and other intangibles	--	--	16.8	--	--	16.8
Write-off of acquired in-process research and development	--	--	26.9	--	--	26.9
Restructuring charges	--	--	--	4.8	--	4.8
Total operating expenses	--	274.4	68.1	108.7	--	451.2
Operating income (loss)	--	205.8	(37.7)	139.4	(39.8)	267.7
Interest expense, net	--	(78.5)	(14.3)	(38.4)	--	(131.2)
Equity earnings	71.1	24.1	6.3	--	(97.1)	4.4
Income (loss) before taxes, minority interests and extraordinary loss	71.1	151.4	(45.7)	101.0	(136.9)	140.9
Provision for income taxes	--	(58.9)	20.8	(21.5)	9.5	(50.1)
Minority interests	--	--	--	--	(2.2)	(2.2)
Extraordinary loss on prepayment of debt (net of income tax)	--	(17.5)	--	--	--	(17.5)
Net income (loss)	$ 71.1	$ 75.0	$ (24.9)	$ 79.5	$ (129.6)	$ 71.1

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	Issuers					
	ON Semiconductor Corporation	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Total
Net cash provided by (used in) operating activities	$ --	$ 396.1	$ 8.9	$ (103.7)	$ --	$ 301.3
Cash flows from investing activities:						
Purchases of property, plant and equipment	--	(49.4)	(10.0)	(139.4)	--	$ (198.8)
Investment in business, net of cash acquired	--	(253.2)	--	--	--	(253.2)
Investments in joint ventures and other	--	(2.5)	--	--	--	(2.5)
Acquisition of minority interests in consolidated subsidiaries	--	--	--	(1.5)	--	(1.5)
Loans to unconsolidated joint venture	--	(30.0)	--	--	--	(30.0)
Proceeds from sales of property, plant and equipment	--	4.8	--	13.3	--	18.1
Net cash used in investing activities	--	(330.3)	(10.0)	(127.6)	--	(467.9)
Cash flows from financing activities:						
Proceeds from initial public offering, net of offering expenses	--	514.8	--	--	--	514.8
Proceeds from borrowings	--	200.0	--	26.1	--	226.1
Intercompany loans	--	(280.0)	--	280.0	--	--
Intercompany loan repayments	--	41.5	--	(41.5)	--	--
Payment of debt issuance costs	--	(3.2)	--	--	--	(3.2)
Repayment of senior credit facilities, including prepayment penalty	--	(131.5)	--	--	--	(131.5)
Repayment of senior subordinated notes, including prepayment penalty	--	(156.8)	--	--	--	(156.8)
Redemption of preferred stock, including accrued dividends	--	(228.4)	--	--	--	(228.4)
Proceeds from exercise of stock options and issuance of common stock under the employee stock purchase plan	--	7.8	--	--	--	7.8
Net cash (used in) provided by financing activities	--	(35.8)	--	264.6	--	228.8
Effect of exchange rate changes on cash and cash equivalents	--	--	--	(0.1)	--	(0.1)
Net increase (decrease) in cash and cash equivalents	--	30.0	(1.1)	33.2	--	62.1
Cash and cash equivalents, beginning of period	--	14.9	--	111.9	--	126.8
Cash and cash equivalents, end of period	$ --	$ 44.9	$ (1.1)	$ 145.1	$ --	$ 188.9

As of December 31, 1999 and for the period from August 4, 1999 to December 31, 1999

	Issuers					
	ON Semiconductor Corporation	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Total
Receivables, net	$ --	$ 89.5	$ --	$ 163.5	$ (3.3)	$ 249.7
Inventories	--	106.0	--	131.4	(31.2)	206.2
Other current assets	--	37.7	--	143.5	--	181.2
Total current assets	--	233.2	--	438.4	(34.5)	637.1
Property, plant and equipment, net	--	163.7	--	406.1	(0.1)	569.7
Deferred income taxes	--	291.8	--	(2.8)	--	289.0
Investments and other assets	392.9	245.8	54.6	3.6	(575.9)	121.0
Total assets	$ 392.9	$ 934.5	$ 54.6	$ 845.3	$ (610.5)	$1,616.8
Accounts payable	$ --	$ 58.4	$ 0.7	$ 73.3	$ (9.9)	$ 122.5
Accrued expenses and other current liabilities	--	99.1	--	104.3	1.4	204.8
Total current liabilities	--	157.5	0.7	177.6	(8.5)	327.3
Long-term debt(1)	400.0	1,295.3	--	--	(400.0)	1,295.3
Other long-term liabilities	--	2.6	--	9.6	--	12.2
Intercompany(1)	21.0	(859.9)	--	466.3	372.6	--
Total liabilities	421.0	595.5	0.7	653.5	(35.9)	1,634.8
Minority interests	--	--	--	--	10.1	10.1
Redeemable preferred stock	219.6	--	--	--	--	219.6
Stockholder's equity (deficit)	(247.7)	339.0	53.9	191.8	(584.7)	(247.7)
Liabilities, minority interests, redeemable preferred stock and stockholders' equity (deficit)	$ 392.9	$ 934.5	$ 54.6	$ 845.3	$ (610.5)	$1,616.8
Revenues	$ --	$ 783.4	$ --	$ 538.0	$ (522.7)	$ 798.7
Cost of sales	--	652.1	--	443.9	(522.7)	573.3
Gross profit	--	131.3	--	94.1	--	225.4
General and administrative	--	49.8	--	27.5	--	77.3
Other operating expenses	--	37.0	--	11.9	(4.3)	44.6
Total operating expenses	--	86.8	--	39.4	(4.3)	121.9
Operating income	--	44.5	--	54.7	4.3	103.5
Interest expense, net	--	(38.8)	--	(17.1)	--	(55.9)
Equity earnings	29.8	21.5	3.0	--	(52.9)	1.4
Income before taxes and minority interests	29.8	27.2	3.0	37.6	(48.6)	49.0
Provision for income taxes	--	(4.0)	--	(13.4)	(0.7)	(18.1)
Minority interests	--	--	--	--	(1.1)	(1.1)
Net income	$ 29.8	$ 23.2	$ 3.0	$ 24.2	$ (50.4)	$ 29.8

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	Issuers					
	ON Semiconductor Corporation	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Total
Net cash provided by (used in) operating activities	$ --	$ 137.5	$ 4.9	$ (101.7)	$ --	$ 40.7
Cash flows from investing activities:						
Purchases of property, plant and equipment	--	(1.8)	--	(62.2)	--	(64.0)
Loans to unconsolidated joint venture	--	(28.3)	--	--	--	(28.3)
Investments in joint ventures and other	--	--	(4.9)	--	--	(4.9)
Proceeds from sales of property, plant and equipment	--	--	--	1.8	--	1.8
Net cash used in investing activities	--	(30.1)	(4.9)	(60.4)	--	(95.4)
Cash flows from financing activities:						
Proceeds from issuance of common stock to an affiliate of Texas Pacific Group	--	187.5	--	--	--	187.5
Proceeds from issuance of redeemable preferred stock to an affiliate of Texas Pacific Group	--	150.0	--	--	--	150.0
Proceeds from borrowings under senior credit facilities	--	800.5	--	--	--	800.5
Proceeds from issuance of senior subordinated notes	--	400.0	--	--	--	400.0
Payment of debt of issuance costs	--	(52.6)	--	--	--	(52.6)
Intercompany loans	--	(290.3)	--	290.3	--	--
Intercompany loan repayments		15.9	--	(15.9)	--	--
Repayment of joint venture debt	--	(44.8)	--	--	--	(44.8)
Net cash payments to Motorola in connection with Recapitalization	--	(1,258.7)	--	--	--	(1,258.7)
Net cash (used in) provided by financing activities	--	(92.5)	--	274.4	--	181.9
Effect of exchange rate changes on cash and cash equivalents	--	--	--	(0.4)	--	(0.4)
Net increase in cash and cash equivalents	--	14.9	--	111.9	--	126.8
Cash and cash equivalents, beginning of period	--	--	--	--	--	--
Cash and cash equivalents, end of period	$ --	$ 14.9	$ --	$ 111.9	$ --	$ 126.8

(1) For purposes of this presentation, the senior subordinated 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 has been allocated to SCI LLC only.

NOTE 8: INCOME TAXES

Geographic sources of income before income taxes, minority interests and extraordinary loss are as follows (in millions):

	YEAR ENDED DECEMBER 31, 2000	AUGUST 4, 1999 THROUGH DECEMBER 31, 1999
United States	$ 65.4	$ 10.8
Foreign	75.5	38.2
	$ 140.9	$ 49.0

The provision for income taxes is as follows (in millions):

	YEAR ENDED DECEMBER 31, 2000	AUGUST 4, 1999 THROUGH DECEMBER 31, 1999
Current		
Federal	$ 37.1	$ 12.3
State and local	4.6	1.7
Foreign	20.0	21.7
	61.7	35.7

Deferred		
Federal	(8.8)	(7.9)
State and local	(1.2)	(1.1)
Foreign	(1.6)	(8.6)
	(11.6)	(17.6)
	$ 50.1	$ 18.1

A reconciliation of the U.S. federal statutory income tax rate to the Company's effective income tax rate is as follows:

	YEAR ENDED DECEMBER 31, 2000	AUGUST 4, 1999 THROUGH DECEMBER 31, 1999
U.S. federal statutory rate	35.0%	35.0%
Increase (decrease) resulting from:		
State and local taxes, net of federal tax benefit	2.8	1.1
Foreign withholding taxes	2.0	1.4
Foreign rate differential	(3.5)	(2.6)
Other	(0.7)	2.1
	35.6%	37.0%

Deferred tax assets (liabilities) are as follows (in millions):

	DECEMBER 31, 2000	DECEMBER 31, 1999
Tax-deductible goodwill	$271.5	$ 297.6
Reserves and accruals.	25.0	16.8
Inventories	14.4	7.3
Fixed Assets	9.1	(9.6)
Other	7.5	5.3
	$327.5	$ 317.4

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

Income taxes have not been provided in the U.S. on the Company's share ($139.5 million) of undistributed earnings of foreign subsidiaries over which it has sufficient influence to control the distribution of such earnings and has determined that such earnings have been reinvested indefinitely. These earnings could become subject to additional tax if they were remitted as dividends, if foreign earnings were lent to any of the Company's U.S. subsidiaries, or if the Company sells its stock in the subsidiaries. The Company estimates that repatriation of these foreign earnings would generate additional foreign tax withholdings of $12.2 million and federal income tax, net of foreign tax credits, of $16.1 million.

