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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 28, 2002

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

For the transition period from to .

Commission File Number 000-30419

ON SEMICONDUCTOR CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**36-3840979**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5005 E. McDowell Road
Phoenix, AZ 85008
(602) 244-6600
(Address and telephone number of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ **No** ☐

The number of shares outstanding of each of the issuer's classes of common stock as of the close of business on July 22, 2002:

Class	**Number of Shares**
Common Stock; $.01 par value	175,782,281

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	June 28, 2002	December 31, 2001
	(unaudited)	
ASSETS		
Cash and cash equivalents	$ 167.7	$ 179.8
Receivables, net (including $15.0 and $21.3 due from Motorola)	143.5	142.3
Inventories, net	160.0	183.7
Other current assets	34.1	35.8
Deferred income taxes	7.7	9.2
Total current assets	513.0	550.8
Property, plant and equipment, net	503.0	555.5
Deferred income taxes	—	1.3
Investments in and advancements to joint ventures	99.1	95.4
Goodwill	77.3	77.3
Intangible assets, net	32.7	38.6
Other assets	41.6	41.5
Total assets	$ 1,266.7	$ 1,360.4
LIABILITIES, MINORITY INTERESTS, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Accounts payable (including $1.3 and $3.3 payable to Motorola)	$ 94.1	$ 111.5
Accrued expenses (including $0.0 and $11.7 payable to Motorola)	93.4	90.2
Income taxes payable	5.3	8.0
Accrued interest	29.3	13.4
Deferred income on sales to distributors	75.3	99.4
Current portion of long-term debt	7.5	12.4
Total current liabilities	304.9	334.9
Long-term debt (including $120.8 and $115.2 payable to Motorola)	1,392.6	1,374.5
Other long-term liabilities	55.0	62.7
Deferred income taxes	1.0	—
Total liabilities	1,753.5	1,772.1
Commitments and contingencies (see Note 9)	—	—
Minority interests in consolidated subsidiaries	3.9	4.1
Series A Cumulative Convertible Redeemable Preferred Stock ($0.01 par value, 100,000 shares authorized, 10,000 shares issued and outstanding; 8% annual dividend rate; liquidation value — $100.0 plus $6.6 and $2.4 of accrued dividends)	105.8	101.6
Common stock ($0.01 par value, 300,000,000 shares authorized, 175,781,962 and 174,653,586 shares issued and outstanding)	1.8	1.7
Additional paid-in capital	737.7	738.8
Accumulated other comprehensive loss	(29.1)	(32.8)
Accumulated deficit	(1,306.9)	(1,225.1)
Total stockholders' deficit	(596.5)	(517.4)
Total liabilities, minority interests, redeemable preferred stock and stockholders' deficit	$ 1,266.7	$ 1,360.4

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

	Quarter Ended		Six Months Ended	
	June 28, 2002	June 29, 2001	June 28, 2002	June 29, 2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues:				
Net product revenues (including $22.4, $23.2, $40.2 and $44.4 from Motorola)	$277.5	$ 307.3	$546.2	$ 664.3
Foundry revenues from Motorola	0.2	3.4	0.6	6.9
Total revenues	277.7	310.7	546.8	671.2
Cost of sales	201.7	255.6	412.6	529.5
Gross profit	76.0	55.1	134.2	141.7
Operating expenses:				
Research and development	16.2	22.9	33.5	45.8
Selling and marketing	15.2	20.8	29.8	44.6
General and administrative	26.7	34.0	55.9	70.8
Amortization of goodwill and other intangibles	3.0	5.6	6.0	11.4
Restructuring and other charges	3.1	95.8	10.2	133.8
Total operating expenses	64.2	179.1	135.4	306.4
Operating income (loss)	11.8	(124.0)	(1.2)	(164.7)
Other income (expenses), net:				
Interest expense	(36.3)	(29.7)	(71.0)	(58.9)
Equity in earnings of joint ventures	2.5	1.5	3.7	2.1
Gain on sale of investment in joint venture	—	—	—	3.1
Other income (expenses), net	(33.8)	(28.2)	(67.3)	(53.7)
Loss before income taxes, minority interests, extraordinary loss and cumulative effect of accounting change	(22.0)	(152.2)	(68.5)	(218.4)
Income tax benefit (provision)	(3.3)	—	(7.0)	22.7
Minority interests	—	—	0.2	0.5
Net loss before extraordinary loss and cumulative effect of accounting change	(25.3)	(152.2)	(75.3)	(195.2)
Extraordinary loss on debt prepayment (See Note 8)	(6.5)	—	(6.5)	—
Cumulative effect of accounting change (net of income taxes of $38.8) (See Note 3)	—	—	—	(116.4)
Net loss	(31.8)	(152.2)	(81.8)	(311.6)
Less: Redeemable preferred stock dividends	(2.1)	—	(4.2)	—
Net loss applicable to common stock	$ (33.9)	$(152.2)	$ (86.0)	$(311.6)
Comprehensive loss:				
Net loss	$ (31.8)	$(152.2)	$ (81.8)	$(311.6)
Foreign currency translation adjustments	2.5	(0.8)	1.7	(3.3)
Additional minimum pension liability adjustment	—	—	—	(0.4)
Cash flow hedges:				
Cumulative effect of accounting change		—	—	(3.4)
Net gains (losses) on derivative instruments	(0.9)	0.5	0.9	(2.6)
Deferred tax impacts	(0.5)	—	0.8	—
Reclassification adjustments	0.2	0.2	0.3	0.3
Comprehensive loss	$ (30.5)	$(152.3)	$ (78.1)	$(321.0)

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

	Quarter Ended		Six Months Ended	
	June 28, 2002	June 29, 2001	June 28, 2002	June 29, 2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss per common share:				
Basic (1):				
Before extraordinary loss and cumulative effect of accounting change less redeemable preferred stock dividends	$ (0.16)	$ (0.88)	$ (0.45)	$ (1.13)
Extraordinary loss on debt prepayment	(0.04)	—	(0.04)	—
Cumulative effect of accounting change	—	—	—	(0.67)
Net loss applicable to each common share	$ (0.19)	$ (0.88)	$ (0.49)	$ (1.80)
Diluted (1):				
Before extraordinary loss and cumulative effect of accounting change less redeemable preferred stock dividends	$ (0.16)	$ (0.88)	$ (0.45)	$ (1.13)
Extraordinary loss on debt prepayment	(0.04)	—	(0.04)	—
Cumulative effect of accounting change	—	—	—	(0.67)
Net loss applicable to each common share	$ (0.19)	$ (0.88)	$ (0.49)	$ (1.80)
Weighted average common shares outstanding:				
Basic	175.5	173.5	175.2	172.8
Diluted	175.5	173.5	175.2	172.8

(1) Certain amounts may not total due to rounding of individual components

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Quarter Ended		Six Months Ended	
	June 28, 2002	June 29, 2001	June 28, 2002	June 29, 2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities:				
Net loss	$ (31.8)	$(152.2)	$ (81.8)	$(311.6)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	33.0	42.9	67.0	85.4
Extraordinary loss on debt prepayment	6.5	—	6.5	—
Cumulative effect of accounting change	—	—	—	116.4
Amortization of debt issuance costs and debt discount	2.0	1.4	3.6	2.7
Provision for excess inventories	4.0	23.2	14.7	32.6
Non-cash impairment write-down of property, plant and equipment	8.4	42.2	8.4	45.1
Non-cash interest on junior subordinated note payable to Motorola	2.9	2.7	5.6	5.3
Non-cash supplemental interest on senior bank facilities	4.2	—	11.6	—
Undistributed earnings of unconsolidated joint ventures	(2.5)	(1.5)	(3.7)	(2.1)
Gain on sale of investment in unconsolidated joint venture	—	—	—	(3.1)
Deferred income taxes	3.9	(1.4)	4.6	(24.2)
Non-cash stock compensation expense	1.0	1.2	1.3	3.4
Other	0.8	1.3	0.5	1.1
Changes in assets and liabilities:				
Receivables	9.7	31.8	(0.5)	113.2
Inventories	6.4	(5.1)	9.3	(33.1)
Other assets	3.4	2.5	2.2	(13.1)
Accounts payable	(18.2)	(3.1)	(17.6)	(32.4)
Accrued expenses	(4.0)	31.0	0.3	(7.8)
Income taxes payable	(4.5)	(5.0)	(2.7)	(12.9)
Accrued interest	13.2	13.0	4.9	6.3
Deferred income on sales to distributors	(2.8)	(18.9)	(24.1)	(46.1)
Other long-term liabilities	(8.1)	3.4	(7.0)	3.8
Net cash provided by (used in) operating activities	27.5	9.4	3.1	(71.1)
Cash flows from investing activities:				
Purchases of property, plant and equipment	(9.8)	(36.1)	(15.4)	(88.0)
Investments in and advances to unconsolidated companies and joint venture	—	—	—	(5.5)
Acquisition of minority interests in consolidated subsidiaries	—	—	—	(0.1)
Proceeds from sale of investment in joint venture	—	—	—	20.4
Proceeds from sales of property, plant and equipment	2.3	1.8	2.5	2.1
Net cash used in investing activities	(7.5)	(34.3)	(12.9)	(71.1)
Cash flows from financing activities:				
Proceeds from senior credit facilities and other borrowings	—	125.0	—	125.0
Proceeds from debt issuance, net of issuance costs and discount	279.3		279.3	—
Proceeds from issuance of common stock under the employee stock purchase plan	0.4	1.1	0.8	3.4
Proceeds from exercise of stock options	0.3	0.4	1.1	0.5
Payment of capital lease obligation	(0.4)	(0.6)	(1.1)	(0.6)
Repayment of senior credit facilities	(280.5)	(0.1)	(283.3)	—
Net cash provided by (used in) financing activities	(0.9)	125.8	(3.2)	128.3
Effect of exchange rate changes on cash and cash equivalents	1.0	0.1	0.9	0.7
Net increase (decrease) in cash and cash equivalents	20.1	101.0	(12.1)	(13.2)
Cash and cash equivalents, beginning of period	147.6	74.7	179.8	188.9
Cash and cash equivalents, end of period	$ 167.7	$ 175.7	$ 167.7	$ 175.7

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Background and Basis of Presentation

The accompanying consolidated financial statements include the accounts of ON Semiconductor Corporation, its wholly-owned subsidiaries, and the majority-owned subsidiaries that it controls (collectively, the "Company"). An investment in a majority-owned joint venture that the Company does not control is 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.

The accompanying unaudited financial information reflects all adjustments, consisting only of normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of December 31, 2001 and for the year then ended included in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC") on March 29, 2002.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Certain prior period amounts have been reclassified to conform to the current period presentation. These changes had no impact on previously reported results of operations or stockholders' deficit.

Note 2: Liquidity

At June 28, 2002, the Company had $167.7 million in cash and cash equivalents, net working capital of $208.1 million, term or revolving debt of $1,400.1 million and a stockholders' deficit of $596.5 million. The Company's long-term debt includes $705.4 million under its senior bank facilities, $290.9 (net of debt discount) of its senior secured notes due 2008, $260.0 million of its senior subordinated notes due 2009, $120.8 million under its junior subordinated note payable to Motorola and $23.0 million under a note payable to a Japanese bank.

During the quarter and six months ended June 28, 2002, the Company generated net cash from operations of $27.5 and $3.1 million, respectively. This is in contrast to the net cash generated from operations of $9.4 in the June quarter of 2001 and the net cash used in operations of $71.1 million for the six months ended June 29, 2001. The Company's cash balance increased by $20.1 compared to the prior quarter.

As described in Note 8 "Long-Term Debt", ON Semiconductor Corporation and its principal domestic operating subsidiary, Semiconductor Components Industries, LLC (collectively, the "Issuers"), issued $300.0 million of 12% Senior Secured Notes (the "Notes") on May 6, 2002, pursuant to a Rule 144A/Regulation S offering that was exempt from registration requirements of the federal securities laws. The net cash proceeds from the Notes were $279.3 million after the debt discount and issuance costs. The Notes mature on May 15, 2008 and are non-callable for four years. The Company used these proceeds (excluding $0.6 million withheld for remaining closing costs) to pay down certain senior bank facilities (the "Debt Refinancing"). In connection with the Debt Refinancing, the Company and its senior lenders agreed to amend certain of the covenants under these facilities. At June 28, 2002, the Company was in compliance with the covenants outlined in Note 8 "Long-Term Debt" and expects to remain in compliance over the next 12 months.

Debt maturities have also been extended due to the Debt Refinancing. The following table details the Company's debt maturities before and after the Debt Refinancing:

	Remainder of 2002	2003	2004	2005	2006	Thereafter	Total
Actual	$ 3.8	$ 9.3	$ 11.8	$236.9	$ 280.9	$857.4	$1,400.1
Pro Forma (1)	5.7	13.8	18.3	290.1	412.3	646.7	1,386.9
Difference	$(1.9)	$ (4.5)	$ (6.5)	$ (53.2)	$(131.4)	$210.7	$ 13.2
Cumulative difference	$(1.9)	$ (6.4)	$(12.9)	$ (66.1)	$(197.5)	$ 13.2	

(1) Pro Forma amounts assume the issuance of the Notes and related prepayment on the senior bank facilities had not occurred during the second quarter of 2002.

Besides restructuring debt in the June quarter of 2002, the Company also filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission to register 40,000,000 shares of common stock. Pursuant to this shelf registration statement, the Company may sell the registered shares in one or more offerings depending on market and general business conditions.

The Company's ability to make payments on and to refinance its indebtedness, to remain in compliance with the various restrictions and covenants contained in its debt agreements and to fund its working capital, capital expenditures and research and development efforts will depend on its ability to generate cash in the future, which is subject to, among other things, its future operating performance and to general economic, financial, competitive, legislative, regulatory and other conditions, some of which may be beyond its control.

The Company's primary liquidity requirements, both in the short term and in the long term, will focus on debt service, capital spending and working capital. Although there can be no assurances, management believes that cash flow from operations, coupled with existing cash and cash equivalent balances and proceeds from targeted sales of assets, will be adequate to fund the Company's operating and cash flow needs as well as enable it to maintain compliance with its various debt agreements through June 28, 2003. To the extent that actual results or events differ from the Company's financial projections and business plans, its liquidity may be adversely affected.

Note 3: Cumulative Effect of Accounting Change

Effective January 1, 2001, the Company changed its accounting method for recognizing revenue on sales to distributors. Recognition of revenue and related gross profit on sales to distributors is now deferred until the distributor resells the product. Management believes that this accounting change was to a preferable method because it better aligns reported results with, focuses the Company on, and allows investors to better understand, end user demand for the products the Company sells through distribution, as the timing of revenue recognition is no longer influenced by our distributors' stocking decisions. This revenue recognition policy is commonly used in the semiconductor industry.

The cumulative effect prior to 2001 of the accounting change was a charge of $155.2 million ($116.4 million or $0.67 per share, net of income taxes) for the six months ended June 29, 2001. The accounting change resulted in a reduction of the Company's net loss for the quarter and six months ended June 29, 2001 of $12.2 million, or $0.07 per share and $26.4 million, or $0.15 per share, respectively.

Note 4: Balance Sheet Information

Balance sheet information is as follows (in millions):

	June 28, 2002	December 31, 2001
Inventories:		
Raw materials	$ 13.6	$ 14.4
Work in process	121.8	139.9
Finished goods	75.1	80.7
	210.5	235.0
Less: Inventory reserves	(50.5)	(51.3)
	$160.0	$183.7
Intangible assets:		
Developed technology	$ 59.3	$ 59.3
Less: Accumulated amortization	(26.6)	(20.7)
	$ 32.7	$ 38.6

Estimated amortization expense of intangible assets is as follows:

Year ending December 31,	
2002	$11.9
2003	11.9
2004	11.9
2005	2.9
	$38.6

Note 5: Restructuring and Other Charges

In June 2002, the Company recorded charges of $16.7 million to cover costs associated with a worldwide restructuring program involving manufacturing, selling, general and administrative functions. The charge includes $3.9 million to cover employee separation costs associated with the termination of 79 employees, $8.4 million for fixed asset impairments that were charged directly against the related assets, $2.8 million in costs related to termination of certain purchase and supply agreements, and $1.6 million of additional exit costs associated with the shutdown of the Company's Guadalajara, Mexico facility. Employee separation costs included $1.0 million of non-cash charges associated with the modification of stock options for certain terminated employees. As of June 28, 2002, 79 employees had been terminated under this restructuring program. As of June 28, 2002, the remaining liability related to this restructuring was $5.5 million. The Company released to income $1.2 million of exit costs previously accrued in connection with a 2001 restructuring program. The Company also recorded a gain of $12.4 million related to a settlement with Motorola on April 8, 2002, which partially offset the charges above for a net charge of $3.1 million (see Note 10 "Related Party Transactions" for further discussion of the settlement agreement).

In March 2002, the Company recorded a $7.1 million charge (net of a $0.1 million recovery) to cover costs associated with a worldwide restructuring program involving selling, general and administrative functions. The charge was to cover employee separation costs associated with the termination of 72 employees and included $0.2 million of non-cash charges associated with the acceleration of the vesting of stock options for certain terminated employees. As of June 28, 2002, the remaining liability relating to the March 2002 charge to the restructuring program was $4.8 million. As of June 28, 2002, 14 employees had been terminated under this restructuring program.

In June 2001, the Company recorded charges of $95.8 million to cover costs associated with a worldwide restructuring program involving both manufacturing locations, selling, general and administrative functions and other costs. The charge included $43.6 million to cover employee separation costs associated with the termination of approximately 3,200 employees, $42.2 million for asset impairments that were charged directly against the related assets and $10.0 million of other costs primarily related to facility closures and contract terminations. Employee separation costs included $1.1 million of non-cash charges associated with the acceleration of vesting of stock options for terminated employees and $6.1 million for additional pension charges related to terminated employees. As of June 28, 2002 the remaining liability associated with the June 2001 restructuring charge was $7.3 million and 125 employees remain to be terminated under this restructuring program.

In March 2001, the Company recorded charges of $38.0 million to cover costs associated with a worldwide restructuring program involving both manufacturing locations, selling, general and administrative functions and other costs. The charge included $31.3 million to cover employee separation costs associated with the termination of approximately 1,100 employees, $2.9 million for asset impairments that were charged directly against the related assets and a $3.8 million charge to cover costs associated with the separation of one of the Company's executive officers. As of June 28, 2002, there was no remaining liability relating to the March 2001 charge to the restructuring program.

A summary of activity in the Company's restructuring related reserves for the six months ended June 28, 2002 is as follows (in millions):

	Facility closures and other exit costs	Employee separations	Total
Balance, January 1, 2002	$10.0	$ 9.8	$ 19.8
Plus: March 2002 charges	—	7.0	7.0
Plus: June 2002 charges	4.4	2.9	7.3
Less: Payments charged against the reserve	(6.5)	(7.8)	(14.3)
Less: Reserve released to income	(1.3)	—	(1.3)
Balance, June 28, 2002	$ 6.6	$11.9	$ 18.5

Note 6: Sale of Investment in Joint Venture

The Company had a 50% interest in Semiconductor Miniatures Products Malaysia Sdn. Bhd. ("SMP"). As a part of the joint venture agreement, the Company's joint venture partner, Philips Semiconductors International B.V. ("Philips"), had the right to purchase the Company's interest in SMP between January 2001 and July 2002. On February 1, 2001, effective December 31, 2000, Philips exercised its purchase right, acquiring the Company's 50% interest in SMP. This transaction resulted in proceeds of approximately $20.4 million and a pre-tax gain of approximately $3.1 million in the six months ended June 29, 2001.