NOTE 9: REDEEMABLE PREFERRED STOCK

In connection with the Recapitalization, the Company issued 2,090 shares of its 12% mandatorily redeemable preferred stock with an original liquidation value of $209 million. Dividends on the preferred stock were payable quarterly and compound to the extent not paid. The Company redeemed all outstanding preferred stock with the net proceeds from the Company's initial public offering (see Note 1).

NOTE 10: STOCK OPTIONS

1999 FOUNDERS STOCK OPTION PLAN

The Company has adopted the ON Semiconductor 1999 Founders Stock Option Plan ("the 1999 Plan"), an incentive plan for key employees, directors and consultants. A total of 11,576,666 shares of the Company's common stock have been reserved for issuance under the 1999 Plan. The 1999 Plan is administered by the Board of Directors or a committee thereof, which is authorized to, among other things, select the key employees, directors and consultants who will receive grants and determine the exercise prices and vesting schedules of the options. Prior to the existence of a public market for the Company's common stock, fair market value was determined by the Board of Directors.

Generally, the options vest over a period of four years, with approximately 8% becoming immediately vested and exercisable on the grant date. All outstanding options vest automatically upon a change of control (as defined in the plan), provided the option holder is employed by the Company on the date of the change in control. Upon the termination of an option holder's employment, all unvested options will immediately terminate and vested options will generally remain exercisable for a period of 90 days after date of termination (one year in the case of death or disability).

2000 STOCK INCENTIVE PLAN

On February 17, 2000, the Company adopted the 2000 Stock Incentive Plan ("the 2000 Plan") to provide key employees, directors and consultants with

various equity-based incentives as described in the plan document. A total of 10.0 million shares of the Company's common stock have been reserved for grants under the 2000 Plan. The 2000 Plan is administered by the Board of Directors or a committee thereof, which is authorized to determine, among other things, the key employees, directors or consultants who will receive awards under the plan, the amount and type of award, exercise prices or performance criteria, if applicable, and vesting schedules.

At December 31, 2000 and 1999, respectively, 6,596,326 and 1,475,348 of common stock were available for issuance under the plans.

Additional information with respect to stock option plan activity is as follows:

	OUTSTANDING OPTIONS	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
August 4, 1999	-	
Grants	10,101,318	$ 1.50
December 31, 1999	10,101,318	1.50
Grants	5,525,770	15.18
Exercises	(601,646)	1.67
Cancellations	(646,748)	7.71
December 31, 2000	14,378,694	$ 6.46

The following tables summarize options outstanding and options exercisable at December 31, 2000:

	OUTSTANDING OPTIONS		
RANGE OF EXERCISE PRICES	NUMBER OF SHARES	WEIGHTED AVERAGE CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE
$1.50-$1.50	9,137,008	8.69	$1.50
$9.03-$16.00	4,710,435	9.43	14.67
$17.37-$21.38	531,251	9.57	19.23
Totals	14,378,694		$6.46

	EXERCISABLE OPTIONS		
EXERCISE PRICES	NUMBER OF SHARES	WEIGHTED AVERAGE CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE
$1.50	2,258,574	8.69	$1.50
$16.00	324,391	9.32	16.00
Totals	2,582,965		$3.32

These options will expire if not exercised at specific dates through November 2010. Exercise prices for options exercised during 2000 ranged from $1.50 to $16.00.

During 2000, an employee of the Company was granted 80,000 stock appreciation rights with a option price of $16.00.

In 2000, the Company granted certain consultants options to purchase approximately 91,000 shares of common stock at exercise prices ranging from $1.50 to $16.00 per share. The aggregate estimated fair value of these options of $1.2 million is being recognized as expense over the remaining service period of the respective consulting agreements. Compensation expense related to these stock options was approximately $700,000.

In 1999, the Company paid its Chairman of the Board a consulting fee of $100,000 and granted him an option to purchase 200,000 shares of common stock for services rendered in connection with the Recapitalization. Also in 1999, the Company paid an entity owned by one of its directors a consulting fee of $1,750,000 and granted that director an option to purchase 410,000 shares of common stock for services rendered in connection with the Recapitalization. The options, which have an exercise price of $1.50 per share, were recorded as a charge to accumulated deficit at their estimated fair value of $600,000.

2000 EMPLOYEE STOCK PURCHASE PLAN

On February 17, 2000, the Company adopted the 2000 Employee Stock Purchase Plan. Subject to local legal requirements, each of the Company's full-time employees has the right to elect to have up to 10% of their payroll applied towards the purchase of shares of the Company's common stock at a price equal to 85% of the fair market value of such shares as determined under the plan. Employees will be limited to annual purchases of $25,000 under this plan. During 2000, employees purchased 978,123 shares under the plan. The Company has reserved 1.5 million shares of common stock for issuance under this plan.

As permitted by SFAS 123, the Company measures compensation expense in accordance with APB 25. Had the Company determined compensation expense in accordance with SFAS 123, the Company's net income for 2000 and for the period from August 4, 1999 through December 31, 1999 would have been reduced to the pro-forma amounts indicated below (in millions):

	YEAR ENDED DECEMBER 31, 2000	AUGUST 4, 1999 THROUGH DECEMBER 31, 1999
As reported	$ 71.1	$ 29.8
Pro-forma	63.7	29.5

The fair value of options granted in 2000 and 1999 reported below has been estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

Employee Stock Options	2000	1999
Expected life (in years)	5.00	5.00
Risk-free interest rate	6.41%	5.90%
Volatility	0.60	0.00

Employee Stock Purchase Plan	2000	1999
Expected life (in years)	.33	n/a
Risk-free interest rate	6.20%	n/a
Volatility	0.60	n/a

The weighted average estimated fair value of employee stock options granted during 2000 and 1999 was $8.04 and $0.39 per share, respectively. The weighted-average estimated fair value of shares sold under the 2000 Employee Stock Purchase Plan during 2000 was $3.73.

NOTE 11: FINANCIAL INSTRUMENTS

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

The Company's foreign exchange management strategy provides that foreign subsidiaries provide forecasts of their foreign currency exposures. The Company then aggregates the forecasted amounts and enters into foreign currency contracts in order to create an offset to the underlying exposures. Losses or gains on the underlying cash flows or investments offset gains or losses on the financial instruments. The Company primarily hedges existing assets and liabilities and cash flows associated with transactions currently on its balance sheet.

At December 31, 2000 and 1999, the Company had net outstanding foreign exchange contracts with notional amounts of $29.7 million and $128.0 million, respectively. Most of the contracts, which were obtained through Motorola, mature within two months with the longest maturity extending eight months. Management believes that these financial instruments should not subject the Company to undue risk due to foreign exchange movements because gains and losses on these contracts should offset losses and gains on the assets, liabilities and transactions being hedged. The following schedule shows the largest net foreign exchange hedge positions in U.S. dollars as of December 31, 2000 and 1999 (in millions):

	DECEMBER 31, 2000 BUY (SELL)	DECEMBER 31, 1999 BUY (SELL)
Japanese Yen	$(58.6)	$(94.0)
Malaysian Ringgit	19.4	(18.0)
Euro	6.6	(19.0)
Mexican Peso	1.1	47.0
British Pound	(1.5)	(24.0)

The Company is exposed to credit-related losses if counterparties to financial instruments fail to perform their obligations. Motorola is the counterparty for all of the Company's foreign exchange contracts, and no credit-related losses are anticipated. For 2000 and for the period August 4, 1999 to December 31, 1999 aggregate foreign currency transaction gains totaled $6.9 million and $2.2 million, respectively.

At December 31, 2000, the Company had four interest rate swaps which were entered into in August and December 2000.

These derivatives, required by the credit agreement relating to the senior bank facilities, are floating-to-fixed interest rate swaps based on LIBOR with quarterly interest rate resets. Amounts to be paid or received under the contracts are recorded as an adjustment to interest expense. The aggregate notional amount of these swaps totals $255 million and is used solely as the basis for which the payment streams are calculated and exchanged. The notional amount is not a measure of the exposure to the Company through the use of the swaps. The interest rate swaps expire during the years 2002 through 2004.

At December 31, 2000, the Company had no outstanding commodity derivatives, currency swaps or options relating to either its debt instruments or investments. The Company does not have any derivatives to hedge the value of its equity investments in affiliated companies.