Note 7: Earnings (loss) per Common Share

Basic earnings (loss) per share are computed by dividing net income (loss) applicable to common stock adjusted for dividends accrued on the Company's convertible redeemable preferred stock by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share generally assumes the conversion of the convertible redeemable preferred stock into common stock and also incorporates the incremental impact of shares issuable upon the assumed exercise of stock options. The number of incremental shares from the assumed exercise of stock options is calculated by applying the treasury stock method. For the quarters and six months ended June 28, 2002 and June 29, 2001, the effect of stock option shares (as well as the assumed conversion of the convertible redeemable preferred stock for the quarter and six months ended June 28, 2002) were not included as the related impact would have been anti-dilutive. Pro Forma earnings (loss) per share assume that Statement of Financial Accounting Standard (SFAS) 142 "Goodwill and Other Intangible Assets", which the Company adopted January 1, 2002, was effective January 1, 2001. Earnings (loss) per share calculations are as follows (in millions, except per share data):

	Quarter Ended			Six Months Ended		
	June 28, 2002	June 29, 2001	Pro Forma June 29, 2001	June 28, 2002	June 29, 2001	Pro Forma June 29, 2001
Reported net loss before extraordinary loss and cumulative effect of accounting change	$ (25.3)	$(152.2)	$(152.2)	$ (75.3)	$(195.2)	$(195.2)
Less: Redeemable preferred stock dividends	(2.1)	—	—	(4.2)	—	—
Net loss before extraordinary loss and cumulative effect of accounting change applicable to common stock	(27.4)	(152.2)	(152.2)	(79.5)	(195.2)	(195.2)
Add back: Goodwill amortization	—	—	2.6	—	—	5.4
Adjusted net loss before extraordinary loss and cumulative effect of accounting change	(27.4)	(152.2)	(149.6)	(79.5)	(195.2)	(189.8)
Extraordinary loss on debt prepayment	(6.5)	—	—	(6.5)	—	—
Cumulative effect of accounting change	—	—	—	—	(116.4)	(116.4)
Net loss applicable to common stock	$ (33.9)	$(152.2)	$(149.6)	$ (86.0)	$(311.6)	$(306.2)
Basic weighted average common shares outstanding	175.5	173.5	173.5	175.2	172.8	172.8
Add incremental shares for:						
Dilutive effect of stock options	—	—	—	—	—	—
Convertible redeemable preferred stock	—	—	—	—	—	—
Diluted weighted average common shares outstanding	175.5	173.5	173.5	175.2	172.8	172.8
Earnings per share (1):						
Basic:						
Net loss before extraordinary loss and cumulative effect of accounting change	$ (0.16)	$ (0.88)	$ (0.88)	$ (0.45)	$ (1.13)	$ (1.13)
Add back: Goodwill amortization	—	—	0.02	—	—	0.03
Adjusted net loss before extraordinary loss and cumulative effect of accounting change	(0.16)	(0.88)	(0.86)	(0.45)	(1.13)	(1.10)
Extraordinary loss on debt prepayment	(0.04)	—	—	(0.04)	—	—
Cumulative effect of accounting change	—	—	—	—	(0.67)	(0.67)
Net loss applicable to common stock	$ (0.19)	$ (0.88)	$ (0.86)	$ (0.49)	$ (1.80)	$ (1.77)
Diluted(1):						
Reported net loss before extraordinary loss and cumulative effect of accounting change	$ (0.16)	$ (0.88)	$ (0.88)	$ (0.45)	$ (1.13)	$ (1.13)
Add back: Goodwill amortization	—	—	0.02	—	—	0.03
Adjusted net loss before extraordinary loss and cumulative effect of accounting change	(0.16)	(0.88)	(0.86)	(0.45)	(1.13)	(1.10)
Extraordinary loss on debt prepayment	(0.04)	—	—	(0.04)	—	—
Cumulative effect of accounting change	—	—	—	—	(0.67)	(0.67)
Net loss applicable to common stock	$ (0.19)	$ (0.88)	$ (0.86)	$ (0.49)	$ (1.80)	$ (1.77)

(1) Certain amounts may not total due to rounding of individual components

Note 8: Long-Term Debt

On May 6, 2002, the Issuers issued $300 million of Notes pursuant to a Rule 144A/Regulation S offering that was exempt from the registration requirements of the federal securities laws. The Notes mature on May 15, 2008 and are non-callable for four years. The Notes were issued at a discount of 96.902% and generated net cash proceeds of $279.3 million after such discount and the payment of issuance costs. The proceeds (excluding $0.6 million withheld for remaining closing costs) were used to prepay a portion of the Company's senior bank facilities. In connection with this debt prepayment, the Company wrote off $6.5 million of debt issuance costs which is reflected as an extraordinary loss in the Company's Consolidated Statements of Operations. The Notes will accrue interest at the rate of 12% per annum from May 6, 2002. Commencing on February 6, 2003, the Notes will accrue interest at a rate of 13% per annum unless prior thereto the Company has issued common stock or certain convertible preferred stock to financial sponsors generating at least $100 million in gross cash proceeds and has used the net cash proceeds to repay indebtedness under its senior bank facilities or under any other credit facility secured by a first-priority lien and has permanently reduced the related loan commitment equal to the amount prepaid. Such increase in interest rate, if any, will remain effective until such time as the Company has completed such a stock issuance and repayment, unless such stock issuance and repayment occurs after August 6, 2003, in which case such increase in interest rate will remain in effect. The Company will pay interest on the Notes semi-annually on May 15 and November 15, commencing November 15, 2002.

The Notes are jointly and severally guaranteed on a senior basis by the Company's domestic restricted subsidiaries that are guarantors under its senior subordinated notes. In addition, the Notes and the guarantees are secured on a second priority basis by the capital stock or other equity interest of domestic subsidiaries, 65% of the capital stock or other equity interests of first-tier foreign subsidiaries and substantially all other assets, in each case that are held by the Company or any of the guarantors, but only to the extent that obligations under its senior bank facilities are secured by a first-priority lien thereon.

The Issuers have agreed to file an exchange offer registration statement or, under certain circumstances, a shelf registration statement, pursuant to a registration rights agreement. If the Issuers fail to comply with certain obligations under the registration rights agreement, the Issuers will incur additional interest up to a maximum of 2.0%.

The Company used the net proceeds from the issuance and sale of the Notes to prepay a portion of its senior bank facilities. Because the remaining principal on the senior bank facilities was reduced below $750 million, the supplemental interest charges (described in the Company's Form 10-K as filed with the SEC on March 29, 2002) were reduced from 3.0% to 1.0%.

The following table presents the components of long-term debt and their related maturities. Comparative pro forma figures (which assume the Debt Refinancing had not occurred as of June 28, 2002) are also presented to illustrate the effects of the Debt Refinancing that occurred during the second quarter of 2002 (in millions):

	Amount of Facility	Interest Rate	June 28, 2002 Balance	Pro Forma Interest Rate (1)	Pro Forma June 28, 2002 Balance (1)	Change
Senior Bank Facilities						
Tranche A	$200.0	6.8750%	$ 7.5	8.8750%	$ 15.6	$ (8.1)
Tranche B	325.0	6.8750%	210.9	8.8750%	310.9	(100.0)
Tranche C	350.0	6.8750%	227.2	8.8750%	334.9	(107.7)
Tranche D	200.0	6.8750%	134.8	8.8750%	196.7	(61.9)
Revolver	150.0	6.8750%	125.0	8.8750%	125.0	—
12% Senior Subordinated Notes due 2009			260.0		260.0	—
12% Senior Secured Notes due 2008 interest payable semi-annually, net of debt discount of $9.1			290.9		—	290.9
10% Junior Subordinated Note to Motorola due 2011, interest compounded semi- annually, payable at maturity			120.8		120.8	—
2.25% Note Payable due 2010 (Japan)			23.0		23.0	—
Less: Current maturities			(7.5)		(12.2)	4.7
			$1,392.6		$1,374.7	$ 17.9

Annual maturities are as follows:		Actual	Pro Forma (1)	Change
Remainder of 2002		$ 3.8	$ 5.7	$ (1.9)
2003		9.3	13.8	(4.5)
2004		11.8	18.3	(6.5)
2005		236.9	290.1	(53.2)
2006		280.9	412.3	(131.4)
Thereafter		857.4	646.7	210.7
	Total	$1,400.1	$1,386.9	$ 13.2

(1) Pro Forma amounts assume the issuance of the Notes and related prepayment on the senior bank facilities had not occurred as of June 28, 2002.

On April 17, 2002, the Company's senior bank facilities were amended to permit the issuance of the Notes, to permit the second-priority liens securing the Notes and to provide that, subject to specified conditions:

- minimum interest expense coverage ratio and maximum leverage ratio requirements will not apply until periods beginning after December 31, 2003;

- from January 1, 2004 to June 30, 2006, the minimum required interest expense coverage ratio will be lower and the maximum permitted leverage ratio will be higher, in each case as compared to the ratios previously required under the credit agreement;

- minimum EBITDA levels will apply until December 31, 2003 and minimum cash levels will apply until certain minimum interest coverage ratio and maximum leverage ratio requirements are met;

- sales of property, plant and equipment in connection with specified restructuring activities will be permitted; and

- borrowings of up to $100.0 million by or for the benefit of the Company's joint venture in Leshan, China will be permitted, the proceeds of which would be used to prepay loans under the senior bank facilities.

At June 29, 2001 the Company was not in compliance with minimum interest expense coverage ratio and leverage ratio covenants under its senior bank facilities. On August 13, 2001, the Company received a waiver in respect of this noncompliance at June 29, 2001. In connection with this waiver, the Company's senior bank facilities were amended. As a condition to the waiver and amendment, the Company was required to obtain $100.0 million through an equity investment from an affiliate of Texas Pacific Group ("TPG"), the Company's majority stockholder. The Company satisfied this requirement on September 7, 2001, when it issued 10,000 shares of Series A Cumulative Convertible Redeemable Preferred Stock to an affiliate of TPG in exchange of $100.0 million ($99.2 million net of issuance costs). The key terms of this amendment, as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2001, were further amended in April 2002, as described above. At June 28, 2002, the Company was in compliance with the covenants, as amended.

The Company and SCI LLC are co-issuers of both the senior subordinated notes and the senior secured notes. The Company's other domestic subsidiaries (collectively, the "Guarantor Subsidiaries") irrevocably and unconditionally guaranteed on a joint and several basis, the Issuers' obligations under the senior subordinated notes and the Notes. The Guarantor Subsidiaries include holding companies whose net assets consist primarily of investments in the Company's Czech subsidiaries, the Leshan joint venture and nominal equity interests in certain of the Company's other foreign subsidiaries as well as Semiconductor Components Industries of Rhode Island, Inc. The Company's remaining subsidiaries (collectively, the "Non-Guarantor Subsidiaries") are not guarantors of either the senior subordinated notes or the Notes.

Condensed consolidating financial information for the Issuers, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries as of June 28, 2002 and December 31, 2001 and for quarters and six months ended June 28, 2002 and June 29, 2001 are as follows (in millions):

	Issuers					
	ON Semiconductor Corporation	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
As of June 28, 2002						
Cash and cash equivalents	$ —	$ 80.7	$ —	$ 87.0	$ —	$ 167.7
Receivables, net	—	55.1	—	88.4	—	143.5
Inventories	—	24.6	2.4	128.6	4.4	160.0
Other current assets	—	8.0	0.3	33.5	—	41.8
Total current assets	—	168.4	2.7	337.5	4.4	513.0
Property, plant and equipment, net	—	125.0	37.2	345.2	(4.4)	503.0
Deferred income taxes	—	—	—	—	—	—
Goodwill and other intangibles, net	—	8.1	101.9	—	—	110.0
Investments and other assets	(531.3)	156.3	47.3	1.1	467.3	140.7
Total assets	$(531.3)	$ 457.8	$189.1	$683.8	$ 467.3	$1,266.7
Accounts payable	$ —	$ 19.6	$ 2.7	$ 71.8	$ —	$ 94.1
Accrued expenses and other current liabilities	—	96.7	1.6	35.7	1.5	135.5
Deferred income on sales to distributors	—	34.0	—	41.3	—	75.3
Total current liabilities	—	150.3	4.3	148.8	1.5	304.9
Long-term debt (1)	550.9	1,369.6	—	23.0	(550.9)	1,392.6
Other long-term liabilities	—	42.4	—	13.6	—	56.0
Intercompany (1)	(591.5)	(549.6)	170.7	419.5	550.9	—
Total liabilities	(40.6)	1,012.7	175.0	604.9	1.5	1,753.5
Minority interests in consolidated subsidiaries	—	—	—	—	3.9	3.9
Redeemable preferred stock	105.8	—	—	—	—	105.8
Stockholders' equity (deficit)	(596.5)	(554.9)	14.1	78.9	461.9	(596.5)
Liabilities, minority interests and stockholders' equity (deficit)	$(531.3)	$ 457.8	$189.1	$683.8	$ 467.3	$1,266.7
As of December 31, 2001						
Cash and cash equivalents	$ —	$ 124.9	$ 0.1	$ 54.8	$ —	$ 179.8
Receivables, net	—	62.4	—	79.9	—	142.3
Inventories	—	25.9	3.1	158.8	(4.1)	183.7
Other current assets	—	6.8	0.1	38.1	—	45.0
Total current assets	—	220.0	3.3	331.6	(4.1)	550.8
Property, plant and equipment, net	—	148.3	42.7	368.9	(4.4)	555.5
Deferred income taxes	—	—	—	1.3	—	1.3
Goodwill and other intangibles, net	—	8.0	107.9	—	—	115.9
Investments and other assets	(453.1)	62.4	45.4	1.0	481.2	136.9
Total assets	$(453.1)	$ 438.7	$199.3	$702.8	$ 472.7	$1,360.4
Accounts payable	$ —	$ 33.4	$ 2.4	$ 75.7	$ —	$ 111.5
Accrued expenses and other current liabilities	—	86.8	0.2	37.0	—	124.0
Deferred income on sales to distributors	—	43.3	—	56.1	—	99.4
Total current liabilities	—	163.5	2.6	168.8	—	334.9
Long-term debt (1)	260.0	1,352.6	—	21.9	(260.0)	1,374.5
Other long-term liabilities	—	50.6	—	12.1	—	62.7
Intercompany (1)	(297.3)	(630.4)	156.1	510.1	261.5	—
Total liabilities	(37.3)	936.3	158.7	712.9	1.5	1,772.1
Minority interests in consolidated subsidiaries	—	—	—	—	4.1	4.1
Redeemable preferred stock	101.6	—	—	—	—	101.6
Stockholders' equity (deficit)	(517.4)	(497.6)	40.6	(10.1)	467.1	(517.4)
Liabilities, minority interests and stockholders' equity (deficit)	$(453.1)	$ 438.7	$199.3	$702.8	$ 472.7	$1,360.4

	Issuers					
	ON Semiconductor Corporation	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
For the quarter ended June 28, 2002						
Revenues	$ —	$ 143.8	$ 13.0	$ 320.1	$(199.2)	$ 277.7
Cost of sales	—	141.6	14.5	243.1	(197.5)	201.7
Gross profit	—	2.2	(1.5)	77.0	(1.7)	76.0
Research and development	—	0.5	5.6	16.7	(6.6)	16.2
Selling and marketing	—	8.0	0.4	6.8	—	15.2
General and administrative	—	19.8	(0.6)	7.5	—	26.7
Amortization of goodwill and other intangibles	—	—	3.0	—	—	3.0
Restructuring and other charges	—	(0.5)	0.5	3.1	—	3.1
Total operating expenses	—	27.8	8.9	34.1	(6.6)	64.2
Operating income (loss)	—	(25.6)	(10.4)	42.9	4.9	11.8
Interest expense, net	—	(20.3)	(6.3)	(9.7)	—	(36.3)
Other income and expense (2)	—	(40.4)	—	40.4	—	—
Equity earnings (losses)	(31.8)	58.9	2.5	—	(27.1)	2.5
Income (loss) before income taxes, minority interests and extraordinary loss	(31.8)	(27.4)	(14.2)	73.6	(22.2)	(22.0)
Income tax benefit (provision)	—	(0.3)	—	(3.0)	—	(3.3)
Minority interests	—	—	—	—	—	—
Extraordinary loss, net	—	(6.5)	—	—	—	(6.5)
Net income (loss)	$(31.8)	$ (34.2)	$(14.2)	$ 70.6	$ (22.2)	$ (31.8)
For the six months ended June 28, 2002						
Revenues	$ —	$ 271.4	$ 26.0	$ 626.1	$(376.7)	$ 546.8
Cost of sales	—	266.7	29.9	488.0	(372.0)	412.6
Gross profit	—	4.7	(3.9)	138.1	(4.7)	134.2
Research and development	—	10.8	6.8	29.0	(13.1)	33.5
Selling and marketing	—	15.4	0.9	13.5	—	29.8
General and administrative	—	36.4	(0.6)	20.1	—	55.9
Amortization of goodwill and other intangibles	—	—	6.0	—	—	6.0
Restructuring and other charges	—	6.6	0.5	3.1	—	10.2
Total operating expenses	—	69.2	13.6	65.7	(13.1)	135.4
Operating income (loss)	—	(64.5)	(17.5)	72.4	8.4	(1.2)
Interest expense, net	—	(39.4)	(11.0)	(20.6)	—	(71.0)
Other income and expense (2)	—	(40.4)	—	40.4	—	—
Equity earnings (losses)	(81.8)	92.7	2.0	—	(9.2)	3.7
Income (loss) before income taxes, minority interests and extraordinary loss	(81.8)	(51.6)	(26.5)	92.2	(0.8)	(68.5)
Income tax benefit (provision)	—	(2.0)	—	(5.0)	—	(7.0)
Minority interests	—	—	—	—	0.2	0.2
Extraordinary loss	—	(6.5)	—	—	—	(6.5)
Net income (loss)	$(81.8)	$ (60.1)	$(26.5)	$ 87.2	$ (0.6)	$ (81.8)
Net cash provided by (used in) operating activities	$ —	$(151.8)	$ 0.1	$ 154.8	$ —	$ 3.1
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(4.7)	(0.2)	(10.5)	—	(15.4)
Proceeds from sales of property, plant and equipment	—	2.4	—	0.1	—	2.5
Net cash used in investing activities	—	(2.3)	(0.2)	(10.4)	—	(12.9)
Cash flows from financing activities:						
Intercompany loans	—	(137.6)	—	137.6	—	—
Intercompany loan repayments	—	250.7	—	(250.7)	—	—
Proceeds from debt issuance, net of closing costs and discount	—	279.3	—	—	—	279.3
Payments on capital lease obligation	—	(1.1)	—	—	—	(1.1)
Repayment of long term debt	—	(283.3)	—	—	—	(283.3)
Proceeds from exercise of stock options and issuance of common stock under the employee stock purchase plan	—	1.9	—	—	—	1.9
Net cash provided by financing activities	—	109.9	—	(113.1)	—	(3.2)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	0.9	—	0.9

Net increase (decrease) in cash and cash equivalents	—	(44.2)	(0.1)	32.2	—	(12.1)
Cash and cash equivalents, beginning of period	—	124.9	0.1	54.8	—	179.8
Cash and cash equivalents, end of period	$ —	$ 80.7	$ —	$ 87.0	$ —	$ 167.7

	Issuers					
	ON Semiconductor Corporation	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
For the quarter ended June 29, 2001						
Revenues	$ —	$ 182.4	$ 9.5	386.8	$(268.0)	$ 310.7
Cost of sales	—	145.4	8.1	363.7	(261.6)	255.6
Gross profit	—	37.0	1.4	23.1	(6.4)	55.1
Research and development	—	3.4	5.0	20.3	(5.8)	22.9
Selling and marketing	—	8.8	1.4	10.6	—	20.8
General and administrative	—	19.7	2.8	11.5	—	34.0
Amortization of goodwill and other intangibles	—	—	5.6	—	—	5.6
Restructuring and other charges	—	21.6	—	74.2	—	95.8
Total operating expenses	—	53.5	14.8	116.6	(5.8)	179.1
Operating income (loss)	—	(16.5)	(13.4)	(93.5)	(0.6)	(124.0)
Interest expense, net	—	(11.8)	(4.7)	(13.2)	—	(29.7)
Equity earnings	(152.2)	(38.3)	2.0	—	190.0	1.5
Gain on the sale of investment in joint venture	—	—	—	—	—	—
Income (loss) before income taxes, minority interests and cumulative effect of accounting change, net	(152.2)	(66.6)	(16.1)	(106.7)	189.4	(152.2)
Income tax benefit (provision)	—	44.1	8.9	(0.6)	(52.4)	—
Minority interests	—	—	—	—	—	—
Cumulative effect of accounting change	—	—	—	—	—	—
Net income (loss)	$(152.2)	$ (22.5)	$ (7.2)	$(107.3)	$ 137.0	$(152.2)
For the six months ended June 29, 2001						
Revenues	$ —	$ 398.1	$ 25.8	821.4	$(574.1)	$ 671.2
Cost of sales	—	324.0	21.9	744.8	(561.2)	529.5
Gross profit	—	74.1	3.9	76.6	(12.9)	141.7
Research and development	—	14.8	9.1	34.8	(12.9)	45.8
Selling and marketing	—	21.0	3.0	20.6	—	44.6
General and administrative	—	45.2	5.1	20.5	—	70.8
Amortization of goodwill and other intangibles	—	—	11.4	—	—	11.4
Restructuring and other charges	—	43.3	1.3	89.2	—	133.8
Total operating expenses	—	124.3	29.9	165.1	(12.9)	306.4
Operating income (loss)	—	(50.2)	(26.0)	(88.5)	—	(164.7)
Interest expense, net	—	(24.3)	(9.4)	(25.2)	—	(58.9)
Equity earnings	(311.6)	(67.4)	1.6	—	379.5	2.1
Gain on the sale of investment in joint venture	—	—	3.1	—	—	3.1
Income (loss) before income taxes, minority interests and cumulative effect of accounting change, net	(311.6)	(141.9)	(30.7)	(113.7)	379.5	(218.4)
Income tax benefit (provision)	—	56.0	16.8	(1.2)	(48.9)	22.7
Minority interests	—	—	—	—	0.5	0.5
Cumulative effect of accounting change	—	(44.1)	—	(72.3)	—	(116.4)
Net income (loss)	$(311.6)	$(130.0)	$(13.9)	$(187.2)	$ 331.1	$(311.6)
Net cash provided by (used in) operating activities	$ —	$ 112.1	$ 7.3	$(190.6)	$ 0.1	$ (71.1)
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(27.5)	(1.1)	(59.4)	—	(88.0)
Investments in joint ventures and other	—	—	—	(0.5)	—	(0.5)
Acquisition of minority interests in consolidated subsidiaries	—	—	—	—	(0.1)	(0.1)
Proceeds from sale of investment in joint venture	—	20.4	—	—	—	20.4
Loans to joint venture	—	(5.0)	—	—	—	(5.0)
Proceeds from sales of property, plant and equipment	—	1.1	—	1.0	—	2.1
Net cash used in investing activities	—	(11.0)	(1.1)	(58.9)	(0.1)	(71.1)
Cash flows from financing activities:						
Intercompany loans	—	(186.6)	—	186.6	—	—
Intercompany loan repayments	—	58.0	—	(58.0)	—	—
Proceeds from senior credit facilities and other borrowings	—	125.0	—	—	—	125.0
Payments on capital lease obligation	—	(0.6)	—	—	—	(0.6)
Proceeds from exercise of stock options and issuance of common stock under the employee stock purchase plan	—	3.9	—	—	—	3.9

Net cash (used in) provided by financing activities	—	(0.3)	—	128.6	—	128.3
Effect of exchange rate changes on cash and cash equivalents	—	—	—	0.7	—	0.7
Net increase (decrease) in cash and cash equivalents	—	100.8	6.2	(120.2)	—	(13.2)
Cash and cash equivalents, beginning of period	—	44.9	(1.1)	145.1	—	188.9
Cash and cash equivalents, end of period	$ —	$ 145.7	$ 5.1	$ 24.9	$ —	$ 175.7

(1) For purposes of this presentation, the senior subordinated notes and senior secured 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.
(2) Represents the effects of an intercompany loan write-off in connection with the closure of the Company's Guadalajara, Mexico facility.

Note 9: Commitments and Contingencies

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

During the period July 5, 2001 through July 27, 2001, the Company was named as a defendant in three shareholder class action lawsuits that were filed in federal court in New York City against it and certain of its current and former officers, current directors and the underwriters for its initial public offering ("IPO"). The lawsuits allege violations of the federal securities laws and have been docketed in the U.S. District Court for the Southern District of New York as: Abrams v. ON Semiconductor Corp., et al., C.A. No. 01-CV-6114; Breuer v. ON Semiconductor Corp., et al., C.A. No. 01-CV-6287; and Cohen v. ON Semiconductor Corp., et al., C.A. No. 01-CV-6942. On April 19, 2002, the plaintiffs filed a single consolidated amended complaint that supersedes the individual complaints originally filed. The amended complaint alleges, among other things, that the underwriters of the Company's IPO improperly required their customers to pay the underwriters excessive commissions and agree to buy additional shares of the Company's common stock in the aftermarket as conditions of receiving shares in the Company's IPO. The amended complaint further states that these alleged practices of the underwriters should have been disclosed in the Company's IPO prospectus and registration statement. The amended complaint alleges violations of both the registration and antifraud provisions of the federal securities laws and seeks rescission of the plaintiffs' alleged purchases of the Company's common stock as well as unspecified damages. The Company understands that various other plaintiffs have filed substantially similar class action cases against over 300 other publicly traded companies and their IPO underwriters in New York City, which along with the cases against the Company have all been transferred to a single federal district judge for purposes of coordinated case management. The Company believes that the claims against it are without merit, and intends to defend the litigation vigorously. In that regard, on July 15, 2002, the Company, together with the other issuers named as defendants in these coordinated proceedings, filed a collective motion to dismiss the consolidated amended complaints against them on various legal grounds common to all or most of the issuer defendants. This motion is currently pending. While the Company can make no promises or guarantees as to the outcome of these actions, the Company believes that the final result of these actions will have no material effect on its consolidated financial condition or results of operations.

Note 10: Related Party Transactions

Related party activity between the Company and Motorola is as follows (in millions):

	Quarter Ended		Six Months Ended	
	June 28, 2002	June 29, 2001	June 28, 2002	June 29, 2001
Purchases of manufacturing services from Motorola	$4.3	$30.0	$7.5	$55.5
Cost of other services, rent and equipment purchased from Motorola	$0.4	$ 3.1	$0.9	$15.7

On April 8, 2002, the Company and Motorola, Inc. reached agreement regarding certain post-closing payments to be made under agreements entered into in connection with the August 1999 Recapitalization. Pursuant to the agreement, Motorola paid the Company $10.6 million during the second quarter of 2002. As a result, the Company has recognized a related gain of $12.4 million, which is included in Restructuring and Other Charges in the Consolidated Statement of Operations and Comprehensive Loss. Motorola is a related party of the Company, continuing to own less than 7% of the Company's total common stock at June 28, 2002.

Note 11: Recently Issued and Recently Adopted Accounting Pronouncements

Effective January 1, 2002, the Company adopted the provisions of SFAS 141, "Business Combinations" and SFAS 142, "Goodwill and Other Intangible Assets". The provisions of SFAS 141 require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001; provide specific criteria for the initial recognition and measurement of intangible assets apart from goodwill; and require that unamortized negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. SFAS 141 also requires that upon adoption of SFAS 142, the Company reclassify the carrying amounts of certain intangible assets into or out of goodwill based on certain criteria. SFAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provisions of SFAS 142 prohibit the amortization of goodwill and indefinite-lived intangible assets and require that such assets be tested annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and/or indefinite-lived intangible assets may be impaired); require that reporting units be identified for the purpose of assessing potential future impairments of goodwill; and remove the forty-year limitation on the amortization period of intangible assets that have finite lives. The Company no longer records amortization with respect to goodwill resulting from the April 2000 acquisition of Cherry Semiconductor Corporation ("Cherry"). Such amortization expense totaled $10.7 million in 2001.

During the first quarter of 2002, the Company identified its various reporting units and allocated its assets (including goodwill) and liabilities to such reporting units. During the second quarter of 2002, the Company compared the book value of the reporting unit containing the Cherry goodwill to the related fair value of that reporting unit and determined that a goodwill impairment write-down was not required. Pursuant to the provisions of SFAS 142, the Company will evaluate the need for a goodwill impairment writedown on an annual basis or whenever events or circumstances indicate that an impairment may have occurred.

The Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" as of January 1, 2002. SFAS 144 requires that all long-lived assets (including discontinued operations) that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS 144 expands the scope of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and will be eliminated from the ongoing operations of the entity in a disposal transaction. The Company's adoption of SFAS 144 did not impact its financial condition or results of operations.

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes standards for the accounting and reporting for derivative instruments, including derivative instruments embedded in other contracts, and hedging activities as of January 1, 2001.

The Company's interest rate swaps in effect at January 1, 2001 have been designated as cash flow hedges, are measured at fair value and recorded as assets or liabilities in the consolidated balance sheet. Upon the adoption of SFAS 133, the Company recorded an after-tax charge of approximately $3.4 million to accumulated other comprehensive income (loss) as of January 1, 2001. This charge consisted 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 relating to the payment made in December 2000 for the early termination of an interest rate protection agreement relating to a portion of the amounts outstanding under the Company's senior bank facilities, both before income taxes of approximately $2.2 million.

The Company uses forward foreign currency contracts to reduce its overall exposure to the effects of foreign currency fluctuations on its results of operations and cash flows. The fair value of these derivative instruments are recorded as assets or liabilities with gains and losses offsetting the gains and losses on the underlying assets or liabilities. The adoption of SFAS 133 did not impact the Company's accounting and reporting for these derivative instruments.

In April 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 145, "Rescission of FAS Nos. 4, 44, and 64, Amendment of FAS 13, and Technical Corrections as of April 2002". SFAS No. 145 rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that Statement, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements" and excludes extraordinary item treatment for gains and losses associated with the extinguishment of debt that do not meet the Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" criteria. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB No. 30 for classification as an extraordinary item shall be reclassified. SFAS No. 145 also amends FASB

Statement No. 13, Accounting for Leases" and amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Company is required to adopt SFAS No. 145 effective January 1, 2003. The Company has not yet determined the impact of SFAS No.145 on its financial condition or results of operations.

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

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

You should read the following discussion in conjunction with our consolidated financial statements and related notes thereto as of and for the year ended December 31, 2001 included in our Annual Report on Form 10-K filed with the SEC on March 29, 2002. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results contemplated by these forward-looking statements due to certain factors, including those discussed below and elsewhere in this Form 10-Q.

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

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

We have four main product lines: power management and standard analog devices, metal oxide semiconductor (MOS) power devices, high frequency clock and data management devices, and standard components. Our extensive portfolio of devices enables us to offer advanced integrated circuits and the complementary parts that deliver system level functionality and design solutions. We are an industry leader in micro packages, which offer increased performance characteristics while reducing the critical board space inside today's ever shrinking electronic devices. We believe that our ability to offer a broad range of products provides our customers with single source purchasing on a cost-effective and timely basis. This has become increasingly important to our customers as they seek to reduce the number of suppliers with which they conduct business.

Recent developments. After over two years of extremely positive industry fundamentals, the semiconductor industry began to experience a severe slowdown in demand in the last quarter of 2000, which continued into 2001 as customers delayed or cancelled bookings in order to manage their inventories in line with incoming business. However, in the third and fourth quarters of 2001 and continuing into the second quarter of 2002, demand for our products began to show signs of stabilization as customer orders across all of our product families were up from the second quarter of 2001. On a sequential basis, the Company's 13-week backlog grew for the second consecutive quarter with a book-to-bill ratio above 1.0.

Our total revenues were $277.7 million in the second quarter of 2002, compared to $310.7 million in the second quarter of 2001 and $269.1 million in the first quarter of 2002. We currently expect our total revenues for the third quarter of 2002 to be flat to slightly up with gross margins increasing 100-300 basis points and operating expenses remaining flat to slightly down from the second quarter. This includes further realization of cost savings from our restructuring programs. While longer-term visibility remains poor, it is currently our expectation that with market conditions continuing to improve we would achieve break-even from an earnings perspective and return to profitability before the third quarter of 2003. See "Trends, Risks, Uncertainties and Forward-Looking Statements" below in this Form 10-Q.

On April 24, 2002, we filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission to register 40,000,000 shares of our common stock. We may sell the registered shares in one or more offerings depending on market and general business conditions.

On May 6, 2002, we issued $300.0 million of 12% Senior Secured Notes (the "Notes") pursuant to a Rule 144A/Regulation S offering that was exempt from the registration requirements of the federal securities laws. The Notes mature on May 15, 2008 and are non-callable for four years. The Notes were issued at a discount of 96.902% and generated net cash proceeds of $279.3 million after such discount and the payment of issuance costs. The proceeds (excluding $0.6 million withheld for remaining closing costs) were used to prepay a portion of our senior bank facilities. In connection with this debt prepayment, we wrote off $6.5 million of debt issuance costs. The Notes will accrue interest at the rate of 12% per annum from May 6, 2002. Commencing on February 6, 2003, the Notes will accrue interest at a rate of 13% per annum unless prior thereto we have issued common stock or certain convertible preferred stock to financial sponsors generating at least $100 million in gross cash proceeds and have used the net cash proceeds to repay indebtedness under our senior bank facilities or under any other credit facility secured by a first-priority lien and have permanently reduced the related loan commitment equal to the amount prepaid. Such increase in interest rate, if any, will remain effective until such time as we have completed such a stock issuance and repayment, unless such stock issuance and repayment occurs after August 6, 2003, in which case such increase in interest rate will remain in effect. We will pay interest on the Notes semi-

annually on May 15 and November 15, commencing November 15, 2002.

The Notes are jointly and severally guaranteed on a senior basis by our domestic restricted subsidiaries that are guarantors under our senior subordinated notes. In addition, the Notes and the guarantees are secured on a second priority basis by the capital stock or other equity interest of domestic subsidiaries, 65% of the capital stock or other equity interests of first-tier foreign subsidiaries and substantially all other assets, in each case that are held by us or any of the guarantors, but only to the extent that obligations under our senior bank facilities are secured by a first-priority lien thereon.

We have agreed to file an exchange offer registration statement or, under certain circumstances, a shelf registration statement, pursuant to a registration rights agreement. If we fail to comply with certain obligations under the registration rights agreement, we will incur additional interest up to a maximum of 2.0%.

On April 17, 2002, our senior bank facilities were amended to permit the issuance of the Notes, to permit the second-priority liens securing the Notes and to provide that, subject to specified conditions:

- minimum interest expense coverage ratio and maximum leverage ratio requirements will not apply until periods beginning after December 31, 2003;
- from January 1, 2004 to June 30, 2006, the minimum required interest expense coverage ratio will be lower and the maximum permitted leverage ratio will be higher, in each case as compared to the ratios previously required under the credit agreement;
- minimum EBITDA levels will apply until December 31, 2003 and minimum cash levels will apply until certain minimum interest coverage ratio and maximum leverage ratio requirements are met;
- sales of property, plant and equipment in connection with specified restructuring activities will be permitted; and
- borrowings of up to $100.0 million by or for the benefit of the Company’s joint venture in Leshan, China will be permitted, the proceeds of which would be used to prepay loans under the senior bank facilities.

Restructuring Program. As a response to the downturn in the semiconductor industry, in 2001 we initiated a worldwide restructuring program to better align our cost structure with our revenues. The principal elements of this program are (1) implementing a manufacturing rationalization plan that involves, among other things, plant closures and efficient reallocation of capacity among other facilities, the relocation or outsourcing of related operations to take advantage of lower cost labor markets and the rationalization of our product portfolio; (2) reducing non-manufacturing personnel and implementing other cost controls, in connection with which we have relocated certain of our order entry, finance, quality assurance and information technology functions to lower cost locations and simplified our overall corporate structure and our regional infrastructure; and (3) improving our liquidity by reducing capital expenditures, actively managing working capital and reducing our cost structure through various measures, including reducing some employees compensation and spending on information technology and outside consultants.

We expect that the elements of this program that we completed during 2001 and thus far in 2002, which resulted in restructuring and other charges of $150.4 and $22.6 million (excluding the effects of the Motorola settlement discussed in Note 10 “Related Party Transactions” in our Notes to Consolidated Financial Statements included in this Form 10-Q), respectively and the further elements we intend to complete during the remainder of 2002 will generate annualized cost savings of approximately $360 million starting in the fourth quarter of 2002, as compared to our cost structure during the first quarter of 2001. As of the end of the second quarter of 2002, we had completed actions to achieve an estimated $340 million of these savings, which were the result of the rationalization of manufacturing operations, personnel reductions and other cost reductions.

Waiver and Amendment to Senior Bank Facilities. At June 29, 2001 we were not in compliance with minimum interest expense coverage ratio and leverage ratio covenants under our senior bank facilities. On August 13, 2001, we received a waiver in respect of this noncompliance at June 29, 2001. In connection with this waiver, our senior bank facilities were amended. As a condition to the waiver and amendment, we were required to obtain $100.0 million through an equity investment from an affiliate of Texas Pacific Group (“TPG”), our majority stockholder. We satisfied this requirement on September 7, 2001, when we issued 10,000 shares of Series A Cumulative Convertible Redeemable Preferred Stock to an affiliate of TPG for $100.0 million ($99.2 million net of issuance costs). The key terms of this amendment, as described in our Annual Report on Form 10-K for the year ended December 31, 2001, were further amended in April 2002, as discussed above. At June 28, 2002, we were in compliance with the required amended covenants, and our forecasts for the next twelve months indicate continued compliance.

Recently Issued and Recently Adopted Accounting Policies and Accounting Changes. Effective January 1, 2002, we adopted the provisions of Statement of Financial Accounting Standards (“SFAS”) 141, “Business Combinations” and SFAS 142, “Goodwill and Other Intangible Assets”. The provisions of SFAS 141 require that the purchase method of accounting be used for all business

combinations initiated after June 30, 2001; provide specific criteria for the initial recognition and measurement of intangible assets apart from goodwill; and require that unamortized negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. SFAS 141 also requires that upon adoption of SFAS 142, we reclassify the carrying amounts of certain intangible assets into or out of goodwill based on certain criteria. SFAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provisions of SFAS 142 prohibit the amortization of goodwill and indefinite-lived intangible assets and require that such assets be tested annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and/or indefinite-lived intangible assets may be impaired); require that reporting units be identified for the purpose of assessing potential future impairments of goodwill; and remove the forty-year limitation on the amortization period of intangible assets that have finite lives. We no longer record amortization with respect to goodwill resulting from the April 2000 acquisition of Cherry Semiconductor Corporation ("Cherry"). Such amortization expense totaled $10.7 million in 2001.

During the first quarter of 2002, we identified our various reporting units and allocated our assets (including goodwill) and liabilities to such reporting units. During the second quarter of 2002, we compared the book value of the reporting unit containing the Cherry goodwill to the related fair value of that reporting unit and determined that a goodwill impairment write-down was not required. Pursuant to the provisions of SFAS 142, we will evaluate the need for a goodwill impairment writedown on an annual basis or whenever events or circumstances indicate that an impairment may have occurred.

Also as of January 1, 2002, we adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 requires that all long-lived assets (including discontinued operations) that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS 144 expands the scope of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and will be eliminated from the ongoing operations of the entity in a disposal transaction. The implementation of SFAS 144 did not impact our financial condition or results of operations.

On January 1, 2001, we adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which establishes standards for the accounting and reporting for derivative instruments, including derivative instruments embedded in other contracts, and hedging activities.