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company uses the following methods to estimate the fair values of its financial instruments:

CASH AND CASH EQUIVALENTS

The carrying amount approximates fair value due to the short-term maturities of such instruments.

LONG-TERM DEBT

The fair value of amounts outstanding under the Company's senior bank facilities approximate fair value because these borrowing have variable interest rate terms. The fair values of the Company's other long-term borrowings are determined by obtaining quoted market prices if available or market prices for comparable debt instruments.

FOREIGN CURRENCY EXCHANGE CONTRACTS

Forward foreign exchange contracts are valued at current foreign exchange rates for contracts with similar maturities.

INTEREST RATE SWAP AGREEMENTS

The fair values of interest rate swaps are the amounts at which they could be settled and are estimated by obtaining quotes from brokers.

REDEEMABLE PREFERRED STOCK

The fair value of the Company's redeemable preferred stock was determined using a discounted cash flow analysis, based on estimated interest rates for similar preferred stock instruments.

The carrying amounts and fair values of the Company's financial instruments at December 31, 2000 and 1999 are as follows (in millions):

	2000		1999	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE

Long-term debt	$(1,252.7)	$(1,260.3)	$(1,295.3)	$(1,321.0)
Forward foreign exchange contracts	5.8	5.8	(7.4)	(7.4)
Interest rate swaps	--	(2.1)	--	--
Redeemable preferred stock	--	--	(219.6)	(248.0)

NOTE 13: COMMITMENTS AND CONTINGENCIES

LEASES

The following is a schedule by year of future minimum lease obligations under non-cancelable operating leases as of December 31, 2000 (in millions):

YEAR ENDING DECEMBER 31:	
2001	$10.7
2002	9.7
2003	6.7
2004	3.6
2005	2.5
Thereafter	8.8
	$42.0

The Company's existing leases do not contain significant restrictive provisions; however, certain leases contain renewal options and provisions for payment by the Company of real estate taxes, insurance and maintenance costs. Total rent expense for 2000 and the period from August 4, 1999 through December 31, 1999 was $13.0 and $7.0 million, respectively.

LEGAL MATTERS

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

NOTE 14: EMPLOYEE BENEFIT PLANS

PENSION PLANS

The Company has a noncontributory pension plan that, prior to its amendment in November 1999, covered most U.S. employees who were also formerly employees of Motorola, after one year of service. The benefit formula is dependent upon employee earnings and years of service. The Company's policy is to fund the plan in accordance with the requirements and regulations of the Internal Revenue Code. Benefits under the pension plan are valued based upon the projected unit credit cost method.

In November 1999, the Company's U.S. pension plan was amended so that benefit accruals under the plan will be discontinued effective December 31, 2004 for those employees whose combined age and years of service (in complete years) equaled or exceeded 65 at August 4, 1999. Benefit accruals under the plan for all other employees were discontinued effective December 31, 2000. Employees will be entitled to redirect their vested account balances into a qualified individual retirement account, the Company's defined contribution plans described below, an annuity contract or to receive a lump-sum distribution. This plan curtailment resulted in a reduction in the plan's benefit obligation of $12.6 million in 1999. After recognition of the related unrecognized prior service cost and other charges, the Company recognized a net curtailment gain of $0.5 million during the period from August 4, 1999 through December 31, 1999.

The Company plans to terminate the U.S. pension plan, effective April 15, 2001. The plan termination is subject to the approval of the Pension Benefit Guaranty Corporation, the government agency that regulates plan terminations. The Company also anticipates seeking the approval of the Internal Revenue Service with respect to the termination of the plan. On the proposed termination date of April 15, 2001, the Company intends to terminate the plan in a standard termination, which requires plan assets be sufficient to provide all benefits for all participants and beneficiaries of deceased participants.

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

The following is a summary of the status of the pension plans and the net periodic pension cost (dollars in millions):

	2000			1999		
	U.S. PENSION PLAN	FOREIGN PENSION PLANS	TOTAL	U.S. PENSION PLAN	FOREIGN PENSION PLANS	TOTAL
Change in benefit obligation:						
Benefit obligation, beginning of period	$ 67.1	$ 34.3	$101.4	$ 74.8	$ 30.2	$105.0
Service cost	4.7	2.6	7.3	2.5	1.1	3.6
Interest cost	4.5	2.0	6.5	2.4	0.8	3.2
Plan curtailment (gain)	--	--	--	(12.6)	--	(12.6)
Actuarial loss (gain)	4.7	(2.5)	2.2	--	--	--
Benefits paid	(3.6)	(0.7)	(4.3)	--	(0.1)	(0.1)
Translation loss (gain)	--	(2.9)	(2.9)	--	2.3	2.3
Benefit obligation, end of period	$ 77.4	$ 32.8	$110.2	$ 67.1	$ 34.3	$101.4
Change in Plan Assets:						
Fair value, beginning of period	$ 61.8	$ 18.4	$ 80.2	$ 60.5	$ 13.5	$ 74.0
Actual return on plan assets	2.3	(1.0)	1.3	1.3	0.3	1.6
Employer contributions	--	2.6	2.6	--	3.4	3.4
Benefits paid	(3.6)	(1.0)	(4.6)	--	(0.1)	(0.1)
Translation gain (loss)	--	(0.9)	(0.9)	--	1.3	1.3
Fair value, end of period	$ 60.5	$ 18.1	$ 78.6	$ 61.8	$ 18.4	$ 80.2
Balances, end of period:						
Pension benefit obligation	$(77.4)	$(32.8)	$(110.2)	$(67.1)	$(34.3)	$(101.4)
Fair value of plan assets	60.5	18.1	78.6	61.8	18.4	80.2
Funded status	(16.9)	(14.7)	(31.6)	(5.3)	(15.9)	(21.2)
Unrecognized net actuarial loss	7.6	(0.7)	6.9	--	0.3	0.3
Unrecognized prior service cost	2.6	4.9	7.5	2.8	6.1	8.9
Net liability recognized, end of period	$ (6.7)	$(10.5)	$(17.2)	$ (2.5)	$ (9.5)	$(12.0)
The net liability recognized in the consolidated balance sheets consists of the following :						
Accrued benefit liability	$ (9.6)	$(10.5)	$(20.1)	$ (2.5)	$ (9.5)	($12.0)
Intangible asset	2.6	--	2.6	--	--	--
Accumulated other comprehensive income	0.3	--	0.3	--	--	--
Net liability recognized, end of period	$ (6.7)	$(10.5)	$(17.2)	$ (2.5)	$ (9.5)	$(12.0)
Assumptions related to the pension plans are as follows:						
Discount rate	6.8%	5.76%		6.8%	6.22%	
Expected return on assets	8.5%	7.46%		8.5%	5.15%	
Rate of compensation increase	5.0%	4.75%		5.0%	7.91%	
Components of net periodic pension cost:						
Service cost	$ 4.7	$ 2.6	$ 7.3	$ 2.5	$ 1.0	$ 3.5
Interest cost	4.5	2.0	6.5	2.4	0.8	3.2
Expected return on assets	(5.2)	(1.5)	(6.7)	(2.4)	(0.5)	(2.9)
Amortization of prior service cost	0.2	0.6	0.8	0.5	0.2	0.7
Curtailment gain	--	--	--	(0.5)	--	(0.5)
Net periodic pension cost	$ 4.2	$ 3.7	$ 7.9	$ 2.5	$ 1.5	$ 4.0

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $107.5 million, $96.1 million and $76.5 million, respectively as of December 31, 2000 and $95.4 million, $80.3 million and $74.9 million, respectively as of December 31, 1999.

DEFINED CONTRIBUTION PLANS

The Company has a deferred compensation plan ("the Savings Plan") for all eligible U.S. employees established under the provisions of Section 401(k) of the Internal Revenue Code. Eligible employees may contribute a percentage of their salary subject to certain limitations. For the period from August 4, 1999 through December 31, 1999, there were no Company matching contributions to the Savings Plan; however, U.S. employees were eligible for a profit sharing contribution. The Company recognized $1.3 million expense for the profit sharing feature of the Savings Plan for the period from August 4, 1999 through December 31, 1999. No profit sharing contribution was made for 2000. Effective January 1, 2000, the Company began matching of 100% of the first 4% of employee contributions, and 50% of the next 4% of employee contributions, as defined in the Savings Plan. The Company recognized $7.1 million of expense relating to matching contributions in 2000. Participants are at all times fully vested in their contributions and the Company's contributions.

Certain foreign subsidiaries have defined contribution plans in which eligible employees participate. The Company recognized compensation expense of $1.0 million and $0.4 million relating to these plans during 2000 and the period from August 4, 1999 through December 31, 1999, respectively.

NOTE 15: SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The Company's non-cash financing activities and cash payments for interest and income taxes are as follows (in millions):

	YEAR ENDED DECEMBER 31, 2000	AUGUST 4, 1999 THROUGH DECEMBER 31, 1999
Non-cash financing activities:		
Issuance of common stock to Motorola	$ --	$ 17.5
Issuance of redeemable preferred stock to Motorola	--	59.0
Issuance of junior subordinated note to Motorola	--	91.0
Cash paid for:		
Interest	131.2	20.7
Income taxes	54.2	5.9

NOTE 16: RELATED PARTY TRANSACTIONS

In connection with the Recapitalization, the Company paid Texas Pacific Group a financial advisory fee in the amount of $25.0 million. The Company has also agreed to pay Texas Pacific Group an annual management fee of up to $2.0 million. In connection with the Cherry acquisition in April 2000, the Company paid Texas Pacific Group a $2.0 million advisory fee in-lieu of the annual management fee for 2000. Management fees payable to Texas Pacific Group for the period from August 4, 1999 through December 31, 1999 were $0.8 million and are included in general and administrative expense.