Our interest rate swaps in effect at January 1, 2001 were designated as cash flow hedges, were measured at fair value and recorded as assets or liabilities in the consolidated balance sheet. Upon the adoption of SFAS 133, we recorded 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 our 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 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 relating to a portion of the amounts outstanding under our senior bank facilities, both before income taxes of approximately $2.2 million.

We use forward foreign currency contracts to reduce our overall exposure to the effects of foreign currency fluctuations on our results of operations and cash flows. The fair value of these derivative instruments are recorded as assets or liabilities with gains and losses offsetting the gains and losses on the underlying assets or liabilities. The adoption of SFAS 133 did not impact our accounting and reporting for these derivative instruments.

Also effective January 1, 2001, we changed our accounting method for recognizing revenue on sales to distributors. Recognition of revenue and related gross profit on sales to distributors is now deferred until the distributor resells the product. We believe that this accounting change is a preferable method because it better aligns reported results with, focuses us on, and allows investors to better understand, end user demand for the products we sell through distribution, as the timing of our revenue recognition is not influenced by our distributors' stocking decisions. This revenue recognition policy is commonly used in the semiconductor market. The cumulative effect prior to 2001 of the accounting change was a charge of $155.2 million ($116.4 million, or $0.67 per share, net of income taxes) for the six months ended June 29, 2001. The accounting change resulted in a reduction of the Company's net loss for the quarter and six months ended June 29, 2001 of $12.2 million, or $0.07 per share, and $26.4 million, or $0.15 per share, respectively.

In April 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 145, "Rescission of FAS Nos. 4, 44, and 64, Amendment of FAS 13, and Technical Corrections as of April 2002". SFAS No. 145 rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that Statement, SFAS No. 64, "Extinguishments of Debt Made to Satisfy

Sinking-Fund Requirements" and excludes extraordinary item treatment for gains and losses associated with the extinguishment of debt that do not meet the Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" criteria. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB No. 30 for classification as an extraordinary item shall be reclassified. SFAS No. 145 also amends FASB Statement No. 13, "Accounting for Leases" and amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. We are required to adopt SFAS No. 145 effective January 1, 2003. We have not yet determined the impact of SFAS No.145 on its financial condition or results of operations.

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

Joint venture. The terms of our joint venture agreement with Philips Semiconductors International B.V. SMP ("Philips") relating to a back-end assembly facility located in Malaysia provided 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 as of December 31, 2000. This transaction resulted in proceeds of approximately $20.4 million and a pretax gain of approximately $3.1 million. The acquisition of the joint venture by Philips did not have a material impact on our financial condition or results of operations.

Critical Accounting Policies

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

Revenue. We generate revenue from the sales of our semiconductor products to original equipment manufacturers, distributors and electronic manufacturing service providers. We also generate revenue, although to a much lesser extent, from foundry services provided to Motorola pursuant to agreements signed in connection with our Recapitalization.

Prior to January 1, 2001, we recognized revenue on distributor sales when title passed to the distributor. Provisions were also recorded at that time for estimated sales returns from our distributors as well as for other related sales costs and allowances. Effective January 1, 2001, we changed our revenue recognition policy for distributor sales so that the related revenues are now deferred until the distributor resells the product to the end user. This change also eliminated the need to provide for estimated sales returns from distributors. Deferred income on sales to distributors as reflected in our consolidated balance sheet represents the net margin (deferred revenue less associated costs of sales) on inventory on hand at our distributors at the end of the period. We continue to recognize revenue on sales to original equipment manufacturers and electronic manufacturing service providers when title passes to the customer net of provisions for related sales costs and allowances.

We believe that this change better aligns our reported results with, focuses us on, and enables investors to better understand, end user demand for the products we sell through distributors as our revenue is not influenced by our distributors' stocking decisions.

Inventories. We carry our inventories at the lower of standard cost (which approximates cost on a first-in, first-out basis) or market and record provisions for slow moving inventories based upon a regular analysis of inventory on hand compared to historical and projected end user demand. Projected end user demand is generally based on sales during the prior twelve months. These provisions can influence our results from operations. For example, when demand falls for a given part, all or a portion of the related inventory is reserved, impacting our cost of sales and gross profit. If demand recovers and the parts previously reserved are sold, we will generally recognize a higher than normal margin. Obsolete inventories are charged against the previously established reserves when the Company determines that products cannot be sold.

Deferred tax valuation allowance. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. In determining the amount of the valuation allowance, we consider estimated future taxable income as well as feasible tax planning strategies in each taxing jurisdiction in which we operate. If we determine that we will not realize all or a portion of our remaining deferred tax assets, we will increase our valuation allowance with a charge to income tax expense. Conversely, if we determine that we will ultimately be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be released to income as a credit to income tax expense. In the fourth quarter of 2001, we established a valuation allowance for the majority of our deferred tax assets and through the first half of 2002, we have not recognized any incremental deferred tax benefits. We monitor our ability to utilize our deferred tax assets and the continuing need for a related valuation allowance on an ongoing basis.

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

Defined Benefit Plans. We maintain pension plans covering certain of our employees. For financial reporting purposes, net periodic pension costs are calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations, assumed rate of return on pension plan assets and assumed rate of compensation increase for plan employees. All of these assumptions are based upon management’s judgement, considering all known trends and uncertainties. Actual results that differ from these assumptions would impact the future expense recognition and cash funding requirements of our pension plans. We have assumed rates of return of 8.5% for our U.S. pension plan and 6.6% for our foreign pension plans in our actuarial assumptions. We estimate that each 0.5% change in the assumed rate of return would cause a $0.2 million change in pension expense for the next fiscal year. We have also assumed discount rates of 7.40% and 5.08% for our U.S. pension plan liability and foreign pension plan liability, respectively. We estimate that each 0.5% change in this assumed rate would cause a $0.5 million change in pension expense for the next fiscal year.

Results of Operations

Quarter Ended June 28, 2002 Compared To Quarter Ended June 29, 2001

Operating results for the quarters ended June 28, 2002 and June 29, 2001 follow.

	Quarter Ended			
	June 28, 2002	% of Net Product Revenues(1)	June 29, 2001	% of Net Product Revenues(1)
	(in millions)			
Revenues:				
Net product revenues	$277.5	100.0%	$ 307.3	100.0%
Foundry revenues from Motorola	0.2	0.1%	3.4	1.1%
Total revenues	277.7	100.1%	310.7	101.1%
Cost of sales	201.7	72.7%	255.6	83.2%
Gross profit	76.0	27.4%	55.1	17.9%
Operating expenses:				
Research and development	16.2	5.8%	22.9	7.5%
Selling and marketing	15.2	5.5%	20.8	6.8%
General and administrative	26.7	9.6%	34.0	11.1%
Amortization of goodwill and other intangibles	3.0	1.1%	5.6	1.8%
Restructuring and other charges	3.1	1.1%	95.8	31.2%
Total operating expenses	64.2	23.1%	179.1	58.3%
Operating loss	11.8	4.3%	(124.0)	-40.4%
Other income (expenses), net:				
Interest expense	(36.3)	(13.1%)	(29.7)	(9.7%)
Equity in earnings of joint ventures	2.5	0.9%	1.5	0.5%
Other income (expenses), net	(33.8)	(12.2%)	(28.2)	(9.2%)
Loss before income taxes, minority interests and extraordinary loss	(22.0)	(7.9%)	(152.2)	(49.5%)
Income tax provision	(3.3)	(1.2%)	—	0.0%
Minority interests	—	0.0%	—	0.0%
Net loss before extraordinary loss	(25.3)	(9.1%)	(152.2)	(49.5%)
Extraordinary loss on debt prepayment	(6.5)	(2.3%)	—	0.0%
Net loss	(31.8)	(11.5%)	(152.2)	(49.5%)
Less: Redeemable preferred stock dividends	(2.1)	(0.8%)	—	0.0%
Net loss applicable to common stock	$ (33.9)	(12.2%)	$(152.2)	(49.5%)

(1) Certain amounts may not total due to rounding of individual components.

Total revenues. Total revenues decreased $33.0 million, or 10.6%, to $277.7 million in the second quarter of 2002 from $310.7 million in the second quarter of 2001, due primarily to pricing declines and a reduction in foundry revenues, partially offset by volume and mix changes.

Net product revenues. Net product revenues decreased $29.8 million, or 9.7%, to $277.5 million in the second quarter of 2002 from $307.3 million in the second quarter of 2001. Of the 9.7% decline, approximately 12% was due to pricing declines, with offsetting volume and mix changes.

The net product revenues by product line for the quarters ended June 28, 2002 and June 29, 2001 are as follows:

	Quarter Ended June 28, 2002	As a % Net Product Revenue	Quarter Ended June 29,2001	As a % Net Product Revenue	Dollar Change	% Change
Power Management and Standard Analog	$ 93.4	33.7%	$ 88.9	28.9%	$ 4.5	5.1%
MOS Power	35.7	12.9%	38.3	12.5%	(2.6)	(6.8%)
High Frequency Clock and Data Management	17.0	6.1%	31.6	10.3%	(14.6)	(46.2%)
Standard Components	131.4	47.4%	148.5	48.3%	(17.1)	(11.5%)
Total Net Product Revenues	$277.5		307.3		$(29.8)	

Approximately 39%, 44% and 18% of our net product revenues in the second quarter of 2002 were derived from the Americas, Asia/Pacific and Europe (including the Middle East), respectively, compared to 40%, 37% and 23%, respectively, in the second quarter of 2001. The change from prior year reflects the continuing recovery of the Asia/Pacific markets and our growth in the China market.

Foundry revenues. Foundry revenues from Motorola decreased $3.2 million, or 94.1%, to $0.2 million in the second quarter of 2002 from $3.4 million in the second quarter of 2001. We expect that these revenues will continue to decline in the future. Motorola continues to be one of our largest original equipment manufacturer (OEM) customers.

Cost of sales. Cost of sales decreased $53.9 million, or 21.1%, to $201.7 million in the second quarter of 2002 from $255.6 million in the second quarter of 2001, primarily as a result of the execution of planned cost reduction activities, increased internal capacity utilization, and lower provisions for excess inventories taken during the second quarter of 2002 as compared to the second quarter of 2001. As of the end of the second quarter of 2002, we completed actions to achieve an estimated $240.0 million of annual cost of sales savings as compared to the Company's benchmark of the first quarter of 2001.

Gross profit. Gross profit (computed as total revenues less cost of sales) increased $20.9 million, or 37.9%, to $76.0 million in the second quarter of 2002 from $55.1 million in the second quarter of 2001. The increase in gross profit was primarily due to improved manufacturing capacity utilization as a result of our restructuring activities and lower provisions for excess inventories recorded during the quarter, offset by pricing declines. As a percentage of total revenues, gross margin increased to 27.4% in the second quarter of 2002 from 17.7% in the second quarter of 2001.

Operating expenses

Research and development. Research and development costs decreased $6.7 million, or 29.3%, to $16.2 million in the second quarter of 2002 from $22.9 million in the second quarter of 2001, primarily as a result of aligning our operating costs with our revenues. As a percentage of net product revenues, research and development costs declined to 5.8% in the second quarter of 2002 from 7.5% in the second quarter of 2001. Our target for research and development costs continues to be 5-6% of revenues. The primary emphasis of our new product development efforts is on power management and standard analog and high frequency clock and data management solutions, the highest margin and fastest potential growth product families within our portfolio, with 80% of our overall research and development investments focused in these areas.

Selling and marketing. Selling and marketing expenses decreased by $5.6 million, or 26.9%, to $15.2 million in the second quarter of 2002 from $20.8 million in the second quarter of 2001. The decrease in selling and marketing expenses from the second quarter of 2001 was attributable to our restructuring program. These actions included the downsizing of our sales force, closing of sales offices as well as our regional sales headquarters and centralizing and relocating our order entry functions to lower cost locations. As a percentage of net product revenues, these costs decreased to 5.5% in the second quarter of 2002 from 6.8% in the second quarter of 2001.

General and administrative. General and administrative expenses decreased by $7.3 million, or 21.5%, to $26.7 million in the second quarter of 2002 from $34.0 million in the second quarter of 2001, as a result of cost reduction actions and lower discretionary spending. As a percentage of net product revenues, these costs decreased to 9.6% in the second quarter of 2002 from 11.1% in the second quarter of 2001.

Amortization of goodwill and other intangibles. Amortization of goodwill and other intangibles decreased $2.6 million to $3.0 million in the second quarter of 2002 from $5.6 million the second quarter of 2001, as a result of the adoption of SFAS 142 effective January 1, 2002, which eliminated the amortization of goodwill (see Note 11 "Recently Issued and Recently Adopted Accounting Pronouncements" in our Notes to Consolidated Financial Statements in this Form 10-Q).

Restructuring and other charges. In June 2002, we recorded a charge of $16.7 million to cover costs associated with a worldwide restructuring program involving manufacturing, selling, general and administrative functions. The charge included $3.9 million to cover employee separation costs associated with the termination of 79 employees, $8.4 million for fixed asset impairments that were charged directly against the related assets, $2.8 million in costs related to termination of certain purchase and supply agreements, and $1.6 million of additional exit costs associated with the shutdown of our Guadalajara, Mexico facility. Employee separation costs included $1.0 million of non-cash charges associated with the modification of stock options for certain terminated employees. As of June 28, 2002, 79 employees had been terminated under this restructuring program. As of June 28, 2002, the remaining liability

related to this restructuring was $5.5 million. We released to income $1.2 million of exit costs previously accrued in connection with a 2001 restructuring program. We also recorded a gain of $12.4 million related to a settlement with Motorola on April 8, 2002, which partially offset the charges discussed above for a net charge of $3.1 million (see Note 10 “Related Party Transactions” in our Notes to Consolidated Financial Statements in this Form 10-Q for a further discussion of the settlement agreement.)

In June 2001, we recorded a $95.8 million charge to cover costs associated with a worldwide restructuring program involving both manufacturing locations, selling, general and administrative functions and other costs. The charge included $43.6 million to cover employee separation costs associated with the termination of approximately 3,200 employees, $42.2 million for asset impairments that were charged directly against the related assets and a $10.0 million of other costs primarily related to facility closures and contract terminations. Employee separation costs included $1.1 million of non-cash charges associated with the acceleration of vesting of stock options for terminated employees and $6.1 million for additional pension charges related to terminated employees. As of June 28, 2002, the remaining liability associated with the June 2001 restructuring charge was $7.3 million and 125 employees remain to be terminated under this restructuring program.

A summary of activity in our restructuring related reserves for the quarter ended June 28, 2002 is as follows (in millions):

Balance, March 29, 2002	$19.0
Plus: June 2002 charges	7.3
Less: Payments charged against the reserve	(6.6)
Less: Reserve released to income	(1.2)
Balance, June 28, 2002	$18.5

Operating income (loss). Operating income (loss) improved $135.8 million, to $11.8 million income in the second quarter of 2002 compared to $124.0 million loss in the second quarter of 2001. This improvement was due to higher factory utilization rates, a decrease in operating costs as a result of the restructuring program implemented during 2001 and 2002, lower provisions for excess inventories, and lower restructuring and other charges, offset by pricing declines in the second quarter of 2002 as compared to 2001. As of the end of the second quarter of 2002, we completed actions to achieve an estimated $240 million of annual cost of sales savings and $100 million of annual operating expense savings as compared to the Company’s benchmark of the first quarter of 2001. Excluding restructuring and other charges, operating income for the quarter ended June 28, 2002 would have been $14.9 million compared to an operating loss of $28.2 million for the quarter ended June 29, 2001.

Interest expense. Interest expense increased $6.6 million, or 22.2%, to $36.3 million in the second quarter of 2002 from $29.7 million in the second quarter of 2001. The increase was due to interest related to the $125.0 million draw on our revolving line of credit in May 2001, the supplemental interest charges resulting from the August 2001 amendments to our senior bank facilities and the effects of the Debt Refinancing previously discussed in Note 8 “Long-Term Debt” in our Notes to Consolidated Financial Statements included in this Form 10-Q.

Equity in earnings of joint venture. Equity in earnings from our Leshan joint venture increased $1.0 million to $2.5 million of income in the second quarter of 2002 from $1.5 million in the second quarter of 2001, due primarily to increased capacity and manufacturing efficiencies.

Income tax benefit (provision). The income tax provision was $3.3 million in the second quarter of 2002 compared with $0.0 million in the second quarter of 2001. The 2002 provision is attributable to foreign income and withholding taxes. We did not recognize a tax benefit relating to our domestic operating loss in the second quarter of either 2002 or 2001.

Six Months Ended June 28, 2002 Compared To Six Ended June 29, 2001

Operating results for the six months ended June 28, 2002 and June 29, 2001 follow.

	Six Months Ended			
	June 28, 2002	% of Net Product Revenues(1)	June 29, 2001	% of Net Product Revenues(1)
	(in millions)			
Revenues:				
Net product revenues	$546.2	100.0%	$ 664.3	100.0%
Foundry revenues from Motorola	0.6	0.1%	6.9	1.0%
Total revenues	546.8	100.1%	671.2	101.0%
Cost of sales	412.6	75.5%	529.5	79.7%
Gross profit	134.2	24.6%	141.7	21.3%
Operating expenses:				
Research and development	33.5	6.1%	45.8	6.9%
Selling and marketing	29.8	5.5%	44.6	6.7%
General and administrative	55.9	10.2%	70.8	10.7%
Amortization of goodwill and other intangibles	6.0	1.1%	11.4	1.7%
Restructuring and other charges	10.2	1.9%	133.8	20.1%
Total operating expenses	135.4	24.8%	306.4	46.1%
Operating loss	(1.2)	-0.2%	(164.7)	-24.8%
Other income (expenses), net:				
Interest expense	(71.0)	(13.0%)	(58.9)	(8.9%)
Equity in earnings of joint ventures	3.7	0.7%	2.1	0.3%
Gain on sale of investment in joint venture	—	0.0%	3.1	0.5%
Other income (expenses), net	(67.3)	(12.3%)	(53.7)	(8.1%)
Loss before income taxes, minority interests, extraordinary loss and cumulative effect of accounting change	(68.5)	(12.5%)	(218.4)	(32.9%)
Income tax benefit (provision)	(7.0)	(1.3%)	22.7	3.4%
Minority interests	0.2	0.0%	0.5	0.1%
Net loss before extraordinary loss and cumulative effect of accounting change	(75.3)	(13.8%)	(195.2)	(29.4%)
Extraordinary loss on debt prepayment	(6.5)	(1.2%)	—	0.0%
Cumulative effect of accounting change (net of income taxes of $38.8)	—		(116.4)	(17.5%)
Net loss	(81.8)	(15.0%)	(311.6)	(46.9%)
Less: Redeemable preferred stock dividends	(4.2)	(0.8%)	—	0.0%
Net loss applicable to common stock	$ (86.0)	(15.7%)	$(311.6)	(46.9%)

(1) Certain amounts may not total due to rounding of individual components.

Total revenues. Total revenues decreased $124.4 million, or 18.5%, to $546.8 million in the first six months of 2002 from $671.2 million in the first six months of 2001, due primarily to pricing declines, volume and mix changes and a reduction in foundry revenues.

Net product revenues. Net product revenues decreased $118.1 million, or 17.8%, to $546.2 million in the first six months of 2002 from $664.3 million in the first six months of 2001. Of the 17.8% decrease, approximately 16% was attributable to pricing declines for these comparable periods with the remainder attributable to volume and mix changes.

The net product revenues by product line for the six months ended June 28, 2002 and June 29, 2001 are as follows:

	Six Months Ended June 28, 2002	As a % Net Product Revenue	Six Months Ended June 29,2001	As a % Net Product Revenue	Dollar Change	% Change
Power Management and Standard Analog	$181.0	33.1%	$187.5	28.2%	$ (6.5)	(3.5%)
MOS Power	70.1	12.8%	81.1	12.2%	(11.0)	(13.6%)
High Frequency Clock and Data Management	38.6	7.1%	85.1	12.8%	(46.5)	(54.6%)
Standard Components	256.5	47.0%	310.6	46.8%	(54.1)	(17.4%)
Total Net Product Revenues	$546.2		$664.3		$(118.1)	

Approximately 38%, 43% and 19% of our net product revenues in the first six months of 2002 were derived from the Americas, Asia/Pacific and Europe (including the Middle East), respectively, compared to 42%, 35% and 23%, respectively, in the first six months of 2001. The change from prior year reflects the continuing recovery of the Asia/Pacific markets and our growth in the China market.

Foundry revenues. Foundry revenues from Motorola decreased $6.3 million, or 91.3%, to $0.6 million in the first six months of 2002 from $6.9 million in the first six months of 2001. We expect that these revenues will continue to decline in the future. Motorola continues to be one of our largest original equipment manufacturer (OEM) customers.

Cost of sales. Cost of sales decreased $116.9 million, or 22.1%, to $412.6 million in the first six months of 2002 from $529.5 million in the first six months of 2001, primarily as a result of the execution of planned cost reduction activities, and lower provisions for excess inventories, partially offset by lower factory utilization. As of the end of the second quarter of 2002, we completed actions to achieve an estimated $240.0 million of annual cost of sales savings as compared to the Company's benchmark of the first quarter of 2001.

Gross profit. Gross profit (computed as total revenues less cost of sales) decreased $7.5 million, or 5.3%, to $134.2 million in the first six months of 2002 from $141.7 million in the first six months of 2001. The decrease in gross profit was due to pricing declines and lower manufacturing capacity utilization, offset by the execution of planned cost reduction activities and lower provisions for excess inventories taken during the period. As a percentage of total revenues, gross margin increased to 24.5% in the first six months of 2002 from 21.1% in the first six months of 2001.

Operating expenses

Research and development. Research and development costs decreased $12.3 million, or 26.9%, to $33.5 million in the first six months of 2002 from $45.8 million in the first six months of 2001, primarily as a result of aligning our operating costs with our revenues. As a percentage of net product revenues, research and development costs remained fairly consistent at 6.1% in the first six months of 2002 and 6.9% in the first six months of 2001. The primary emphasis of our new product development efforts is on power management and standard analog and high frequency clock and data management solutions, the highest margin and fastest potential growth product families within our portfolio, with 80% of our overall research and development investments focused in these areas. Our target for research and development costs continues to be 5-6% of revenues.

Selling and marketing. Selling and marketing expenses decreased by $14.8 million, or 33.2%, to $29.8 million in the first six months of 2002 from $44.6 million in the first six months of 2001. The decrease in selling and marketing expenses over the first six months of 2001 was attributable to our restructuring program. These actions included the downsizing of our sales force, closing of sales offices as well as our regional sales headquarters and centralizing and relocating our order entry functions to lower cost locations. As a percentage of net product revenues, these costs decreased to 5.5% in the first six months of 2002 from 6.7% in the first six months of 2001.

General and administrative. General and administrative expenses decreased by $14.9 million, or 21.0%, to $55.9 million in the first six months of 2002 from $70.8 million in the first six months of 2001, as a result of cost reduction actions and lower discretionary spending. As a percentage of net product revenues, these costs decreased slightly to 10.2% in the first six months of 2002 from 10.7% in the first six months of 2001.

Amortization of goodwill and other intangibles. Amortization of goodwill and other intangibles decreased $5.4 million to $6.0 million in first six months of 2002 from $11.4 million the first six months of 2001, as a result of the adoption of SFAS 142 effective January 1, 2002, which eliminated the amortization of goodwill (see Note 11 "Recently Issued and Recently Adopted Accounting Pronouncements" in our Notes to Consolidated Financial Statements in this Form 10-Q).

Restructuring and other charges. Restructuring and other charges decreased $123.6 million, or 92.4%, to $10.2 million in the first six months of 2002 from $133.8 million in the first six months of 2001.

In June 2002, we recorded charges of $16.7 million to cover costs associated with a worldwide restructuring program involving manufacturing, selling, general and administrative functions. The charge includes $3.9 million to cover employee separation costs associated with the termination of 79 employees, $8.4 million for fixed asset impairments that were charged directly against the related assets, $2.8 million in costs related to termination of certain purchase and supply agreements, and $1.6 million of additional exit costs associated with the shutdown of our Guadalajara, Mexico facility. Employee separation costs included $1.0 million of non-cash charges associated with the modification of stock options for certain terminated employees. As of June 28, 2002, 79 employees had been terminated under this restructuring program. As of June 28, 2002, the remaining liability related to this restructuring was $5.5 million. We released to income $1.2 million of exit costs previously accrued in connection with

a 2001 restructuring program. We also recorded a gain of $12.4 million related to a settlement with Motorola on April 8, 2002, which partially offset the charges discussed above for a net charge of $3.1 million (see Note 10 “Related Party Transactions” in our Notes to Consolidated Financial Statements in this Form 10-Q for a further discussion of the settlement agreement.)

In March 2002, we recorded a $7.1 million charge (net of a $0.1 million recovery) to cover costs associated with a worldwide restructuring program involving selling, general and administrative functions. The charge was to cover employee separation costs associated with the termination of 72 employees and included $0.2 of non-cash charges associated with the acceleration of the vesting of stock options for certain terminated employees. As of June 28, 2002, the remaining liability relating to the March 2002 charges to the restructuring program was $4.8 million. As of June 28, 2002, 14 employees have been terminated under the restructuring program.

In June 2001, we recorded a $95.8 million charge to cover costs associated with a worldwide restructuring program involving both manufacturing locations, selling, general and administrative functions and other costs. The charge included $43.6 million to cover employee separation costs associated with the termination of approximately 3,200 employees, $42.2 million for asset impairments that were charged directly against the related assets and a $10.0 million of other costs primarily related to facility closures and contract terminations. Employee separation costs included $1.1 million of non-cash charges associated with the acceleration of vesting of stock options for terminated employees and $6.1 million for additional pension charges related to terminated employees. As of June 28, 2002, the remaining liability associated with the June 2001 restructuring charge was $7.3 million and 125 employees remain to be terminated under this restructuring program.

In March 2001, we recorded a $38.0 million charge to cover costs associated with a worldwide restructuring program involving both manufacturing locations, selling, general and administrative functions and other costs. The charge included $31.3 million to cover employee separation costs associated with the termination of approximately 1,100 employees, $2.9 million for asset impairments that were charged directly against the related assets and a $3.8 million charge to cover costs associated with the separation of our executive officers. As of June 28, 2002, there was no remaining liability relating to the March 2001 charges to the restructuring program.

A summary of activity in our restructuring related reserves for the six months ended June 28, 2002 is as follows (in millions):

Balance, January 1, 2002	$ 19.8
Plus: March 2002 charges	7.0
Plus: June 2002 charges	7.3
Less: Payments charged against the reserve	(14.3)
Less: Reserve released to income	(1.3)
Balance, June 28, 2002	$ 18.5

Operating loss. Operating loss decreased $163.5 million, to $1.2 million in the first six months of 2002 compared to $164.7 million in the first six months of 2001. This decrease was due to a decrease in operating costs as a result of the restructuring program implemented during 2001 and 2002, lower provisions for excess inventories, and lower restructuring and other charges taken in the first six months of 2002 as compared to 2001, offset by pricing declines on our products. As of the end of the second quarter of 2002, we completed actions to achieve an estimated $240.0 million of annual cost of sales savings and $100.0 million of annual operating expense savings as compared to the Company’s benchmark of the first quarter of 2001. Excluding restructuring and other charges, operating income for the six months ended June 28, 2002 would have been $9.0 million operating income compared to an operating loss of $30.9 million for the six months ended June 29, 2001.

Interest expense. Interest expense increased $12.1 million, or 20.5%, to $71.0 million in the first six months of 2002 from $58.9 million in the first six months of 2001. The increase was due to interest related to the $125.0 million draw on our revolving line of credit in May 2001, the supplemental interest charges resulting from the August 2001 amendments to our senior bank facilities and the effects of the Debt Refinancing previously discussed in Note 8 “Long-Term Debt” in our Notes to Consolidated Financial Statements included in this Form 10-Q.

Equity in earnings of joint venture. Equity in earnings from our Leshan joint venture increased $1.6 million to $3.7 million of income in the first six months of 2002 from $2.1 million in the first six months of 2001, due primarily to increased capacity and manufacturing efficiencies.

Gain on sale of investment in joint venture. In 2001, we had a 50% interest in Semiconductor Miniatures Products Malaysia Sdn. Bhd. ("SMP"). As a part of the joint venture agreement, our joint venture partner, Philips Semiconductors International B.V. ("Philips"), had the right to purchase our interest in SMP between January 2001 and July 2002. On February 1, 2001, effective December 31, 2000, Philips exercised its purchase right, acquiring our 50% interest in SMP. This transaction resulted in proceeds of approximately $20.4 million and a pre-tax gain of approximately $3.1 million in the first quarter of 2001.

Minority interests. Minority interests represent the portion of net loss of our two majority-owned Czech subsidiaries attributable to the minority owners of each subsidiary. We consolidate these subsidiaries in our financial statements. Minority interests were $(0.2) million in the first six months of 2002 compared to $(0.5) million in the first six months of 2001 given improvements in the factory utilization.

Income tax benefit (provision). We recognized an income tax provision of $7.0 million in the first six months of 2002 compared with an income tax benefit of $22.7 million in the comparable 2001 period. The 2002 income tax provision related to income and withholding taxes at certain of our foreign operations, while the income tax benefit in 2001 related to the net impact of foreign income and withholding taxes offset by the benefit attributable to our 2001 domestic net operating loss that could be carried back to prior years. We did not recognize a benefit for the domestic net operating loss generated in 2002 as realization of such benefit is not currently assured.

Liquidity and Capital Resources

In this section of the management discussion and analysis segment, we are going to discuss:

1) Sources and uses of cash, and significant factors that influence both,

2) Our analysis of our cash flows for the second quarter of 2002 and the first half of 2002,

3) The recent developments that affect our liquidity, and

4) Our commitments and contractual obligations.

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

Sources and Uses of Cash

We require cash to fund our operating expenses, including working capital requirements and outlays for research and development, to make capital expenditures, strategic acquisitions and investments and to pay debt service, including principal and interest and capital lease payments. Our principal sources of liquidity are cash on hand, cash generated from operations, and funds from external borrowings and equity issuances. In the near term, until we have additional borrowing capacity under our senior bank facilities and can incur additional debt without violation of our existing covenants, we expect to fund our primary cash requirements through cash and cash equivalents on hand, targeted asset sales, and cash generated from operations. We may also raise additional funding through future equity offerings, subject to market conditions.

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

- factors that affect our results of operations and cash flows, including reduced demand for our products resulting from the recent economic slowdown and actions taken by our customers to manage their inventories in line with incoming business, competitive pricing pressures, the under-utilization of our manufacturing capacity, our ability to achieve significant reductions in operating expenses, the impact of our restructuring program on our productivity, and our ability to make the substantial research and development expenditures required to remain competitive in our business; and

- factors that affect our access to bank financing and the debt and equity capital markets or our operational flexibility, including interest rate fluctuations, our ability to maintain compliance with financial covenants and ratios under our existing credit facilities, other limitations imposed by the covenants under our credit facilities or arising from our substantial leverage that could impair our ability to obtain needed financing on acceptable terms or to respond to business opportunities and developments as they arise, and a possible future delisting of our common stock from the Nasdaq National Market or a move to the Nasdaq SmallCap Market, discussed further herein.

As of June 28, 2002, $6.6 million of our $150 million revolving line of credit was available, reflecting borrowings of $125.0 million and outstanding letters of credit of $18.4 million. Under certain circumstances, our senior bank facilities and the indentures relating to the senior subordinated notes and the Notes will allow us to incur additional indebtedness, although there can be no assurances that we would be able to borrow on terms acceptable to us.

Analysis of Cash Flows

Cash flow information for the quarters ended June 28, 2002 and March 29, 2002 and the six months ended June 28, 2002 and June 29, 2001 are as follows:

	Quarter ended June 28, 2002	Quarter ended March 29, 2002	Six months ended June 28, 2002	Six months ended June 29, 2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities:				
Net loss	$ (31.8)	$ (50.0)	$ (81.8)	$(311.6)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	33.0	34.0	67.0	85.4
Extraordinary loss on debt prepayment	6.5	—	6.5	—
Cumulative effect of accounting change	—	—	—	116.4
Amortization of debt issuance costs and debt discount	2.0	1.6	3.6	2.7
Provision for excess inventories	4.0	10.7	14.7	32.6
Non-cash impairment write-down of property, plant and equipment	8.4	—	8.4	45.1
Non-cash interest on junior subordinated note payable to Motorola	2.9	2.7	5.6	5.3
Non-cash supplemental interest on senior bank facilities	4.2	7.4	11.6	—
Undistributed earnings of unconsolidated joint ventures	(2.5)	(1.2)	(3.7)	(2.1)
Gain on sale of investment in unconsolidated joint venture	—	—	—	(3.1)
Deferred income taxes	3.9	0.7	4.6	(24.2)
Non-cash stock compensation charges	1.0	0.3	1.3	3.4
Other	0.8	(0.3)	0.5	1.1
Changes in assets and liabilities:				
Receivables	9.7	(10.2)	(0.5)	113.2
Inventories	6.4	2.9	9.3	(33.1)
Other assets	3.4	(1.2)	2.2	(13.1)
Accounts payable	(18.2)	0.6	(17.6)	(32.4)
Accrued expenses	(4.0)	4.3	0.3	(7.8)
Income taxes payable	(4.5)	1.8	(2.7)	(12.9)
Accrued interest	13.2	(8.3)	4.9	6.3
Deferred income on sales to distributors	(2.8)	(21.3)	(24.1)	(46.1)
Other long-term liabilities	(8.1)	1.1	(7.0)	3.8
Net cash provided by (used in) operating activities	27.5	(24.4)	3.1	(71.1)
Cash flows from investing activities:				
Purchases of property, plant and equipment	(9.8)	(5.6)	(15.4)	(88.0)
Acquisition of minority interest in consolidated subsidiaries	—	—	—	(0.1)
Investments in unconsolidated companies and joint ventures	—	—	—	(0.5)
Loans to unconsolidated joint venture	—	—	—	(5.0)
Proceeds from sale of investment in unconsolidated joint venture	—	—	—	20.4
Proceeds from sales of property, plant and equipment	2.3	0.2	2.5	2.1
Net cash used in investing activities	(7.5)	(5.4)	(12.9)	(71.1)
Cash flows from financing activities:				
Proceeds from senior credit facilities and other borrowings	—	—	—	125.0
Proceeds from debt issuance, net of discount and offering expenses	279.3	—	279.3	—
Payments of capital lease obligation	(0.4)	(0.7)	(1.1)	(0.6)
Repayment of senior credit facilities and other borrowings	(280.5)	(2.8)	(283.3)	—
Proceeds from issuance of stock under the employee stock purchase plan	0.4	0.4	0.8	3.4
Proceeds from exercise of stock options	0.3	0.8	1.1	0.5
Net cash provided by (used in) financing activities	(0.9)	(2.3)	(3.2)	128.3
Effect of exchange rates on cash and cash equivalents	1.0	(0.1)	0.9	0.7
Net increase (decrease) in cash and cash equivalents	20.1	(32.2)	(12.1)	(13.2)
Cash and cash equivalents, beginning of period	147.6	179.8	179.8	188.9
Cash and cash equivalents, end of period	$ 167.7	$147.6	$ 167.7	$ 175.7

Cash Flow Activity For The Quarter Ended June 28, 2002

As of June 28, 2002, we had cash and cash equivalents of $167.7 million, an increase of $20.1 million from the March 29, 2002 balance. During the second quarter of 2002, our operating activities provided $27.5 million of cash, our investing activities showed a use of $7.5 million, financing activities netted a cash usage of $0.9 million and favorable cash exchange rates added $1 million. The $27.5 million of cash provided by operations in the second quarter 2002 was driven primarily from the improvement in operations after adjusting for non-cash items, the timing of certain interest payments, and the receipt of the $10.6 million from Motorola, offset by the funding of our pension plan.

The improvement in operations after adjusting for non-cash items was comprised of a $31.8 million loss, reduced by non-cash charges of $33.0 million in depreciation and amortization, $6.5 million in write-offs of debt issuance costs associated with the debt prepayment, $2.0 million in debt issuance and debt discount amortization, $8.4 million in property plant and equipment write-downs, and $1.0 million in non-cash stock compensation expense for a total of $19.1 million of cash provided. Cash paid for interest for the quarter was $12.8 million compared to $30.0 million in the first quarter of 2002, thus increasing our cash flow for the quarter. The remaining operating activity for the quarter resulted in a net cash usage due primarily to a payment of $9.3 million made to our pension plan, $6.6 million paid in connection with our restructuring initiatives, and other cash uses, offset by the receipt of $10.6 million from the Motorola settlement. We will continue to expend cash in the future related to our $18.5 million of restructuring reserves that were accrued as of June 28, 2002.

We expended cash for property, plant and equipment in the second quarter of $9.8 million and received proceeds from equipment sales of $2.3 million, resulting in a $7.5 million net cash usage for investing activities.

During the second quarter of 2002, we used the net proceeds from the Debt Refinancing of $279.3 million dollars (excluding $0.6 million withheld for remaining closing costs) plus another $1.8 million in cash to repay $280.5 million of our senior bank facilities. Coupled with net cash usage of $0.3 million from other activities, this explains the overall net cash usage of $0.9 million in investing activities for the quarter.

Cash flow provided by operating activities in the second quarter of 2002 of $27.5 million when compared to the prior quarter's usage of $24.4 million posted a $51.9 million improvement quarter on quarter primarily due to the improvement in the net loss after adjustment for non-cash items, the timing of interest payments, the receipt of the Motorola settlement, offset by the payment on our pension plan. Looking forward, we do not expect to receive another settlement from Motorola, and we do not have any additional scheduled pension plan funding requirements for the remainder of 2002.

Net cash used in investing activities increased from $5.4 million in the first quarter to $7.5 million primarily due to increases in the amount of equipment purchased. Our budgeted capital expenditures for 2002 are $40.0 million, and reflect actions taken to improve our cash flow. Our ability to make capital expenditures is limited by the terms of our senior bank facilities; however, we believe that the expenditures permitted thereunder will be sufficient to allow us to maintain, replace and improve our existing facilities and equipment as necessary.

Net cash used in financing activities did not significantly change from the first to the second quarter; however, the second quarter did contain the Debt Refinancing previously mentioned.

Cash Flow Activity For The Six Months Ended June 28, 2002

For the six months ended June 28, 2002 and June 29, 2001, the Consolidated Statements of Cash Flows indicate we have consumed $12.1 million and $13.2 million in cash, respectively. However, the makeup of the cash flow from operations, investing and financing activities has been quite different in these periods. The first six months of 2002, as compared to the first six months of 2001, show an improvement in cash flows from operations of $74.2 million, a reduction in the net cash used in investing activities of $58.2 million, and a decrease of $131.5 million in cash flows from financing activities.

We generated $3.1 million dollars in cash flow from operations during the first six months of 2002 relative to cash used in operations of $71.1 million in the same period of 2001. This $74.2 million dollar improvement is primarily the result of the

stabilization in revenues, reduced costs resulting from our restructuring program and reduced restructuring payments. Assuming modest increases in revenue, we expect to continue to provide cash flow from operations through the calendar year with the amount varying depending on the timing of interest payments and the need to expand working capital to meet increased production volumes.