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

The manufacturing and assembly services that the Company and Motorola have agreed to continue to provide to each other are at prices intended to approximate each party's cost of providing the services and are fixed throughout the term of the agreements. Subject to the Company's right to cancel upon six months' written notice, the Company has minimum commitments to purchase manufacturing services from Motorola of approximately $56 million, $45 million and $44 million in years 2001, 2002 and 2003, respectively.

Related party activity between the Company and Motorola is as follows (in millions):

YEAR ENDED DECEMBER 31, 2000	AUGUST 4, 1999 THROUGH DECEMBER 31, 1999

Purchases of manufacturing services from Motorola	$162.3	$101.3
Cost of other services, rent and equipment purchased from Motorola	96.0	21.2

NOTE 17: SEGMENT INFORMATION

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

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

	DECEMBER 31, 2000	DECEMBER 31, 1999
The Americas (primarily the U.S. and Mexico)	$ 275.9	$ 221.4
Asia/Pacific	171.1	159.7
Europe	103.0	89.0
Japan	98.2	99.6
	$ 648.2	$ 569.7

Total revenues to unaffiliated customers by geographic location, including local sales and exports made by operations within each area are summarized as follows (in millions):

	YEAR ENDED DECEMBER 31, 2000	AUGUST 4, 1999 THROUGH DECEMBER 31, 1999
The Americas (primarily the U.S. and Mexico)	$ 965.1	$ 375.4
Asia/Pacific	551.5	183.6
Europe	414.8	144.9
Japan	142.5	94.8
	$2,073.9	$ 798.7

Sales to Motorola and two other customers accounted for approximately 10%, 11% and 12%, respectively of the Company's total revenue during 2000, compared to approximately 16%, 10% and 9%, respectively of the Company's total revenue for the period from August 4, 1999 to December 31, 1999.

NOTE 18: SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

Consolidated quarterly financial information for 2000 and for the period from August 4, 1999 through December 31, 1999 follows (in millions, except per share data):

	2000				1999	
Quarter ended	April 1	July 1(1)	September 30	December 31	October 2(2)	December 31
Total revenues	$ 486.8	$ 550.5	$ 543.2	$ 493.4	$ 329.0	$ 469.7
Gross profit	163.4	192.8	194.0	168.7	88.2	137.2
Net income before extraordinary loss	25.5	15.5	29.9	17.7	10.8	19.0
Net income (loss)	$ 25.5	$ (2.0)	$ 29.9	$ 17.7	$ 10.8	$ 19.0
Diluted net income (loss) before extraordinary item per common share	$ 0.13	$ 0.08	$ 0.17	$ 0.10	$ 0.04	$ 0.09
Diluted net income (loss) per common share	$ 0.13	$ (0.03)	$ 0.17	$ 0.10	$ 0.04	$ 0.09

(1) During the quarter ended July 1, 2000 the Company incurred a pre-tax charge of $26.9 million relating to the write-off of in-process research and development relating to the Cherry acquisition described in Note 3. Additionally, the Company incurred a charge of $29.2 million ($17.5 million after tax) relating to prepayment penalties, redemption premiums and the write-off of debt issuance costs. As described in Note 1, this charge was treated as an extraordinary loss in the accompanying financial statements.

(2) Includes the period from August 4, 1999 to October 2, 1999.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Motorola, Inc.:

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

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

The accompanying combined statements were prepared to comply with the rules and regulations of the Securities and Exchange Commission and on the basis of presentation as described in Note 1. The accompanying combined statements present the combined revenues less direct and allocated expenses before taxes of the Business, and are not intended to be a complete presentation of the Business' financial position, results of operations or cash flows. The results of operations before taxes are not necessarily indicative of the results of operations before taxes that would be recorded by the Company on a stand-alone basis.

In our opinion, the accompanying combined statements present fairly, in all material respects, the combined revenues less direct and allocated expenses before taxes for the period from January 1, 1999 through August 3, 1999 and the year ended December 31, 1998, on the basis described in Note 1, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
KPMG LLP

Phoenix, Arizona
January 7, 2000

SEMICONDUCTOR COMPONENTS GROUP OF
MOTOROLA, INC.

COMBINED STATEMENTS OF REVENUES LESS DIRECT AND
ALLOCATED EXPENSES BEFORE TAXES

	PERIOD FROM JANUARY 1, 1999 THROUGH AUGUST 3, 1999	YEAR ENDED DECEMBER 31, 1998
	(IN MILLIONS)	
Revenues:		
Net sales -- trade	$ 895.4	$1,495.3
Foundry revenues	91.0	162.3
Total revenues	986.4	1,657.6
Direct and allocated costs and expenses:		
Cost of sales	711.3	1,222.3
Research and development	34.3	67.5
Selling and marketing	39.0	92.4
General and administrative	89.4	205.7
Restructuring and other charges	--	189.8
Operating costs and expenses	874.0	1,777.7
	112.4	(120.1)
Other income (expenses):		
Equity in earnings from joint ventures	2.4	5.7
Interest expense	(9.1)	(19.8)
Minority interest in earnings of consolidated entities	(0.9)	(2.1)
Other expenses, net	(7.6)	(16.2)
Revenues less direct and allocated expenses before taxes	$ 104.8	$ (136.3)

See accompanying notes to combined financial statements.

SEMICONDUCTOR COMPONENTS GROUP OF
MOTOROLA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

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

Motorola performs cash management on a centralized basis and SPS processes receivables and certain payables, payroll and other activity for SCG. Most of these systems are not designed to track receivables, liabilities and cash receipts and payments on a business specific basis. Accordingly, it is not practical to determine certain assets and liabilities associated with the business. Given these constraints, certain supplemental cash flow information is presented in lieu of a statement of cash flows. (See Note 6.) Assets and liabilities not specifically identifiable to the Business include:

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

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

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

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

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

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

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF COMBINATION

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

(b) REVENUE RECOGNITION

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

(c) RELATED PARTY TRANSACTIONS

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

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

	JANUARY 1, 1999 THROUGH	YEAR ENDED

	AUGUST 3, 1999	DECEMBER 31, 1998
Manufacturing services performed by other SPS divisions on behalf of SCG	$ 125.5	$ 266.8
Manufacturing services performed by SCG and transferred at actual production costs to other SPS divisions	$ 91.0	$ 162.3

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

Where it is possible to specifically identify other operating costs with the activities of SCG or other SPS product lines, these amounts have been charged or credited directly to SCG or SPS product lines without allocation or apportionment. Although a number of different approaches are used to allocate shared or common costs, there is usually a predominant basis for each expense category. Accordingly, research and development costs have been allocated from SPS based predominately on dedicated spending. Research and development from Motorola is first allocated to SPS and

then allocated 20% to SCG as SCG is one of five divisions within SPS. Selling and marketing expenses from SPS have been allocated 20% to SCG and general and administrative expenses from Motorola and SPS have been allocated 20% to SCG. Prior to changing to this allocation structure in July, 1997, allocations to SCG for research and development, selling and marketing, and general and administrative expenses were based on budgeted sales volume. This change had an insignificant impact on the amount of the allocated costs.

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

	JANUARY 1, 1999 THROUGH AUGUST 3, 1999	YEAR ENDED DECEMBER 31, 1998
Research and development	$ 13.3	$ 33.1
Selling and marketing	$ 2.2	$ 3.7
General and administrative	$ 50.0	$ 115.2

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

(d) INTEREST EXPENSE

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

(e) CURRENCIES AND FOREIGN CURRENCY INSTRUMENTS

SCG's functional currency for all foreign operations is the U.S. dollar, except for Japan and Europe which is the local currency. Accordingly, the net effect of gains and losses from translation of foreign currency financial statements into U.S. dollars is included in current operations. The net translation gains and losses for Japan and Europe are not significant and are included as a component of business equity. Gains and losses resulting from foreign currency transactions are included in current operations and were not significant for 1998 or the period from January 1, 1999 through August 3, 1999.

(f) USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

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

(3) EMPLOYEE BENEFIT PLANS

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

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

(4) CONTINGENCIES

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

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

(5) BUSINESS EQUITY

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

	JANUARY 1, 1999 THROUGH AUGUST 3, 1999	YEAR ENDED DECEMBER 31, 1998
	(IN MILLIONS)	
Balance at beginning of period	$ 681.0	$ 866.4
Revenues less direct and allocated expenses before taxes	104.8	(136.3)
Net intercompany activity	(83.9)	(49.1)
Balance at end of period	$ 701.9	$ 681.0

(6) INDUSTRY AND GEOGRAPHIC INFORMATION

The Business operates in one industry segment and is engaged in the design, development, manufacture and marketing of a wide variety of semiconductor products for the semiconductor industry and original equipment manufacturers. SCG operates in various geographic locations. In the information that follows, sales include local sales and exports made by operations within each area. To control costs, a substantial portion of SCG's products are transported between various SCG and SPS facilities in the process of being manufactured and sold. Accordingly, it is not meaningful to present interlocation transfers between SCG facilities on a stand alone basis. Sales to unaffiliated customers have little correlation with the location of manufacture. It is, therefore, not meaningful to present operating profit by geographical location.