We used $12.9 million in net cash from investing activities in the first half of 2002 as compared to $71.1 in the same period of 2001. All of this decline was the result of lower capital equipment spending. Our need for incremental property, plant or equipment has been dramatically reduced given the current level of business. Furthermore, our senior bank facilities restrict the amount of capital equipment we can purchase within certain periods. As a result, we have been selective in purchasing new equipment.

Financing activities during the first six months of 2002 have resulted in net cash used of $3.2 million versus net cash provided in the same period of 2001 of $128.3 million. During the first six months of 2002, we used the net proceeds from the Debt Refinancing of $279.3 million dollars (excluding $0.6 million withheld for remaining closing costs) plus another $4.6 million in cash to repay debt principal of $283.3 million held by the senior creditors. In contrast, we drew on a $125 million dollar credit facility in 2001 to help fund the cash used in operations and equipment purchases needed at the time.

Recent Developments

Due to the Debt Refinancing previously mentioned above, the composition of our debt has changed, including the interest rate and maturity dates. The underlying debt covenants related to the senior bank facilities has also been modified. We believe this Debt Refinancing has given us additional financial flexibility in that financial covenants have been relaxed, debt maturities extended, and our current borrowing costs lowered through June 2003. After June 2003, the effects of our Debt Refinancing would cause our borrowing costs to be higher if the Libor rate remains at current levels.

The Notes bear a rate of 12% per annum beginning on May 6, 2002. Commencing on February 6, 2003 the Notes will accrue interest at a rate of 13% per annum unless prior thereto we have issued common stock or certain convertible preferred stock to financial sponsors generating at least $100 million in gross cash proceeds and have used the net cash proceeds to repay indebtedness under our senior bank facilities or under any other credit facility secured by a first-priority lien and have permanently reduced the related loan commitment equal to the amount prepaid. Such increase in interest rate, if any, will remain effective until such time as we have completed such a stock issuance and repayment, unless such stock issuance and repayment occurs after August 6, 2003, in which case such increase in interest rate will remain in effect.

The Notes are jointly and severally guaranteed on a senior basis by our domestic restricted subsidiaries that are guarantors under our senior bank facilities. In addition, the Notes and the guarantees are secured on a second priority basis by the capital stock or other equity interest of domestic subsidiaries, 65% of the capital stock or other equity interests of first-tier foreign subsidiaries and substantially all other assets, in each case that are held by us or any of the guarantors, but only to the extent that obligations under our senior bank facilities are secured by a first-priority lien thereon.

We have agreed to file an exchange offer registration statement or, under certain circumstances a shelf registration statement, pursuant to a registration rights agreement. If we fail to comply with certain obligations under the registration rights agreement, we will incur additional interest up to a maximum of 2.0%.

In April 2002, our senior bank facilities were amended to permit the issuance of the Notes, to permit the second-priority liens securing the Notes and to provide that, subject to specified conditions:

- minimum interest expense coverage ratio and maximum leverage ratio requirements will not apply until periods beginning after December 31, 2003;
- from January 1, 2004 to June 30, 2006, the minimum required interest expense coverage ratio will be lower and the maximum permitted leverage ratio will be higher, in each case as compared to the ratios currently required under the credit agreement;
- minimum EBITDA levels will apply until December 31, 2003 and minimum cash levels will apply until certain minimum interest coverage ratio and maximum leverage ratio requirements are met;
- sales of property, plant and equipment in connection with specified restructuring activities will be permitted; and
- borrowings of up to $100.0 million by or for the benefit of the our joint venture in Leshan, China will be permitted, the proceeds of which would be used to prepay loans under the senior bank facilities.

We were in compliance with the amended covenants as of June 28, 2002. We believe that, pursuant to our current business plans, we will be able to maintain such compliance.

Debt maturities have also been extended due to this Debt Refinancing. The following table details our debt maturities before and after the Debt Refinancing:

	Remainder of 2002	2003	2004	2005	2006	Thereafter	Total
Actual	$ 3.8	$ 9.3	$ 11.8	$236.9	$ 280.9	$857.4	$1,400.1
Pro Forma (1)	5.7	13.8	18.3	290.1	412.3	646.7	1,386.9
Difference	$(1.9)	$ (4.5)	$ (6.5)	$ (53.2)	$(131.4)	$210.7	$ 13.2
Cumulative difference	$(1.9)	$ (6.4)	$(12.9)	$ (66.1)	$(197.5)	$ 13.2	

(1) Pro Forma amounts assume the debt issuance and related prepayment had not occurred during the second quarter of 2002.

On April 24, 2002, we filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission to register 40,000,000 shares of our common stock. We may sell the registered shares in one or more offerings depending on the market and general business conditions.

On July 9, 2002, we received a delisting notice from the Nasdaq National Market since our stock has traded below $3 per share for 30 consecutive trading days and we do not have a positive equity balance of $10.0 million or more. We have a period of 90 calendar days to cure the situation and are actively exploring our options which include, but are not limited to, a reverse stock split, a recapitalization of our debt, issuance of additional shares of common stock, or the sale of certain assets. In addition, the delisting proceedings would stop if our stock rose to $3 per share or above for 10 consecutive trading days during the cure period that expires on October 7, 2002. If we are unsuccessful in remaining on the Nasdaq National Market, our stock may then be traded on the Nasdaq SmallCap Market. If we began trading on the Nasdaq SmallCap Market and later were able to meet the initial listing requirements of the Nasdaq National Market again, we could apply for reinstatement to the Nasdaq National Market. As the Nasdaq SmallCap Market does not have the same trading volume as the Nasdaq National Market, our stock could become more volatile and there can be no assurances that a ready market would exist. Certain market analysts may elect not to follow us if we are no longer listed on the Nasdaq National Market. Movement from the Nasdaq National Market to the Nasdaq SmallCap Market does not prevent us from issuing additional securities; however, pricing of an offering may be more difficult given the less liquid nature of the Nasdaq SmallCap Market.

Commercial Commitments and Contractual Obligations

Our principal outstanding contractual obligations relate to our senior bank facilities, other long-term debt, operating leases, purchase obligations, our pension obligations and our Series A Cumulative Convertible Redeemable Preferred Stock. The following table summarizes our commercial commitments and contractual obligations at June 28, 2002 and the effect such obligations are expected to have on our liquidity and cash flow in future periods:

Commercial commitments	Total amounts committed	Amount of commitment by expiration period per period: Remainder of 2002	2003 - 2004	2005 - 2006	2007 and Beyond
Standby letter of credit	$18.4	$ 6.8	$10.9	$0.7	$—
Total commercial commitments	$18.4	$ 6.8	$10.9	$0.7	$—

Contractual obligations	Total	Payments due by period: Remainder of 2002	2003 - 2004	2005 - 2006	2007 and Beyond
Long-term debt	$1,400.1	$ 3.8	$21.1	$517.8	$ 857.4
Operating leases	47.0	14.0	26.5	4.9	1.6
Unconditional purchase obligations	98.3	43.4	38.4	16.5	—
Other long-term obligations	28.6	—	8.0	6.8	13.8
Redeemable preferred stock (including future dividends)	188.5	—	—	—	188.5
Total contractual cash obligations	$1,762.5	$61.2	$94.0	$546.0	$1,061.3

At June 28, 2002, our long-term debt includes $705.4 million under our senior bank facilities, $290.9 (net of debt discount) of our senior secured notes, $260.0 million of our senior subordinated notes due 2009, $120.8 million under our junior subordinated note payable to Motorola and $23.0 million under a note payable to a Japanese bank.

Our primary future cash needs, both in the short term and in the long term will focus on debt service, capital spending and working capital. Our liquidity needs may also be supplemented with the proceeds from targeted sales of assets. As part of our business strategy, we review acquisition and divestiture opportunities and proposals on a regular basis. Although there can be no assurances, management believes that cash flow from operations coupled with existing cash and cash equivalent balances and proceeds from targeted sales of assets will be adequate to fund our operating and cash flow needs as well as enable us to maintain compliance with our various debt agreements through June 28, 2003. To the extent that actual results or events differ from our financial projections and business plans, our liquidity may be adversely affected.

Trends, Risks, Uncertainties and Forward-Looking Statements

This Report on Form 10-Q includes “forward-looking statements,” as that term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or incorporated in this Form 10-Q are forward-looking statements. 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 this Form 10-Q are made based on management’s current expectations and estimates, which involve risks, uncertainties and other factors that could cause results or events to differ materially from those expressed in forward-looking statements. Among these factors are our recently incurred substantial operating losses and possible future losses, changes in overall economic conditions, the cyclical nature of the semiconductor industry, changes in demand and average selling prices 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 and dispositions, changes in management, risks associated with our substantial leverage and restrictive

covenants in our debt instruments (including those relating to the increased cost of servicing our debt and complying with the additional restrictions imposed as a result of amendments to our senior credit facilities), possible future delisting of our common stock by Nasdaq or liquidity and other risks associated with trading on the Nasdaq SmallCap Market, risks associated with our international operations and terrorist activities both in the United States and internationally, and risks involving environmental or other governmental regulation. Additional factors that could affect our future results or events are described from time to time in our Securities and Exchange Commission reports. See in particular our Form 10-K for the fiscal year ended December 31, 2001 under the caption "Trends, Risks and Uncertainties" and similar disclosures in subsequently filed reports with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

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

As of June 28, 2002, our long-term debt (including current maturities) totaled $1,400.1 million. We have no interest rate exposure due to rate changes for our fixed rate interest bearing debt, which totaled $694.7 million. We do have interest rate exposure with respect to the $705.4 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 June 28, 2002, we had four interest rate swaps and one interest rate cap covering exposures on $320 million of our variable interest rate debt. A 50 basis point increase in interest rates would result in increased annual interest expense on our variable rate debt of $3.5 million for the next twelve months (excluding the effects of any hedging activities).

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.

PART II: OTHER INFORMATION

Item 1. ***Legal Proceedings***

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

During the period July 5, 2001 through July 27, 2001, we were named as a defendant in three shareholder class action lawsuits that were filed in federal court in New York City against us and certain of our current and former officers, current directors and the underwriters for our initial public offering. The lawsuits allege violations of the federal securities laws and have been docketed in the U.S. District Court for the Southern District of New York as: *Abrams v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6114; *Breuer v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6287; and *Cohen v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6942. On April 19, 2002, the plaintiffs filed a single consolidated amended complaint which supersedes the individual complaints originally filed. The amended complaint alleges, among other things, that the underwriters of our initial public offering improperly required their customers to pay the underwriters excessive commissions and to agree to buy additional shares of our common stock in the aftermarket as conditions of receiving shares in our initial public offering. The amended complaint further alleges that these supposed practices of the underwriters should have been disclosed in our initial public offering prospectus and registration statement. The amended complaint alleges violations of both the registration and antifraud provisions of the federal securities laws and seeks rescission of the plaintiffs' alleged purchases of our common stock as well as unspecified damages. We understand that various other plaintiffs have filed substantially similar class action cases against over 300 other publicly traded companies and their public offering underwriters in New York City, which along with the cases against us have all been transferred to a single federal district judge for purposes of coordinated case management. We believe that the claims against us are without merit and intend to defend the litigation vigorously. In that regard, on July 15, 2002, we, together with the other issuers named as defendants in these coordinated proceedings,

filed a collective motion to dismiss the consolidated amended complaints against them on various legal grounds common to all or most of the issuer defendants. This motion is currently pending. While we can make no promises or guarantees as to the outcome of these actions, we believe that the final result of these actions will have no material effect on our consolidated financial condition or results of operations.

Item 2. ***Changes in Securities and Use of Proceeds***

Not Applicable.

Item 3. ***Defaults Upon Senior Securities***

Not Applicable.

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

Set forth below is information concerning each matter submitted to a vote at our 2002 Annual Meeting of Stockholders held on May 23, 2002.

Election of Directors. Each of the following four persons was elected as a Class III Director, to hold office for a three-year term expiring at the 2005 Annual Meeting or until his successor has been duly elected and qualified, or until the earlier of his resignation, removal or disqualification:

Nominee	For	Withheld
Syrus P. Madavi	204,959,050	209,339
Steven P. Hanson	204,405,817	762,572
Jerome N. Gregoire	204,668,736	499,653
John W. Marren	204,996,997	201,392

2002 Executive Incentive Plan. A proposal to approve the 2002 Executive Incentive Plan was approved by the following votes:

For:	204,222,352
Against:	883,901
Abstain:	62,136

Amendment to Certificate of Incorporation. An amendment to the Restated Certificate of Incorporation to increase the authorized number of shares of common stock from 300,000,000 to 500,000,000 was approved by the following votes:

For:	202,956,279
Against:	2,149,720
Abstain:	62,390

Independent Accountants. Appointment of PricewaterhouseCoopers LLP, as our independent accountants, was ratified by the following votes:

For:	204,946,721
Against:	129,544
Abstain:	92,124

Item 5. ***Other Information***

For a discussion of the Motorola settlement see Note 10 “Related Party Transactions” in our Notes to Consolidated Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operation” elsewhere in this report.

Syrus P. Madavi resigned as our Executive Chairman on July 25, 2002, and resigned as our Chairman and as a member of our Board on August 9, 2002 to dedicate his full time attention to his recently announced positions as President and Chief Operating Officer of JDS Uniphase Corporation. On August 9, 2002, our Board elected J. Daniel McCranie as our Chairman of the Board.

Item 6. ***Exhibits and Reports on Form 8-K***

(a) Exhibits —

Exhibit 3.1(a)	Amended and Restated Certificate of Incorporation of ON Semiconductor Corporation as of August 1, 2002
Exhibit 3.1(b)	Certificate of Designations relating to the Series A Cumulative Convertible Preferred Stock
Exhibit 4.1	Purchase Agreement, dated May 1, 2002, among ON Semiconductor Corporation, Semiconductor Components Industries, LLC, Credit Suisse First Boston Corporation, Morgan Stanley & Co., Incorporated, J.P. Morgan Securities Inc., and Salomon Smith Barney Inc., relating to the 12% Senior Secured Notes due 2008
Exhibit 4.2	Indenture, dated as of May 6, 2002, among ON Semiconductor Corporation, Semiconductor Components Industries, LLC, SCG (Malaysia SMP) Holding Corporation, SCG (Czech) Holding Corporation, SCG (China) Holding Corporation, Semiconductor Components Industries Puerto Rico, Inc., SCG International Development LLC, Semiconductor Components Industries of Rhode Island, Inc., and Semiconductor Components Industries International of Rhode Island, Inc., and Wells Fargo Bank Minnesota, National Association, as trustee, relating to the 12% Senior Secured Notes due 2008
Exhibit 4.3	Form of 12% Senior Secured Note due 2008 of ON Semiconductor Corporation and Semiconductor Components Industries, LLC (“Initial Note”) (included as Exhibit A and Appendix A to the Indenture filed as Exhibit 4.2)
Exhibit 4.4	Form of 12% Senior Secured Note due 2008 of ON Semiconductor Corporation and Semiconductor Components Industries, LLC (“Exchange Note”) (included as Exhibit B and Appendix A to the Indenture filed as Exhibit 4.2)
Exhibit 4.5	Registration Rights Agreement, dated May 6, 2002, among ON Semiconductor Corporation, Semiconductor Components Industries, LLC, SCG (Malaysia SMP) Holding Corporation, SCG (Czech) Holding Corporation, SCG (China) Holding Corporation, Semiconductor Components Industries Puerto Rico, Inc., SCG International Development LLC, Semiconductor Components Industries of Rhode Island, Inc., and Semiconductor Components Industries International of Rhode Island, Inc., Credit Suisse First Boston Corporation, Morgan Stanley & Co., Incorporated, J.P. Morgan Securities Inc., and Salomon Smith Barney Inc., relating to the 12% Senior Secured Notes due 2008
Exhibit 10.1	ON Semiconductor 2002 Executive Incentive Plan (1)
Exhibit 10.2	Employee Incentive Plan January 2002 (1)
Exhibit 10.3	Amendment to Credit Agreement, dated as of April 17, 2002, among ON Semiconductor Corporation, Semiconductor Components Industries, LLC, JPMorgan Chase Bank, as administrative agent, collateral agent and syndication agent, Credit Lyonnais New York Branch, Credit Suisse First Boston and Lehman Commercial Paper Inc., as co-documentation agents, and the other financial institution parties thereto
Exhibit 10.4	Intercreditor Agreement, dated as of May 6, 2002, among J.P. Morgan Chase Bank, as credit agent, Wells Fargo Bank Minnesota, National Association, as trustee, ON Semiconductor Corporation and Semiconductor Components Industries, LLC
Exhibit 10.5	Security Agreement, dated as of May 6, 2002, among Semiconductor Components Industries, ON Semiconductor Corporation, the subsidiary guarantors of ON Semiconductor Corporation that are signatories thereto, and Wells Fargo Bank Minnesota, National Association, as trustee and collateral agent, relating to the 12% Senior Secured Notes due 2008
Exhibit 10.6	Pledge Agreement, dated as of May 6, 2002, among Semiconductor Components Industries, LLC, ON Semiconductor Corporation, the subsidiary pledgors of ON Semiconductor Corporation that are signatories thereto, and Wells Fargo Bank Minnesota, National Association, as trustee and collateral agent, relating to the 12% Senior

	Secured Notes due 2008
Exhibit 10.7	Collateral Assignment, dated as of May 6, 2002, between Semiconductor Components Industries, LLC and Wells Fargo Bank Minnesota, National Association, as trustee and collateral agent, relating to the 12% Senior Secured Notes due 2008
Exhibit 10.8	Joint Venture Contract for Leshan-Phoenix Semiconductor Company Limited, amended on June 25, 2002, among SCG (China) Holding Corporation, Leshan Radio Company Ltd, and Motorola (China) Investment Limited
Exhibit 99	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Management contract or compensatory plan or arrangement.

(b) Reports in Form 8-K –

During the second quarter of 2002 we filed six reports on Form 8-K (1) dated and filed April 2, 2002, (2) dated April 17, 2002 and filed April 18, 2002, (3) dated April 17, 2002 and filed April 18, 2002, (4) dated April 19, 2002 and filed April 22, 2002, (5) dated April 24, 2002 and filed April 25, 2002, and (6) dated May 6, 2002 and filed May 7, 2002. The April 2, 2002 report was filed pursuant to Items 5 and 7, reported the appointment of Syrus P. Madavi as Executive Chairman and Chairman of the Board, and included as an exhibit a news release dated April 2, 2002 titled “Industry Titan Joins ON Semiconductor.” The first April 17, 2002 report was filed pursuant to Items 5 and 7, reported first quarter results and provided second quarter guidance, and included as an exhibit a news release dated April 17, 2002 titled “ON Semiconductor Announces First Quarter Results and Provides Second Quarter Guidance.” The second April 17, 2002 report was filed pursuant to Items 5 and 7, reported a Rule 144A private offering of senior secured notes, and included as an exhibit a news release dated April 17, 2002 titled “ON Semiconductor Corporation Announces Rule 144A Private Offering of Senior Secured Notes.” The April 19, 2002 report was filed pursuant to Items 5 and 7, reported an agreement to amend senior bank facilities, and included as an exhibit a news release dated April 19, 2002 titled “ON Semiconductor Announces Agreement to Amend Senior Bank Facilities.” The April 24, 2002 report was filed pursuant to Items 5 and 7, reported the filing of shelf registration statement for common stock, and included as an exhibit a news release dated April 24, 2002 titled “ON Semiconductor Files Shelf Registration Statement for Common Stock.” The May 6, 2002 report was filed pursuant to Items 5 and 7, reported completion of a senior secured note offering, and included as an exhibit a news release dated May 6, 2002 titled “ON Semiconductor Completes Senior Secured Note Offering.”

SIGNATURES

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

Date: August 9, 2002

ON SEMICONDUCTOR CORPORATION
(Registrant)
/s/ JOHN T. KURTZWEIL

By: John T. Kurtzweil
Senior Vice President and Chief
Financial Officer
(Duly Authorized Officer and Principal Financial Officer of the Registrant)

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(1) Management contract or compensatory plan or arrangement.

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF ON SEMICONDUCTOR CORPORATION (AS OF AUGUST 1, 2002)

ON Semiconductor Corporation (hereinafter referred to as the "Corporation"), organized and existing under and by virtue of the Delaware General Corporation Law, does hereby certify as follows:

1. The Corporation filed its original Certificate of Incorporation (hereinafter referred to as the "Certificate of Incorporation") with the Secretary of State of Delaware on June 18, 1992, and the name of the Corporation at that time was Motorola Energy Systems, Inc.

2. By unanimous written consent of the Board of Directors of the Corporation, a resolution was duly adopted, pursuant to Sections 242 and 245 of the Delaware General Corporation Law, setting forth the Amended and Restated Certificate of Incorporation of the Corporation and declaring said Amended and Restated Certificate of Incorporation of the Corporation advisable. By written consent of the stockholders of the Corporation, a resolution was duly adopted, pursuant to Sections 228, 242 and 245 of the Delaware General Corporation Law, setting forth and approving such Amended and Restated Certificate of Incorporation of the Corporation.

RESOLVED: That the Certificate of Incorporation, as amended to date, be and hereby is amended and restated in its entirety as follows:

FIRST: The name of the corporation is:

ON Semiconductor Corporation.

SECOND: The registered office of the Corporation is to be located at 1209 Orange Street, in the City of Wilmington, in the County of New Castle, in the State of Delaware. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law.

FOURTH:

(1) The aggregate number of shares which the Corporation shall have authority to issue is 500,100,000 of which 100,000 of said shares shall be par value $0.01 and shall be designated Preferred Stock, and 500,000,000 of said shares shall be par value $0.01 per share and shall be designated Common Stock.

(2) Subject to the limitations and in the manner provided by law, shares of the Preferred Stock may be issued from time to time in series and the Board of Directors of the Corporation (hereinafter referred to as the "Board") is hereby authorized to establish and designate series of the Preferred Stock, to fix the number of shares constituting each series, and to fix the designations and the relative rights, preferences and limitations of the shares of each series and the variations in the relative rights, preferences and limitations as between series, and to increase and to decrease the number of shares constituting each series. Subject to the limitations and in the manner provided by law, the authority of the Board with respect to each series shall include but shall not be limited to the authority to determine the following:

(a) The designation of such series.

(b) The number of shares initially constituting such series.

(c) The increase and the decrease to a number not less than the number of the outstanding shares of such series, of the number of shares constituting such series theretofore fixed.

(d) The rate or rates and the times at which dividends on the shares of such series shall be paid, the form in which such dividends shall be paid or payable (which may include additional shares of capital stock of the Corporation) and whether or not such dividends shall be cumulative and, if such dividends shall be cumulative, the date or dates from and after which they shall accumulate; provided, however, that, if the stated dividends are not paid in full, the shares of all series of the Preferred Stock ranking pari passu shall share ratably in the payment of dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all dividends were declared and paid in full.

(e) Whether or not the shares of such series shall be redeemable and, if such shares shall be redeemable, the terms and conditions of such redemption, including but not limited to the date or dates upon or after which such shares shall be redeemable and the amount per share that shall be payable upon such redemption, which amount may vary under different conditions and at different redemption dates.

(f) The amount payable on the shares of such series in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation; provided, however, that the holders of such shares shall be entitled to be paid, or to have set apart for payment, not less than $0.01 per share before the holders of shares of the Common Stock or the holders of any other class or series of stock ranking junior to the Preferred Stock as to rights on liquidation shall be entitled to be paid any amount or to have any amount set apart for payment; and provided further, that, if the

amounts payable on liquidation are not paid in full, the shares of all series of the Preferred Stock ranking pari passu shall share ratably in any distribution of assets other than by way of dividends in accordance with the sums that would be payable in such distribution if all sums payable were discharged in full. A liquidation, dissolution or winding up of the Corporation, as such terms are used in this paragraph (f), shall not be deemed to be occasioned by or to include any consolidation or merger of the Corporation with or into any other corporation or other entity or corporations or other entities or a sale, lease or conveyance of all or a part of its assets.

(g) Whether or not the shares of such series shall have voting rights, in addition to the voting rights provided by law and, if such shares shall have such voting rights, the terms and conditions thereof, including but not limited to the right of the holders of such shares to vote as a separate class either alone or with the holders of shares of one or more other series of Preferred Stock and the right to have more than one vote per share.

(h) Whether or not a sinking fund shall be provided for the redemption of the shares of such series and, if such a sinking fund shall be provided, the terms and conditions thereof.

(i) Whether or not a purchase fund shall be provided for purchase of the shares of such series, and, if such a purchase fund shall be provided, the terms and conditions thereof.

(j) Whether or not the shares of such series shall have conversion or exchange privileges, and, if such shares shall have conversion or exchange privileges, the terms and conditions of conversion or exchange, including but not limited to any provision for the adjustment of the conversion rate or the conversion price and whether conversion or exchange can be effected solely by the Corporation or the holder.

(k) Any other relative rights, preferences and limitations.

(3) Except as otherwise provided by law or by the resolution or resolutions providing for the issuance of any series of Preferred Stock, the holders of outstanding shares of Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, each holder of record of shares of Common Stock being entitled to one vote for each share of Common Stock standing in such holder's name on the books of the Corporation.

FIFTH: The name and address of the incorporator is as follows:

Deborah J. Burmeister 1303 East Algonquin Road Schaumburg, Illinois 60196

SIXTH: Unless and except to the extent that the By-Laws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

SEVENTH: In furtherance and not in limitation of the powers conferred by law, the Board is expressly authorized and empowered to adopt, amend and repeal the By-Laws of the Corporation by a majority vote at any regular or special meeting of the Board or by written consent, subject to the power of the stockholders of the Corporation to amend or repeal any By-Law of the Corporation made by the Board. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or the By-Laws of the Corporation (and notwithstanding that a lesser percentage may be specified by law), the provisions of Article II, Sections 1, 2 and 5, Article III, Section 1, and Article VI of the By-Laws of the Corporation may not be amended or repealed, nor may any By-Law provision inconsistent therewith be adopted, by the stockholders of the Corporation, unless such action is approved by the affirmative vote of the holders of not less than sixty-six and two thirds percent (66 2/3%) of the voting power of all of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for purposes of this Article SEVENTH as a single class.

EIGHTH: The Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Amended and Restated Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article EIGHTH.

Notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or the By-Laws of the Corporation (and notwithstanding that a lesser percentage may be specified by law), the provisions of this Article EIGHTH, Article SEVENTH, Article NINTH, Article TENTH, Article ELEVENTH, Article TWELFTH, Article THIRTEENTH and Article FOURTEENTH hereof may not be amended or repealed, nor may any Certificate of Incorporation provision inconsistent therewith be adopted, by the stockholders of the Corporation unless such action is approved by the affirmative vote of the holders of not less than sixty-six and two thirds percent (66 2/3%) of the voting power of all of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for purposes of this Article EIGHTH as a single class.

NINTH: (1) The business and affairs of the Corporation shall be managed by or under the direction of a Board consisting of not fewer that six (6) nor more than eleven (11) directors (exclusive of directors referred to in the following paragraph), the exact number to be determined from time to time by resolution adopted by affirmative vote of a majority of such directors then in office. Upon the filing of this Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware, the directors shall be divided into three classes, designated Class I, Class II and Class III.

Each class shall consist, as nearly as may be possible, of one-third of the total number of directors determined by the Board pursuant to this Section (1). Class I directors shall serve for an initial term ending at the annual meeting of stockholders held in 2000, Class II directors for an initial term ending at the annual meeting of stockholders held in 2001 and Class III directors for an initial term ending at the annual meeting of stockholders held in 2002. At each annual meeting of stockholders beginning in 2000, successors to the directors in the class whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the number of such directors and the election, term of office, filling of vacancies and other features of such directorships shall be governed by the provisions of Article FOURTH of this Amended and Restated Certificate of Incorporation and any resolution or resolutions adopted by the Board pursuant thereto, and such directors shall not be divided into classes unless expressly so provided therein.

(2) Subject to the rights of the holders of any one or more classes or series of Preferred Stock issued by the Corporation, any director, or the entire Board, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of not less than sixty-six and two thirds percent (66 2/3%) of the voting power of all of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for purposes of this sentence as a single class. Any vacancy in the Board that results from an increase in the number of directors may be filled by a majority of the directors then in office, provided that a quorum is present, and any other vacancy may be filled only by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall hold office for the remaining term of his or her predecessor.

TENTH: No action required to be taken or that may be taken at any annual or special meeting of stockholders of the Corporation may be taken by stockholders of the Corporation except at such a meeting of stockholders.

ELEVENTH: The Corporation shall, to the full extent permitted by Section 145 of the Delaware General Corporation Law, as amended from time to time, indemnify all persons whom it may indemnify pursuant thereto.

TWELFTH: The Board shall have authority to authorize the issuance, from time to time without any vote or other action by the stockholders, of any or all shares of stock of the Corporation of any class at any time authorized, any securities convertible into or exchangeable for any such shares so authorized, and any warrant, option or right to purchase, subscribe for or otherwise acquire shares of stock of the Corporation for any such consideration and on such terms as the Board from time to time in its discretion lawfully may determine, which terms and conditions may include, without limitation, restrictions or conditions that preclude or limit the exercise, transfer or receipt thereof or that invalidate or void any such securities, warrants, options or rights; provided, however, that the consideration for the issuance of shares of stock of the Corporation having par value shall not be less than such par value. Stock so issued, for which the consideration has been paid to the Corporation, shall be fully paid stock, and the holders of such stock shall not be liable to any further call or assessments thereon. Nothing in this Article TWELFTH shall be interpreted to limit the authority of the Board under the Delaware General Corporation Law or under any other provision of this Amended and Restated Certificate of Incorporation, to authorize the issuance of shares, warrants, options or rights or other securities or to take any other action.

THIRTEENTH: The By-Laws of the Corporation may establish procedures regulating the submission by stockholders of nominations and proposals for consideration at meetings of stockholders of the Corporation.

FOURTEENTH: The provisions of Section 203 of the Delaware General Corporation Law shall not apply to or govern the Corporation.

FIFTEENTH: Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

SIXTEENTH: The personal liability of the directors of the Corporation is hereby eliminated to the fullest extent permitted by paragraph (7) of subsection (b) of Section 102 of the General Corporation Law of the State of Delaware, as the same may be amended or supplemented.

CERTIFICATE OF DESIGNATIONS
OF
SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK
OF
ON SEMICONDUCTOR CORPORATION
(PURSUANT TO SECTION 151 OF THE
DELAWARE GENERAL CORPORATION LAW)

ON Semiconductor Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), hereby certifies that the following resolutions were adopted by the Board of Directors of the Corporation (the "Board of Directors") pursuant to authority of the Board of Directors as required by Section 151 of the General Corporation Law of the State of Delaware:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors in accordance with the provisions of the Amended and Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the Board of Directors hereby creates a series of the Corporation's previously authorized preferred stock, $0.01 par value (the "Preferred Stock"), and hereby states the designation and number thereof, and fixes the voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions thereof, as follows:

Series A Cumulative Convertible Preferred Stock:

I. Designation and Amount

The designation of this series of shares shall be "Series A Cumulative Convertible Preferred Stock" (the "Series A Preferred Stock"); the stated value per share shall be $10,000 (the "Stated Value"); and the number of shares constituting such series shall be 10,000. The number of shares of the Series A Preferred Stock may be decreased from time to time by a resolution or resolutions of the Board of Directors or a duly authorized committee of the Board of Directors and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized; provided, however, that such number shall not be decreased below the aggregate number of shares of the Series A Preferred Stock then outstanding.

II. Rank

A. With respect to dividend rights, the Series A Preferred Stock shall rank (i) junior to each other class or series of Preferred Stock which by its terms ranks senior to the Series A Preferred Stock as to payment of dividends, (ii) on a parity with each other class or series of Preferred Stock which by its terms ranks on a parity with the Series A Preferred Stock as to payment of dividends, and (iii) prior to the Corporation's Common Stock, par value $0.01 per share (the "Common Stock"), and, except as specified above, all other classes and series of capital stock of the Corporation hereafter issued by the Corporation. With respect to dividends,

all equity securities of the Corporation to which the Series A Preferred Stock ranks senior, including the Common Stock, are collectively referred to herein as the "Junior Dividend Securities"; all equity securities of the Corporation with which the Series A Preferred Stock ranks on a parity, if any, are collectively referred to herein as the "Parity Dividend Securities"; and all equity securities of the Corporation to which the Series A Preferred Stock ranks junior, if any, are collectively referred to herein as the "Senior Dividend Securities."

B. With respect to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the Series A Preferred Stock shall rank (i) junior to each other class or series of Preferred Stock which by its terms ranks senior to the Series A Preferred Stock as to distribution of assets upon liquidation, dissolution or winding up, (ii) on a parity with each other class or series of Preferred Stock which by its terms ranks on a parity with the Series A Preferred Stock as to distribution of assets upon liquidation, dissolution or winding up of the Corporation, and (iii) prior to the Common Stock, and, except as specified above, all other classes and series of capital stock of the Corporation hereinafter issued by the Corporation. With respect to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, all equity securities of the Corporation to which the Series A Preferred Stock ranks senior, including the Common Stock, are collectively referred to herein as "Junior Liquidation Securities" (and together with the Junior Dividend Securities are referred to herein as the "Junior Securities"); all equity securities of the Corporation to which the Series A Preferred Stock ranks on parity, if any, are collectively referred to herein as "Parity Liquidation Securities" (and together with the Parity Dividend Securities are referred to herein as the "Parity Securities"); and all equity securities of the Corporation to which the Series A Preferred Stock ranks junior, if any, are collectively referred to herein as "Senior Liquidation Securities" (and together with the Senior Dividend Securities are referred to herein as the "Senior Securities").

C. The Series A Preferred Stock shall be subject to the creation of Junior Securities and Parity Securities, but no Senior Securities or additional Series A Preferred Stock shall be created except in accordance with the terms hereof, including, without limitation, Article VII, Section E.

III. Dividends

A. Dividends. Shares of Series A Preferred Stock shall accumulate dividends, payment of which shall be made in cash except as otherwise provided in this Article III, at a rate of 8.00% per annum or, if greater in any quarterly period, in an amount equal to the value of the dividends that would have been paid with respect to the shares of Common Stock into which such shares of Series A Preferred Stock could have been converted on the record date for the payment of such dividends with respect to the Common Stock. Dividends are due and shall be paid in four equal quarterly installments on the last day of March, June, September and December of each year (commencing December 31, 2001, it being understood that dividends shall be deemed to have accumulated from the Closing Date through December 31, 2001), or if any such date is not a Business Day, on the Business Day next preceding such day (each such date, regardless of whether any dividends have been paid or declared and set aside for payment on such date, a "Dividend Payment Date"), to holders of record (the "Registered Holders") as they appear on the stock record books of the Corporation on the fifteenth day prior to the

relevant Dividend Payment Date; provided, however, that the Corporation may elect not to declare or make any dividend payment due hereunder on any Dividend Payment Date (other than as required in connection with any redemption of shares of Series A Preferred Stock or any liquidation, dissolution or winding up of the Corporation), and any such amount then due in respect of dividends shall constitute an Arrearage (as defined below). Dividends shall be paid only when, as and if declared by the Board of Directors out of funds at the time legally available for the payment of dividends. Dividends shall begin to accumulate on outstanding shares of Series A Preferred Stock from the date of issuance and shall be deemed to accumulate from day to day whether or not earned or declared until paid. Dividends shall accumulate on the basis of a 360-day year consisting of twelve 30-day months (four 90-day quarters) and the actual number of days elapsed in the period for which payable.

B. Accumulation. Dividends on the Series A Preferred Stock shall be cumulative, and from and after any Dividend Payment Date on which any dividend that has accumulated or been deemed to have accumulated through such date has not been paid in full or any payment date set for a redemption on which such redemption payment has not been paid in full, additional dividends shall accumulate in respect of the amount of such unpaid dividends or unpaid redemption payment (such amount, the "Arrearage") as provided in Section A of this Article III (or such lesser rate as may be the maximum rate that is then permitted by applicable law). Such additional dividends in respect of any Arrearage shall be deemed to accumulate from day to day whether or not earned or declared until the Arrearage is paid, shall be calculated as of such successive Dividend Payment Date and shall constitute an additional Arrearage from and after any such successive Dividend Payment Date to the extent not paid on such Dividend Payment Date. References in any Article herein to dividends that have accumulated or that have been deemed to have accumulated with respect to the Series A Preferred Stock shall include the amount, if any, of any Arrearage together with any dividends accumulated or deemed to have accumulated on such Arrearage pursuant to the immediately preceding two sentences. Additional dividends in respect of any Arrearage may be declared and paid at any time, in whole or in part, without reference to any regular Dividend Payment Date, to Registered Holders as they appear on the stock record books of the Corporation on such record date as may be fixed by the Board of Directors (which record date shall be no less than 10 days prior to the corresponding payment date).

C. Method of Payment. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accumulated and payable on all outstanding shares of Series A Preferred Stock shall be allocated pro rata on a share-by-share basis among all such shares then outstanding. Any such partial payment shall be made in cash. Dividends that are declared and paid in an amount less than the full amount of dividends accumulated on the Series A Preferred Stock (and on any Arrearage) shall be applied first to the earliest dividend which has not theretofore been paid. All cash payments of dividends on the shares of Series A Preferred Stock shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

IV. Liquidation Preference

In the event of a liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of then-outstanding shares of Series A Preferred

Stock shall be entitled to receive out of the assets of the Corporation, whether such assets are capital or surplus of any nature, an amount per share equal to the greater of (i) the sum of (A) the dividends, if any, accumulated or deemed to have accumulated thereon to the date of final distribution to such holders, whether or not such dividends are declared, and (B) the Stated Value thereof, and (ii) the amount that would be payable to holders of the Series A Preferred Stock if the shares of Series A Preferred Stock had been converted into shares of Common Stock immediately prior to such liquidation, dissolution or winding up, and no more, before any payment shall be made or any assets distributed to the holders of any Junior Liquidation Securities. After any such payment in full, the holders of Series A Preferred Stock shall not, as such, be entitled to any further participation in any distribution of assets of the Corporation. All the assets of the Corporation available for distribution to stockholders after the liquidation preferences of any Senior Liquidation Securities, if any, shall be distributed ratably (in proportion to the full distributable amounts to which holders of Series A Preferred Stock and Parity Liquidation Securities, if any, are respectively entitled upon such dissolution, liquidation or winding up) among the holders of the then-outstanding shares of Series A Preferred Stock and Parity Liquidation Securities, if any, when such assets are not sufficient to pay in full the aggregate amounts payable thereon.

Neither a consolidation or merger of the Corporation with or into any other Person or Persons, nor a sale, conveyance, lease, exchange or transfer of all or part of the Corporation's assets for cash, securities or other property to a Person or Persons shall be deemed to be a liquidation, dissolution or winding up of the Corporation for purposes of this Article IV entitling the Series A Preferred Stock to a liquidation preference hereunder, but the holders of shares of Series A Preferred Stock shall nevertheless be entitled from and after any such consolidation, merger or sale, conveyance, lease, exchange or transfer of all or part of the Corporation's assets to the rights in respect of a liquidation provided by this Article IV following any such transaction. Notice of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable to each holder of shares of Series A Preferred Stock in such circumstances shall be payable, shall be given by first-class mail, postage prepaid, mailed not less than 45 days prior to any payment date stated therein, to holders of record as they appear on the stock record books of the Corporation as of the date such notices are first mailed.