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

Sales to unaffiliated customers by geographic location is summarized as follows (in millions):

	JANUARY 1, 1999 THROUGH AUGUST 3, 1999	YEAR ENDED DECEMBER 31, 1998
United States	$ 465.0	$ 798.7
Germany	61.2	108.0
Hong Kong	78.0	107.4
Japan	76.7	127.4
Singapore	75.1	98.2
Taiwan	33.9	71.0
Other foreign countries	196.5	346.9
Total	$ 986.4	$1,657.6

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

(7) SUPPLEMENTAL CASH FLOW INFORMATION

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

	JANUARY 1, 1999 THROUGH AUGUST 3, 1999	YEAR ENDED DECEMBER 31, 1998
Operating activities:		
Revenues less direct and allocated expenses before taxes	$ 104.8	$(136.3)

Depreciation	77.4	133.9
Impairment write down on property, plant and equipment	--	53.9
(Increase) decrease in inventories	(27.5)	30.4
Decrease in other current assets	2.2	(4.4)
Increase in other assets	(12.2)	0.7
Increase (decrease) in accounts payable and accrued expenses	(23.6)	84.4
Increase (decrease) in non-current liabilities	2.4	6.4
Cash flow from operating activities, excluding Motorola financing and taxes	123.5	169.0
Investing activities:		
Capital expenditures, net of transfers	(39.6)	(119.9)
Net financing provided to Motorola*	$ 83.9	$ 49.1

- ----------

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

(8) RESTRUCTURING AND OTHER CHARGES

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

CONSOLIDATION OF MANUFACTURING OPERATIONS

Consolidation of manufacturing operations relates to the closing of production and distribution facilities and selling or disposing of the machinery and equipment that was no longer needed and, in some cases, scrapping excess assets that had no net realizable value. The buildings associated with these production facilities, in many cases were sold to outside parties. Also included in this restructuring category were costs

related to shutting down or reducing the capacity of certain production lines. In most cases, older facilities with older technologies or non-strategic products were closed. Machinery and equipment write downs related to equipment that would no longer be utilized comprised the majority of these costs. These assets have been deemed to be held for use until such time as they are removed from service and, therefore, no longer utilized in manufacturing products. An assessment was made as to whether or not there was an asset impairment related to the valuation of these assets in determining what the amount of the write down included in the restructuring charge should be for this machinery and equipment. This assessment utilized the anticipated future undiscounted cash flows generated by the equipment as well as its ultimate value upon disposition.

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

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

BUSINESS EXITS

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

EMPLOYEE SEPARATIONS

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

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

ASSET IMPAIRMENTS AND OTHER CHARGES

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

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

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

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

SCG'S RESTRUCTURING CHARGE

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

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

	INITIAL CHARGES	AMOUNTS USED	ACCRUALS AT DECEMBER 31, 1998
	(IN MILLIONS)		
Consolidation of manufacturing operations	$ 13.2	$ --	$ 13.2
Business exits	20.7	9.4	11.3
Employee separations	102.0	58.5	43.5
Total restructuring	135.9	67.9	68.0
Asset impairments and other charges	53.9	53.9	--
Total	$ 189.8	$ 121.8	$ 68.0

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

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

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

	ACCRUALS AT DECEMBER 31, 1998	1999 AMOUNTS USED	ACCRUALS AT AUGUST 3, 1999
	(IN MILLIONS)		
Consolidation of manufacturing operations	$13.2	$ 3.8	$ 9.4
Business exits	11.3	6.4	4.9
Employee separations	43.5	14.7	28.8
Total restructuring	68.0	24.9	43.1
Asset impairments and other charges	--	--	--
Total	$68.0	$24.9	$43.1

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

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

(9) INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

SCG participates in joint ventures in China and Malaysia. The joint ventures have been accounted for using the equity method. The investment in each joint venture approximates the underlying equity interest of such joint venture. Earnings from these joint ventures totaled $2.4 million for the period from January 1, 1999 through August 3, 1999 and $5.7 million for the year ended December 31, 1998.

JOINT VENTURE	LESHAN-PHOENIX SEMICONDUCTOR LTD.	SEMICONDUCTOR MINIATURES PRODUCTS MALAYSIA	TOTAL

	(IN MILLIONS)		
Country Location	China	Malaysia	
SCG Ownership %(Direct)	55%	50%	
For the year ended December 31, 1998			
Net sales	$ 21.5	$ 56.7	$ 78.2
Gross profit	$ 6.5	$ 20.3	$ 26.8
Income from continuing operations	$ 5.6	$ 5.6	$ 11.2
Net income	$ 5.6	$ 5.3	$ 10.9
For the period from January 1, 1999 through August 3, 1999			
Net sales	$ 15.0	$ 40.7	$ 55.7
Gross profit	$ 5.7	$ 7.3	$ 13.0
Income from continuing operations	$ 4.4	$ 1.4	$ 5.8
Net income	$ 4.4	$ 1.4	$ 5.8

(10) BUSINESS TRANSACTION

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

In connection with the Recapitalization and related transactions, it is anticipated that certain wholly-owned domestic subsidiaries will be established to serve as guarantors of the senior subordinated notes due 2009. Each guarantor will jointly and severally, irrevocably and unconditionally guarantee the obligations of the issuers under the notes. The net assets to be contributed to these guarantor subsidiaries are expected to consist of SCG's equity interests in its joint ventures in China, Malaysia and Eastern Europe, nominal interests in certain foreign subsidiaries and a nominal amount of cash. The joint ventures and foreign subsidiaries themselves are not expected to be guarantors of the notes. The generated related earnings to be contributed to the guarantor subsidiaries approximated $2.4 million for the period from January 1, 1999 through August 3, 1999 and $5.7 million for the year ended December 31, 1998.

EXHIBIT 21.1

ON SEMICONDUCTOR CORPORATION

List of Subsidiaries as of 12/31/00

SCG (CZECH) HOLDING CORPORATION {DELAWARE}
- Terosil a.s. [JV] {Czech Republic}
- Tesla Sezam a.s. [JV] {Czech Republic}

SCG (CHINA) HOLDING CORPORATION {DELAWARE}
- Leshan-Phoenix Semiconductor Company Limited [JV] {Leshan, China}

SCG (MALAYSIA SMP) HOLDING CORPORATION {DELAWARE}
- Semiconductor Miniature Products (M) Sdn. Bhd. [JV] {Malaysia}

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC {DELAWARE}
- Semiconductor Components Industries of Rhode Island, Inc. {Rhode Island}
    - Semiconductor Components Industries International of Rhode Island, Inc. {Rhode Island}
- Semiconductor Components Industries Puerto Rico, Inc. {Delaware}
- Slovakia Electronics Industries, a.s. {Slovak Republic}
- SCG International Development, LLC {Delaware}
- SCG Malaysia Holdings Sdn. Bhd. {Malaysia}
    - SCG Industries Malaysia Sdn. Bhd {Malaysia}
    - ON Semiconductor Technology Malaysia Sdn. Bhd. {Malaysia}
- Semiconductor Components Industries (Thailand) Limited {Thailand}
- SCG Mexico, S.A. de C.V. {Mexico}
- SCG (Japan) Ltd. {Japan}
- SCG Philippines, Incorporated {Philippines}
- SCG Asia Capital Pte. Ltd. {Malaysia}
- SCG Czech Design Center s.r.o. {Czech Republic}
- SCG India Private Ltd. {India}
- ON Semiconductor Hong Kong Design Limited {Hong Kong, China}
- ON Semiconductor Trading Ltd. {Bermuda}
    - ON Semiconductor Denmark ApS {Denmark}
        - ON Semiconductor Hong Kong Logistics Limited {Hong Kong, China}
        - SCG Hong Kong SAR Limited {Hong Kong, China}
        - Semiconductor Components Industries Singapore Pte Ltd {Singapore}
        - SCG Korea Ltd. {Korea}
        - ON Semiconductor Canada Trading Corporation {Canada}
        - SCG do Brasil Ltda. {Brazil}
        - SCG Holding (Netherlands) B.V. {Netherlands}
            - Semiconductor Components Industries Germany GmbH {Germany}
            - SCG France SAS {France}
            - SCGS AB {Sweden}[also d/b/a ON Semiconductor AB and Semiconductor Components Group Sweden AB]
            - SCG Italy S.r.l. {Italy}
            - Semiconductor Components Industries UK Limited {United Kingdom}
                - ON Semiconductor Limited {United Kingdom}

"{ }" Denotes jurisdiction

[KPMG LETTERHEAD]

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the registration statements (Nos. 333-34130 and 333-37638) filed on Form S-8 of our report dated January 7, 2000 on the combined statements of revenues less direct and allocated expenses before taxes of the Semiconductor Components Group of Motorola, Inc. for the period from January 1, 1999 through August 3, 1999 and the year ended December 31, 1998, which appears in the Annual Report to Stockholders, which is incorporated by reference in this Annual Report on Form 10-K of On Semiconductor Corporation for December 31, 2000.

/s/ KPMG LLP

Phoenix, Arizona
March 29, 2001

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-34130 and No. 333-37638) of ON Semiconductor Corporation of our report dated February 1, 2001 relating to the financial statements, which appears in the Annual Report to Stockholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 1, 2001 relating to the financial statement schedule, which appears in this Form 10-K.

/S/ PRICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP

Phoenix, Arizona
March 29, 2001

EXHIBIT 24.1

POWER OF ATTORNEY
(Curtis J. Crawford)

I hereby appoint Steven P. Hanson, Dario Sacomani, and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as Chairman of the Board of Directors of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K annual report for 2000, and any amendments.

Dated: March 13, 2001

/s/ Curtis J. Crawford

CURTIS J. CRAWFORD

POWER OF ATTORNEY
(David Bonderman)

I hereby appoint Steven P. Hanson, Dario Sacomani, and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K annual report for 2000, and any amendments.

Dated: March 12, 2001

/s/ David Bonderman

DAVID BONDERMAN

POWER OF ATTORNEY
(Richard W. Boyce)

I hereby appoint Steven P. Hanson, Dario Sacomani, and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K annual report for 2000, and any amendments.

Dated: March 13, 2001

/s/ Richard W. Boyce

RICHARD W. BOYCE

POWER OF ATTORNEY
(Justin T. Chang)

I hereby appoint Steven P. Hanson, Dario Sacomani, and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K annual report for 2000, and any amendments.

Dated: March 13, 2001

/s/ Justin T. Chang

JUSTIN T. CHANG

POWER OF ATTORNEY
(William A. Franke)

I hereby appoint Steven P. Hanson, Dario Sacomani, and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K annual report for 2000, and any amendments.

Dated: March 14, 2001

/s/ William A. Franke

WILLIAM A. FRANKE

POWER OF ATTORNEY
(Albert Hugo-Martinez)

I hereby appoint Steven P. Hanson, Dario Sacomani, and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K annual report for 2000, and any amendments.

Dated: March 13, 2001

/s/ Albert Hugo-Martinez

ALBERT HUGO-MARTINEZ

POWER OF ATTORNEY
(John W. Marren)

I hereby appoint Steven P. Hanson, Dario Sacomani, and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K annual report for 2000, and any amendments.

Dated: March 14, 2001

/s/ John W. Marren

JOHN W. MARREN

POWER OF ATTORNEY
(David M. Stanton)

I hereby appoint Steven P. Hanson, Dario Sacomani, and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K annual report for 2000, and any amendments.

Dated: March 13, 2001

/s/ David M. Stanton

DAVID M. STANTON

POWER OF ATTORNEY
(Steven P. Hanson)

I hereby appoint Michael Rohleder, Dario Sacomani, and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me on behalf of the registrant, ON Semiconductor Corporation, and/or as a Director and/or Principal Executive Officer of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K annual report for 2000, and any amendments.

Dated: March 12, 2001

/s/ Steven P. Hanson

STEVEN P. HANSON

POWER OF ATTORNEY
(Dario Sacomani)

I hereby appoint Steven P. Hanson, Michael Rohleder, and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me on behalf of the registrant, ON Semiconductor Corporation, and/or as a Principal Financial Officer and/or Principal Accounting Officer of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K annual report for 2000, and any amendments.

Dated: March 13, 2001

/s/ Dario Sacomani

DARIO SACOMANI

POWER OF ATTORNEY

(John J. Legere)

I hereby appoint Steven P. Hanson, Dario Sacomani, and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K annual report for 2000, and any amendments.

Dated: March 16, 2001

/s/ John J. Legere

JOHN J. LEGERE

POWER OF ATTORNEY
(Jerome N. Gregoire)

I hereby appoint Steven P. Hanson, Dario Sacomani, and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K annual report for 2000, and any amendments.

Dated: March 27, 2001

/s/ Jerome N. Gregoire

JEROME N. GREGOIRE

EXHIBIT 99.1

RISK FACTORS

You should carefully consider the risks described below and other information in the Form 10-K to which this document is an exhibit and subsequent reports filed with the Securities and Exchange Commission before making any decision to invest in our securities. If any of the following risks actually occurs, our business, financial condition or operating results could be materially adversely affected, the trading prices of our securities could decline, and you could lose all or part of your investment.

1. RISKS RELATED TO OUR BUSINESS

CYCLICAL INDUSTRY AND GENERAL ECONOMY -- WITH INDUSTRY AND/OR ECONOMIC DOWNTURN OUR RESULTS OF OPERATIONS AND BUSINESS COULD BE ADVERSELY AFFECTED.

The semiconductor industry is highly cyclical and is generally characterized by average selling price fluctuations. Since the fourth quarter of 1997, we have experienced significant declines in the pricing of our products as customers reduced demand and manufacturers reduced prices to avoid a significant decline in capacity utilization. We believe these pricing declines were due primarily to the Asian economic crisis and excess semiconductor manufacturing capacity. In the second half of 2000 there was a sharp slowdown in the economy that negatively impacted the semiconductor industry and our business. In the fourth quarter of 2000 we announced lower than expected revenue and earnings per share for our business for the quarter due to lower customer demand and delayed or cancelled customer orders. Entering 2001, we continue to experience slowing demand for our products as customers continue to delay or cancel bookings in order to manage their inventories in line with incoming business. With the recent economic downturn, our customers are unable to provide us with much visibility as to their expected requirements. We cannot assure you of a timely recovery of either the semiconductor industry or general economy. We also cannot assure you that either the semiconductor market or the general economy will not experience subsequent, and possibly more severe and/or prolonged, downturns in the future. Additionally, we cannot assure you that the present or any future downturn in either the semiconductor market or the general economy will not have a material adverse effect on our results of operations or business.

COST REDUCTIONS AND RESTRUCTURING PROGRAM -- COMPLETION AND IMPACT OF REDUCTIONS AND PROGRAM COULD ADVERSELY IMPACT OUR BUSINESS.

As a result of the recent semiconductor industry and economic downturns, we are attempting to manage our resources prudently. We plan to continue to adjust our cost structure to limit the impact of reduced revenue on profitability. Cost reduction actions include accelerating our manufacturing moves into lower cost regions, transitioning higher-cost external supply to internal manufacturing, working with our material suppliers to further lower costs and aggressively streamlining our overhead. As part of our cost reduction actions, we expect to incur a restructuring charge in the first quarter of 2001 estimated to be approximately $30-$40 million (before income taxes and cash portion). Our ability to complete the implementation of these cost reductions and restructuring program and the impact of these actions on our ability to effectively compete are subject to risks and uncertainties. Because the actions involve many aspects of our business, the reductions and program could adversely impact productivity to an extent we have not anticipated. Even if we fully execute and implement the actions and they generate the anticipated cost savings, there may be other factors that adversely impact our profitably and business.

SHORT-TERM PERFORMANCE -- FLUCTUATIONS IN OUR QUARTERLY OPERATING RESULTS MAY CAUSE OUR STOCK

PRICE TO DECLINE.

Given the nature of the markets in which we participate, we cannot reliably predict future revenues and profitability, and unexpected changes may cause us to adjust our operations. A high proportion of our costs are fixed, due in part to our significant sales, research and development and manufacturing costs. Thus, small declines in revenue could disproportionately affect our operating results in a quarter. Factors that could affect our quarterly operating results include:

- the timing and size of orders from our customers, including cancellations and reschedulings;

- the timing of introduction of new products;

- the gain or loss of significant customers, including as a result of industry consolidation;

- seasonality in some of our target markets;

- changes in the mix of products we sell;

- changes in demand by the end users of our customers' products;

- market acceptance of our current and future products;

- variability of our customers' product life cycles;

- changes in manufacturing yields or other factors affecting the cost of goods sold, such as the cost and availability of raw materials and the extent of utilization of manufacturing capacity;

- changes in the prices of our products, which can be affected by the level of our customers' and end users' demand, technological change, product obsolescence or other factors; and

- cancellations, changes or delays of deliveries to us by our third-party manufacturers, including as a result of the availability of manufacturing capacity and the proposed terms of manufacturing arrangements.

NEW PRODUCT DEVELOPMENT AND TECHNOLOGICAL CHANGE -- AN INABILITY TO INTRODUCE NEW PRODUCTS COULD ADVERSELY AFFECT US, AND CHANGING TECHNOLOGIES OR CONSUMPTION PATTERNS COULD REDUCE THE DEMAND FOR OUR PRODUCTS.

Rapidly changing technologies and industry standards, along with frequent new product introductions, characterize the industries that are currently the primary end-users of semiconductors. As these industries evolve and introduce new products, our success will depend on our ability to adapt to such changes in a timely and cost-effective manner by designing, developing, manufacturing, marketing and providing customer support for our own new products and technologies.

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

COMPETITION -- COMPETITION IN OUR INDUSTRY COULD PREVENT US FROM MAINTAINING OUR LEVEL OF REVENUES AND FROM RAISING PRICES TO REFLECT INCREASES IN COSTS.

The semiconductor industry, particularly the market for semiconductor components, is highly

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

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

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

MANUFACTURING RISKS -- UNLESS WE MAINTAIN MANUFACTURING EFFICIENCY AND AVOID MANUFACTURING DIFFICULTIES, OUR FUTURE PROFITABILITY COULD BE ADVERSELY AFFECTED.

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

From time to time we have experienced difficulty in beginning production at new facilities or in effecting transitions to new manufacturing processes that have caused us to suffer delays in product deliveries or reduced yields. We cannot assure you that we will not experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, construction delays, upgrading or expanding existing facilities or changing our process technologies, any of which could result in a loss of future revenues. Our results of operations could also be adversely affected by the increase in fixed costs and operating expenses related to increases in production capacity if revenues do not increase proportionately.

LACK OF INDEPENDENT OPERATING HISTORY -- IF THE ASSUMPTIONS WE HAVE USED TO ESTIMATE FUTURE OPERATING RESULTS ARE INCORRECT OR IF WE ENCOUNTER UNEXPECTED COSTS OR OTHER PROBLEMS, OUR PROFITABILITY COULD BE ADVERSELY AFFECTED.

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

us approximately $119 million for services shared with other divisions of its Semiconductor Products Sector.

As part of our recapitalization, we identified the specific services that we believed were necessary to our business and that we would not be able initially to provide ourselves. Motorola agreed to provide or arrange for the provision of these services, including information technology, human resources, supply management and finance services, for a limited period of time to facilitate our transition to a stand-alone company. In addition, Motorola agreed to continue to provide worldwide shipping and freight services to us for a period of up to three years after our recapitalization using the cost allocation method Motorola previously used with us. During 2000, we incurred expenses of approximately $96 million under these arrangements with Motorola.

We believe that the scope of the agreements we entered into with Motorola as part of our recapitalization and the time frames, pricing and other terms should provide us sufficient time to effect our transition to a stand-alone company with minimal disruption to our business, and that we will ultimately be able to provide these services ourselves or identify third-party suppliers to provide such services on terms not materially less favorable to us than the terms of our arrangements with Motorola. We cannot, however, assure you that we have correctly anticipated the required levels of services to be provided by Motorola or that we will be able to obtain similar services on comparable terms upon termination of our agreements with Motorola. Any material adverse change in Motorola's ability to supply these services could have a material adverse effect on our business or prospects.

As part of Motorola, we had a number of formal and informal arrangements with other divisions of Motorola's Semiconductor Products Sector that provided us with equipment, finished products and other goods and services. Except as provided for in the agreements between Motorola and us, future business dealings between Motorola and us will be on an arm's length basis. There can be no assurance that the arm's length nature of any future business relationship with Motorola will be as beneficial for us as our past relationship to Motorola.

DEPENDENCE ON MOTOROLA AND OTHER KEY CUSTOMERS FOR OUR PRODUCTS AND SERVICES -- IF WE WERE TO LOSE ONE OR MORE OF OUR LARGE CUSTOMERS, OUR REVENUES AND PROFITABILITY COULD BE ADVERSELY AFFECTED.

Motorola has historically constituted our largest original equipment manufacturer customer and accounted for approximately 7.2% of our net product revenues in 2000. As a result of our recapitalization, we are no longer part of Motorola, and our current and future product sales to Motorola and its affiliates will be on an arm's length basis. We cannot assure you that we will be able to maintain the level of historical product sales to Motorola or that we will be able to sell any products to Motorola or its affiliates. Notwithstanding our broad customer base, the loss of Motorola or any other sizable customer could harm our results of operations.

Product sales to our ten largest customers accounted in the aggregate for approximately 52% of our net product revenues in 2000. Many of our customers operate in cyclical industries, and in the past we have experienced significant fluctuations from period to period in the volume of our products ordered. We have no agreements with any of our customers that impose minimum or continuing obligations to purchase our products. We cannot assure you that any of our customers will not significantly reduce orders or seek price reductions in the future or that the loss of one or more of such customers would not have a material adverse effect on our business or our prospects.

Prior to our recapitalization, we and other divisions of Motorola's Semiconductor Products Sector provided manufacturing services to each other at cost (as calculated for financial accounting purposes). We and Motorola agreed to continue providing manufacturing services to each other for limited periods of time following our recapitalization at fixed prices that are intended to approximate each party's cost of providing the services. Motorola has no purchase obligations after 2000, and we currently anticipate that any purchases thereafter by Motorola will be insignificant. During 2000, Motorola purchased manufacturing services from us of approximately $62 million. We could be adversely affected if Motorola

does not purchase manufacturing services from us at the level we have anticipated, cancels these arrangements or discontinues using our manufacturing services after these agreements expire or if we are unable to find other uses for, or dispose of, the manufacturing facilities we currently use to provide these services in a manner that allows us to cover our fixed costs.

DEPENDENCE ON MOTOROLA AND OTHER CONTRACTORS FOR MANUFACTURING SERVICES -- THE LOSS OF ONE OR MORE OF OUR SOURCES FOR MANUFACTURING SERVICES, OR INCREASES IN THE PRICES OF SUCH SERVICES, COULD ADVERSELY AFFECT OUR OPERATIONS AND PROFITABILITY.

Prior to our recapitalization, we and other divisions of Motorola's Semiconductor Products Sector provided manufacturing services to each other at cost (as calculated for financial accounting purposes). In 1997, 1998 and the period from January 1, 1999 to August 3, 1999, the costs charged by other divisions of Motorola's Semiconductor Products Sector to us for these services amounted to $310.5 million, $266.8 million and $125.5 million, respectively. During the period from August 4, 1999 through December 31, 1999 and in 2000, we paid $101.3 million and $162.3 million, respectively, for manufacturing services to Motorola under our transition agreements. Motorola manufactures our emitter-coupled logic products, which are high margin products that accounted for approximately 15.5% of our net product revenues in 2000. We currently have no other manufacturing source for these emitter-coupled logic products. We expect emitter-coupled logic products to remain one of our single most important product families over the next several years.

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

We also use other third-party contractors for manufacturing activities, primarily for the assembly and testing of final goods. In 2000, these contract manufacturers, including AIT, Batam, ASE and Phenitec, accounted for approximately 31% of our cost of sales. Our agreements with these manufacturers typically require us to forecast product needs and commit to purchase services consistent with these forecasts, and in some cases require longer-term commitments in the early stages of the relationship. Our operations could be adversely affected if these contract relationships were disrupted or terminated, the cost of such services increased significantly, the quality of the services provided deteriorated or our forecasts proved to be materially incorrect.

DEPENDENCE ON SUPPLY OF RAW MATERIALS -- THE LOSS OF OUR SOURCES OF RAW MATERIALS, OR INCREASES IN THE PRICES OF SUCH GOODS, COULD ADVERSELY AFFECT OUR OPERATIONS AND PROFITABILITY.

Our results of operations could be adversely affected if we are unable to obtain adequate supplies of raw materials in a timely manner or if the costs of our raw materials increase significantly or their quality deteriorates. Our manufacturing processes rely on many raw materials, including silicon wafers, copper lead frames, mold compound, ceramic packages and various chemicals and gases. We have no agreements with any of our suppliers that impose minimum or continuing supply obligations, and we obtain our raw materials and supplies from a large number of sources on a just-in-time basis. From time to time, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. Although we believe that our current supplies of raw materials are adequate, shortages could occur in various essential materials due to interruption of supply or increased demand in the industry.

INABILITY TO IMPLEMENT OUR BUSINESS STRATEGY -- IF WE ARE UNABLE TO IMPLEMENT OUR BUSINESS STRATEGY, OUR REVENUES AND PROFITABILITY MAY BE ADVERSELY AFFECTED.

Our future financial performance and success are largely dependent on our ability to implement successfully our business strategy. Our present business strategy includes, without limitation, plans to: (1) continue to execute on our long-range growth plan in broadband and power management solutions while appropriately managing short-term demand fluctuations, (2) spend 5% to 6% of our sales revenue on R&D in the future; and (3) accelerate our manufacturing and other moves into lower cost regions (e.g., China and Eastern Europe). We cannot assure you that we will successfully implement the business strategy or that implementing our strategy will sustain or improve our results of operations. In particular, we cannot assure you that we will be able to build our position in markets with high growth potential, increase our sales, increase our manufacturing efficiency, optimize our manufacturing capacity, lower our production costs, or make strategic acquisitions, alliances and dispositions.

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

FUTURE ACQUISITIONS AND STRATEGIC ALLIANCES -- WE MAY ENGAGE IN ACQUISITIONS AND ALLIANCES THAT MAY HARM OUR OPERATING RESULTS, CAUSE US TO INCUR DEBT OR ASSUME CONTINGENT LIABILITIES OR DILUTE OUR STOCKHOLDERS.

We acquired Cherry Semiconductor Corporation in April 2000, and we may in the future acquire and form strategic alliances relating to other businesses, products and technologies. Successful acquisitions and alliances in the semiconductor industry are difficult to accomplish because they require, among other things, efficient integration and aligning of product offerings and manufacturing operations and coordination of sales and marketing and research and development efforts. The difficulties of integration and alignment may be increased by the necessity of coordinating geographically separated organizations, the complexity of the technologies being integrated and aligned and the necessity of integrating personnel with disparate business backgrounds and combining different corporate cultures. The integration and alignment of operations following an acquisition or alliance requires the dedication of management resources that may distract attention from the day-to-day business, and may disrupt key research and development, marketing or sales efforts. In addition, we may issue equity securities to pay for any future acquisitions or alliances, which could be dilutive to our existing stockholders. We may also incur debt or assume contingent liabilities in connection with acquisitions and alliances, which could harm our operating results. We financed our acquisition of Cherry Semiconductor with cash on hand and additional borrowings under our senior secured bank facilities. Without strategic acquisitions and alliances we may have difficulty meeting future customer product and service requirements.

RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS -- OUR INTERNATIONAL OPERATIONS SUBJECT US TO RISKS INHERENT IN DOING BUSINESS ON AN INTERNATIONAL LEVEL THAT COULD ADVERSELY IMPACT OUR RESULTS OF OPERATIONS.

Approximately 46%, 33% and 21% of our net product revenues in 2000 were derived from sales, directly or through distributors or electronic manufacturing service providers, to end users in the Americas, the Asia/Pacific region and Europe (including the Middle East), respectively. We maintain significant operations in Guadalajara, Mexico; Seremban, Malaysia; Carmona, the Philippines; Aizu, Japan; Leshan, China; Roznov, the Czech Republic; and Piestany, the Slovak Republic. In addition, we rely on a number of

contract manufacturers (primarily for assembly and testing) whose operations are primarily located in the Asia/Pacific region.

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

- economic and political instability;

- changes in regulatory requirements, tariffs, customs, duties and other trade barriers;

- transportation delays;

- power supply shortages and shutdowns;

- difficulties in staffing and managing foreign operations and other labor problems;

- currency convertibility and repatriation;

- taxation of our earnings and the earnings of our personnel; and

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

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

DEPENDENCE ON HIGHLY SKILLED PERSONNEL -- IF WE FAIL TO ATTRACT AND RETAIN SKILLED PERSONNEL, OUR RESULTS OF OPERATIONS AND COMPETITIVE POSITION COULD DETERIORATE.

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

DEPENDENCE ON INTELLECTUAL PROPERTY -- WE USE A SIGNIFICANT AMOUNT OF INTELLECTUAL PROPERTY IN OUR BUSINESS. SOME OF THAT INTELLECTUAL PROPERTY IS CURRENTLY THE SUBJECT OF DISPUTES WITH THIRD PARTIES, AND LITIGATION COULD ARISE IN THE FUTURE. IF WE ARE UNABLE TO PROTECT THE INTELLECTUAL PROPERTY WE USE, OUR BUSINESS MAY BE ADVERSELY AFFECTED.

We rely on patents, trade secrets, trademarks, mask works and copyrights to protect our products and technologies. Some of our products and technologies are not covered by any patents or pending patent applications, and we cannot assure you that:

- any of the more than approximately 740 U.S. and foreign patents and pending patent applications that Motorola has assigned, licensed or sublicensed to us in connection with our recapitalization will not lapse or be invalidated, circumvented, challenged or licensed to others;

- the license rights granted by Motorola in connection with our recapitalization will provide

competitive advantages to us; or

- any of our pending or future patent applications will be issued or have the coverage originally sought.

Moreover, we cannot assure you that:

- any of the trademarks, copyrights, trade secrets, know-how or mask works that Motorola has assigned, licensed or sublicensed to us in connection with our recapitalization will not lapse or be invalidated, circumvented, challenged or licensed to others; or

- any of our pending or future trademark, copyright, or mask work applications will be issued or have the coverage originally sought.

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

Also, we may from time to time in the future be notified of claims that we may be infringing third-party patents or other intellectual property rights. Motorola has agreed to indemnify us for a limited period of time with respect to some claims that our activities infringe on the intellectual property rights of others. If necessary or desirable, we may seek licenses under such patents or intellectual property rights. However, we cannot assure you that we will obtain such licenses or that the terms of any offered licenses will be acceptable to us. The failure to obtain a license from a third party for technologies we use could cause us to incur substantial liabilities or to suspend the manufacture or shipment of products or our use of processes requiring the technologies. Litigation could cause us to incur significant expense, by adversely affecting sales of the challenged product or technologies and diverting the efforts of our technical and management personnel, whether or not such litigation is resolved in our favor. In the event of an adverse outcome in any such litigation, we may be required to:

- pay substantial damages;

- cease the manufacture, use, sale or importation of infringing products;

- expend significant resources to develop or acquire non-infringing technologies;

- discontinue the use of processes; or

- obtain licenses to the infringing technologies.

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

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

ENVIRONMENTAL LIABILITIES; OTHER GOVERNMENTAL REGULATION -- REGULATORY MATTERS COULD ADVERSELY AFFECT OUR ABILITY TO CONDUCT OUR BUSINESS AND COULD REQUIRE EXPENDITURES THAT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR RESULTS OF OPERATIONS OR FINANCIAL CONDITION.

Our manufacturing operations are subject to various environmental laws and regulations relating to the management, disposal and remediation of hazardous substances and the emission and discharge of pollutants into the air and water. Our operations are also subject to laws and regulations relating to workplace safety and worker health which, among other things, regulate employee exposure to hazardous substances. Motorola has agreed to indemnify us for environmental and health and safety liabilities related to the conduct or operations of our business or Motorola's ownership, occupancy or use of real property occurring prior to our recapitalization. We cannot assure you that such indemnification arrangements will cover all material environmental costs relating to pre-closing matters. Moreover, the nature of our operations exposes us to the continuing risk of environmental and health and safety liabilities related to events or activities occurring after our recapitalization.

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

- changes in environmental or health and safety laws or regulations;

- the manner in which environmental or health and safety laws or regulations will be enforced, administered or interpreted; or

- the cost of compliance with future environmental or health and safety laws or regulations or the costs associated with any future environmental claims, including the cost of clean-up of currently unknown environmental conditions.

2. RISKS RELATED TO OUR CAPITAL STRUCTURE

SUBSTANTIAL LEVERAGE -- OUR SUBSTANTIAL LEVERAGE COULD ADVERSELY AFFECT OUR ABILITY TO OPERATE OUR BUSINESS.

We are highly leveraged and have significant debt service obligations. As of December 31, 2000, we would had total long-term indebtedness of approximately $1,252.7 million (excluding unused commitments), stockholders' equity of approximately $337.7 million and annual interest expense of approximately $131.2 million. We may incur additional debt in the future. Our substantial indebtedness could have important consequences to you, including the risks that:

- we will be required to use a substantial portion of our cash flow from operations to pay principal and interest on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, product development efforts and strategic acquisitions;

- our interest expense could increase if interest rates in general increase because a substantial portion of our debt will bear interest rates based on market rates;

- our level of indebtedness will increase our vulnerability to general economic downturns and adverse industry conditions;

- our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and the semiconductor components industry;

- our indebtedness may restrict us from raising additional financing on satisfactory terms to fund working capital, capital expenditures, product development efforts and strategic acquisitions; and

- our substantial leverage could place us at a competitive disadvantage compared to our competitors who have less debt.

RESTRICTIVE COVENANTS IN OUR DEBT INSTRUMENTS -- THE AGREEMENTS GOVERNING OUR INDEBTEDNESS MAY LIMIT OUR ABILITY TO FINANCE FUTURE OPERATIONS OR CAPITAL NEEDS OR ENGAGE IN OTHER BUSINESS ACTIVITIES THAT MAY BE IN OUR INTEREST.

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

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

These restrictions may adversely affect our ability to finance our future operations or capital needs or engage in other business activities that may be in our interest. In addition, our senior bank facilities require us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control. A breach of any of the provisions of our debt instruments could result in a default under our indebtedness, which would allow our lenders to declare all outstanding amounts due and payable. In such an event, our assets might not be sufficient to repay those amounts.

3. RISKS RELATED TO THE SECURITIES MARKETS AND OWNERSHIP OF OUR COMMON STOCK

STOCK PRICE FLUCTUATIONS -- OUR STOCK PRICE MAY BE VOLATILE, WHICH COULD RESULT IN SUBSTANTIAL LOSSES FOR INVESTORS IN OUR SECURITIES.

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

The market price of the common stock may also fluctuate significantly in response to the following factors, some of which are beyond our control:

- variations in our quarterly operating results;
- changes in securities analysts' estimates of our financial performance;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, capital commitments, new products or product enhancements;

- loss of a major customer or failure to complete significant transactions; and

- additions or departures of key personnel.

SHARES ELIGIBLE FOR FUTURE SALE -- OUR STOCK PRICE COULD BE AFFECTED BECAUSE A SUBSTANTIAL NUMBER OF SHARES OF OUR COMMON STOCK WILL BE AVAILABLE FOR SALE IN THE FUTURE.

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

CONTROLLING STOCKHOLDER -- ONE OF OUR PRINCIPAL STOCKHOLDERS CONTROLS OUR COMPANY, WHICH WILL LIMIT THE ABILITY OF OUR OTHER STOCKHOLDERS TO INFLUENCE THE OUTCOME OF DIRECTOR ELECTIONS AND OTHER MATTERS SUBMITTED FOR A VOTE OF OUR STOCKHOLDERS.

An affiliate of Texas Pacific Group owns 124,999,433 shares of our common stock, each share of which entitles its holder to one vote on stockholder actions, representing approximately 73% of the overall voting power of our outstanding stock, and will be able to:

- elect all of our directors and, as a result, control matters requiring board approval;

- control matters submitted to a stockholder vote, including mergers and consolidations with third parties and the sale of all or substantially all of our assets; and

- otherwise control or influence our business direction and policies.

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

ANTI-TAKEOVER PROVISIONS -- PROVISIONS IN OUR CHARTER DOCUMENTS MAY DELAY OR PREVENT ACQUISITION OF OUR COMPANY, WHICH COULD DECREASE THE VALUE OF OUR STOCK.

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

- create a board of directors with staggered terms;

- permit only our board of directors or the chairman on our board of directors to call special meetings of stockholders;

- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting;

- prohibit stockholder action by written consent;

- authorize the issuance of "blank check" preferred stock, which is preferred stock with voting or other rights or preferences that could impede a takeover attempt and that our board of directors can create and issue without prior stockholder approval; and

- require the approval by holders of at least 66 2/3% of our outstanding common stock to amend any of these provisions in our certificate of incorporation or bylaws.

Although we believe these provisions make a higher third-party bid more likely by requiring potential acquirors to negotiate with our board of directors, these provisions apply even if an initial offer may be considered beneficial by some stockholders.