V. Mandatory Redemption

A. Mandatory Redemption. The Series A Preferred Stock shall not be redeemable except as provided in this Article V. At any time on or after the eighth anniversary of the original issuance of the Series A Preferred Stock, the Series A Preferred Stock, shall, to the extent that the Corporation shall have funds legally available therefore, be redeemable in whole or in part at the option of the holders of the Series A Preferred Stock at a redemption price per share in cash (the "Mandatory Redemption Price") equal to the greater of (i) Stated Value plus all unpaid dividends accumulated thereon to the date of actual payment of the Mandatory Redemption Price, whether or not such dividends have been declared and (ii) 50% of the Current Market Price of the Conversion Shares and other assets and property, if any, into which one share of Series A Preferred Stock is then convertible, in each case determined as of the Mandatory Redemption Date.

B. Mandatory Redemption Notice and Redemption Procedures. If any holder of Series A Preferred Stock desires to exercise such holder's redemption right pursuant to Section A of this Article V, such holder shall give written notice to the Corporation stating such holder's election and specifying the number of shares to be redeemed pursuant to Section A of this Article V (the "Mandatory Redemption Notice"). Within 10 days after the receipt of such Mandatory Redemption Notice, the Corporation shall give written notice to such holder, by first-class mail, postage prepaid, at such holder's address as it appears on the records of the Company:

(i) notifying such holder of the date fixed for redemption (which shall not be later than 30 days after the receipt by the Corporation of the Mandatory Redemption Notice) (the "Mandatory Redemption Date");

(ii) stating that the Series A Preferred Stock may be converted until the close of business on the Business Day prior to the Mandatory Redemption Date by surrendering to the Corporation or its transfer agent for the Series A Preferred Stock the certificate or certificates for the shares to be converted, accompanied by written notice specifying the number of shares to be converted, and stating the name and address of the transfer agent of the Series A Preferred Stock, if any; and

(iii) stating that dividends shall cease to accrue on the Mandatory Redemption Date unless the Corporation defaults in the payment of the Mandatory Redemption Price.

The Corporation shall redeem the number of shares of Series A Preferred Stock so specified in the Mandatory Redemption Notice on the Mandatory Redemption Date.

C. Change of Control. In the event there occurs a Change of Control, any holder of record of shares of Series A Preferred Stock, in accordance with the procedures set forth in Section D of this Article V, may require the Corporation to redeem any or all of the shares of Series A Preferred Stock held by such holder in an amount per share equal to the sum of (i) the amount, if any, of all unpaid dividends accumulated thereon to the date of actual payment thereof, whether or not such dividends have been declared, and (ii) 101% of Stated Value (the "Change of Control Price").

D. Change of Control Notice and Redemption Procedures. Notice of any Change of Control shall be sent to the holders of record of the outstanding shares of Series A Preferred Stock not more than ten days following a Change of Control, which notice (a "Change of Control Notice") shall describe the transaction or transactions constituting such Change of Control and set forth each holder's right to require the Corporation to redeem any or all shares of Series A Preferred Stock held by him or her out of funds legally available therefor, the redemption date, which date shall be not more than 30 days from the date of such Change of Control Notice (the "Change of Control Redemption Date"), and the procedures to be followed by such holders in exercising his or her right to cause such redemption; provided, however, that if shares of Series A Preferred Stock are owned by more than 50 holders or groups of Affiliated holders and if the Series A Preferred Stock is listed on any national securities exchange or quoted on any national quotation system, the Corporation shall give such Change of Control Notice by publication in a newspaper of general circulation in the Borough of Manhattan, The City of New York, within 30 days following such Change of Control and, in any case, a similar notice shall be

mailed concurrently to each holder of shares of Series A Preferred Stock. Failure by the Corporation to give the Change of Control Notice as prescribed by the preceding sentence, or the formal insufficiency of any such Change of Control Notice, shall not prejudice the rights of any holder of shares of Series A Preferred Stock to cause the Corporation to redeem any such shares held by him or her. In the event a holder of shares of Series A Preferred Stock shall elect to require the Corporation to redeem any or all such shares of Series A Preferred Stock pursuant to Section C of this Article V, such holder shall deliver, prior to the Change of Control Redemption Date as set forth in the Change of Control Notice, or, if the Change of Control Notice is not given as required by this Section D, at any time following the last day the Corporation was required to give the Change of Control Notice in accordance with this Section D (in which case the Change of Control Redemption Date shall be the date which is the later of (x) 30 days following the last day the Corporation was required to give the Change of Control Notice in accordance with this Section D and (y) 15 days following the delivery of such election by such holder), a written notice, in the form specified by the Corporation (if the Corporation did in fact give the notice required by this Section D), to the Corporation so stating, and specifying the number of shares to be redeemed pursuant to Section C of this Article V; provided, however, that if all of the shares of the Series A Preferred Stock are owned by 50 or fewer holders or groups of Affiliated holders, such holders or groups may deliver a notice or an election to redeem at any time within 90 days following the occurrence of a Change of Control without awaiting receipt of a Change of Control Notice or the expiration of the time allowed for the delivery of a Change of Control Notice hereunder. The Corporation shall redeem the number of shares so specified on the Change of Control Redemption Date fixed by the Corporation or as provided in the preceding sentence. The Corporation shall comply with the requirements of Rules 13e-4 and 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the shares of Series A Preferred Stock as a result of a Change of Control. From and after the time the Change of Control Redemption Price is paid in accordance with the terms hereof with respect to any share of Series A Preferred Stock, all dividends on such share of Series A Preferred Stock shall cease to accumulate and all rights of the holder thereof as a holder of Series A Preferred Stock shall cease and terminate.

E. Deposit of Funds. The Corporation shall, no later than 11:00 a.m., New York City time, on any Mandatory Redemption Date or Change of Control Redemption Date pursuant to this Article V, deposit with its transfer agent or other redemption agent in the Borough of Manhattan, The City of New York having a capital and surplus of at least $500,000,000, as a trust fund for the benefit of the holders of the shares of Series A Preferred Stock to be redeemed, cash that is sufficient in amount to redeem the shares to be redeemed in accordance with the Mandatory Redemption Notice or Change of Control Notice, with irrevocable instructions and authority to such transfer agent or other redemption agent to pay to the respective holders of such shares, as evidenced by a list of such holders certified by an officer of the Corporation, the Mandatory Redemption Price or Change of Control Redemption Price, as the case may be, upon surrender of their respective share certificates. Such deposit shall be deemed to constitute full payment of such shares to the holders, and from and after the date of such deposit, all rights of the holders of the shares of Series A Preferred Stock that are to be redeemed as stockholders of the Corporation with respect to such shares, except the right to receive the Mandatory Redemption Price or Change of Control Price, as applicable, upon the surrender of their respective certificates and all rights under Articles VIII and X, shall cease and terminate. In case

holders of any shares of Series A Preferred Stock called for redemption shall not, within two years after such deposit, claim the cash deposited for redemption thereof, such transfer agent or other redemption agent shall, upon demand, pay over to the Corporation the balance so deposited. Thereupon, such transfer agent or other redemption agent shall be relieved of all responsibility to the holders thereof and the sole right of such holders, with respect to shares to be redeemed, shall be to receive the Mandatory Redemption Price or Change of Control Price, as applicable, as general creditors of the Corporation. Any interest accrued on any funds so deposited shall belong to the Corporation, and shall be paid to it from time to time on demand.

VI. Restrictions on Dividends

So long as any shares of the Series A Preferred Stock are outstanding, the Board of Directors shall not declare, and the Corporation shall not pay or set apart for payment any dividend on any Junior Securities or Parity Securities or make any payment on account of, or set apart for payment money for a sinking or other similar fund for, the repurchase, redemption or other retirement of, any Junior Securities or Parity Securities or any warrants, rights or options exercisable for or convertible into any Junior Securities or Parity Securities (other than the repurchase, redemption or other retirement of debentures or other debt securities that are convertible or exchangeable into any Junior Securities or Parity Securities), or make any distribution in respect of the Junior Securities or Parity Securities, either directly or indirectly, and whether in cash, obligations or shares of the Corporation or other property (other than distributions or dividends in Junior Securities to the holders of Junior Securities), and shall not permit any Person directly or indirectly controlled by the Corporation to purchase or redeem any Junior Securities or Parity Securities or any warrants, rights, calls or options exercisable for or convertible into any Junior Securities or Parity Securities (other than the repurchase, redemption or other retirement of debentures or other debt securities that are convertible or exchangeable into any Junior Securities or Parity Securities) unless prior to or concurrently with such declaration, payment, setting apart for payment, repurchase, redemption or other retirement or distribution, as the case may be, all accumulated and unpaid dividends on shares of the Series A Preferred Stock not paid on the dates provided for in Section A of Article III (including Arrearages and accumulated dividends thereon and regardless of whether the Corporation shall have had the right to elect to defer such payments as provided for in Article III) shall have been paid, except that when dividends are not paid in full as aforesaid upon the shares of Series A Preferred Stock, all dividends declared on the Series A Preferred Stock and any series of Parity Dividend Securities shall be declared and paid pro rata so that the amount of dividends so declared and paid on Series A Preferred Stock and such series of Parity Dividend Securities shall in all cases bear to each other the same ratio that accumulated dividends (including interest accrued on or additional dividends accumulated in respect of such accumulated dividends) on the shares of Series A Preferred Stock and such Parity Dividend Securities bear to each other. Notwithstanding the foregoing, this paragraph shall not prohibit (i) the acquisition, repurchase, exchange, conversion, redemption or other retirement for value of shares of Series A Preferred Stock or any Parity Dividend Security by the Corporation in accordance with the terms of such securities or (ii) the acquisition, repurchase, exchange, conversion, redemption or other retirement for value by the Corporation of any Junior Dividend Securities by the Corporation in accordance with obligations in existence at the time of original issuance of the Series A Preferred Stock.

VII. Voting Rights

A. The holders of shares of Series A Preferred Stock shall have no voting rights except as set forth below or as otherwise from time to time required by law.

B. So long as any shares of the Series A Preferred Stock are outstanding, each share of Series A Preferred Stock shall entitle the holder thereof to vote on all matters voted on by holders of Common Stock, and the shares of Series A Preferred Stock shall vote together with shares of Common Stock as a single class. With respect to any such vote, each share of Series A Preferred Stock shall entitle its holder to a number of votes equal to the number of shares of Common Stock into which such share of Series A Preferred Stock would be convertible at the time of the record date with respect to such vote (assuming all conditions precedent to such conversion have been satisfied and that such conversion had occurred as of the record date for such vote), assuming for purposes of this Section B only, and without prejudice to any other provision of this Certificate of Designations, that the Conversion Price for purposes of determining such number of shares of Common Stock is $3.19, which price shall be adjusted, mutatis mutandis, as set forth in Section B of Article VIII.

C. So long as the Investor or any of its Affiliates Beneficially Owns, in the aggregate, at least 50% of the Series A Preferred Stock, in the event that one or more of the Investor Nominees required to be designated for election to the Board of Directors pursuant to the Investment Agreement are not so designated or are not elected to the Board of Directors, then the number of directors constituting the Board of Directors shall, without further action, be increased by the number of such Investor Nominees not elected to the Board of Directors pursuant to the Investment Agreement, or if such requisite increase in the number of directors constituting the Board of Directors would require the approval of the Corporation's stockholders or is prohibited by the Investment Agreement, then the number of directors constituting the Board of Directors shall be increased to the extent the approval of the Corporation's stockholders is not required and the Investment Agreement would not be breached and a number of directors (other than Investor Nominees) shall resign from the Board of Directors, so as to enable the Investor and its Affiliates to designate as directors the number of Investor Nominees not elected to the Board of Directors pursuant to the Investment Agreement, and the Investor and its Affiliates shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a single class, to elect a number of directors to the Board of Directors equal to the number of such Investor Nominees not elected to the Board of Directors. Directors elected pursuant to this Section C shall continue as directors and such additional voting right shall continue until such time as the requisite number of Investor Nominees are elected to the Board of Directors pursuant to the Investment Agreement, at which time the directors elected by the Investor and its Affiliates pursuant to this Section C shall cease to be directors (unless elected as Investor Nominees), and such additional voting rights shall terminate subject to revesting in the event of each and every subsequent event of the character indicated above.

D. (a) The foregoing rights of holders of shares of Series A Preferred Stock to take any action as provided in this Article VII may be exercised at any annual meeting of stockholders or at a special meeting of stockholders held for such purpose as hereinafter provided or at any adjournment thereof, or by the written consent, delivered to the Secretary of the Corporation, of the holders of the minimum number of shares required to take such action.

So long as such right to vote continues (and unless such right has been exercised by written consent of the minimum number of shares required to take such action), the Chairman of the Board of Directors may call, and upon the written request of holders of record of 20% of the outstanding shares of Series A Preferred Stock, addressed to the Secretary of the Corporation at the principal office of the Corporation, shall call, a special meeting of the holders of shares entitled to vote as provided herein. Such meeting shall be held as soon as reasonably practicable after delivery of such request to the Secretary, at the place and upon the notice provided by law and in the By-laws for the holding of meetings of stockholders.

(b) Each director elected pursuant to Section C of this Article VII shall serve until the next annual meeting or until his or her successor shall be elected and shall qualify, unless the director's term of office shall have terminated pursuant to the provisions of Section C hereof. In case any vacancy shall occur among the directors elected pursuant to Section C hereof, such vacancy shall be filled for the unexpired portion of the term by vote of the remaining director or directors theretofore elected pursuant to Section C of this Article VII (or such director's or directors' successor in office), if any. If any such vacancy is not so filled within 20 days after the creation thereof or if all of the directors so elected shall cease to serve as directors before their term shall expire, the holders of the shares of Series A Preferred Stock then outstanding and entitled to vote for such director pursuant to the provisions of Section C of this Article VII may elect successors to hold office for the unexpired terms of any vacant directorships, by written consent as provided herein, or at a special meeting of such holders called as provided herein. The holders of a majority of the shares entitled to vote for directors pursuant to Section C of this Article VII shall have the right to remove with or without cause at any time and replace any directors such holders have elected pursuant to such section, by written consent as herein provided, or at a special meeting of such holders called as provided herein.

E. Without the consent or affirmative vote of the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting separately as a class, the Corporation shall not: (i) authorize, create or issue, or increase the authorized amount of, (a) any Senior Securities or additional Series A Preferred Stock or (b) any class or series of capital stock or any security convertible into or exercisable for any class or series of capital stock, that is redeemable mandatorily or redeemable at the option of the holder thereof at any time on or prior to the redemption of the Series A Preferred Stock (whether or not only upon the occurrence of a specified event); (ii) amend, alter or repeal any provision of the Certificate of Incorporation or the By-laws, if the amendment, alteration or repeal alters or changes the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely; or (iii) authorize or take any other action if such action would be inconsistent with the provisions of this Certificate of Designations.

F. Other Securities. Subject to Section G of Article X, the Corporation shall not, from and after the date of the original issuance of the Series A Preferred Stock, enter into any agreement, amend or modify any existing agreement or obligation, or issue any security that prohibits, conflicts or is inconsistent with, or would be breached by, the Corporation's performance of its obligations hereunder.

VIII. Conversion

A. Conversion. (a) At the option and election of the holder thereof, each share of Series A Preferred Stock, including all unpaid dividends accumulated thereon to the Conversion Date (as defined below), whether or not such dividends have been declared, may be converted in the manner provided herein at any time into fully paid and nonassessable shares of Common Stock. As of the Conversion Date with respect to a share of Series A Preferred Stock, subject to subsections (d) and (e) of this Section A, such share shall be converted into that number of shares of Common Stock equal to the quotient of (i) the sum of (A) the Stated Value plus (B) all unpaid dividends accumulated on such share of Series A Preferred Stock to the Conversion Date whether or not such dividends have been declared, divided by (ii) the Conversion Price in effect on the Conversion Date.

(b) Conversion of shares of the Series A Preferred Stock may be effected by any holder thereof upon the surrender to the Corporation at the principal office of the Corporation or at the office of any agent or agents of the Corporation, as may be designated by the Board of Directors of the Corporation and identified to the holders in writing upon such designation, of the certificate for such shares of Series A Preferred Stock to be converted accompanied by a written notice stating that such holder elects to convert all or a specified whole number of shares represented by such certificate in accordance with the provisions of this Section A and specifying the name or names in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. In case such notice shall specify a name or names other than that of such holder, such notice shall be accompanied by payment of all transfer taxes payable upon the issuance of shares of Common Stock in such name or names. Other than such taxes, the Corporation will pay any and all issue and other taxes (other than taxes based on income) that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of Series A Preferred Stock pursuant hereto. As promptly as practical, and in any event within three Business Days after the Conversion Date, the Corporation shall deliver or cause to be delivered as directed by the holder of shares of Series A Preferred Stock being converted (i) certificates representing the number of validly issued, fully paid and nonassessable full shares of Common Stock to which such holder shall be entitled to, (ii) any cash that is required to be paid pursuant to subsection (d) of this Section A, and (iii) if less than the full number of shares of Series A Preferred Stock evidenced by the surrendered certificate or certificates is being converted, a new certificate or certificates, of like tenor, for the number of shares of Series A Preferred Stock evidenced by such surrendered certificate or certificates less the number of shares of Series A Preferred Stock being converted. Such conversion shall be deemed to have occurred at the close of business on the date (the "Conversion Date") of the giving of such notice by the holder of the Series A Preferred Stock to be converted and of such surrender of the certificate or certificates representing the shares of Series A Preferred Stock to be converted so that as of such time the rights of the holder thereof as to the shares being converted shall cease except for the right to receive shares of Common Stock and/or cash in accordance herewith, and the person entitled to receive the shares of Common Stock issued as a result of such conversion shall be treated for all purposes as having become the holder of such shares of Common Stock at such time.

(c) In the event that the Series A Preferred Stock is to be redeemed pursuant to Article V, from and after the Mandatory Redemption Date or Change of Control Redemption

Date, as applicable, the right of a holder to convert shares of Series A Preferred Stock pursuant to this Section A shall cease and terminate, except if the Corporation shall default in payment of the Mandatory Redemption Price on the Mandatory Redemption Date or the Change of Control Redemption Price on the Change of Control Redemption Date, in which case all such rights shall continue unless and until such shares are redeemed and such price is paid in full in accordance with the terms hereof. Notwithstanding anything in the foregoing to the contrary, if the Conversion Date shall occur with respect to any shares of Series A Preferred Stock on or prior to any Mandatory Redemption Date or Change of Control Redemption Date, such shares of Series A Preferred Stock shall be converted by the Corporation into Common Stock in the manner provided in this Section A.

(d) In connection with the conversion of any shares of Series A Preferred Stock, no fractions of shares of Common Stock shall be issued, but in lieu thereof the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Closing Price per share of Common Stock on the Conversion Date (or on the Trading Day immediately preceding the Conversion Date, if the Conversion Date is not a Trading Day). If more than one share of Series A Preferred Stock shall be surrendered for conversion by the same holder on the same Conversion Date, the number of full shares of Common Stock issuable on conversion thereof shall be computed on the basis of the total number of shares of Series A Preferred Stock so surrendered.

(e) To the extent the Series A Shareholder Approval is required to be obtained pursuant to applicable rules, interpretations, rulings or determinations of Nasdaq, then notwithstanding anything to the contrary in this Section A, in the event that a Conversion Date with respect to a share of Series A Preferred Stock occurs on a date before which the Series A Shareholder Approval has been obtained, the number of shares of Common Stock into which such share of Series A Preferred Stock shall be converted shall not exceed the quotient of (i) the number of shares of Common Stock that is equal to 19.9% of the number of shares of Common Stock outstanding on the Closing Date (as adjusted for any stock split, reverse stock split, stock dividend or similar event) divided by (ii) 10,000, and upon delivery of such shares of Common Stock in accordance with the terms hereof, the Corporation shall pay in cash to the holder of such share of Series A Preferred Stock the amount, if any, equal to the Closing Price of the Common Stock on the Conversion Date (or, if the Conversion Date is not a Trading Day, the immediately preceding Trading Day) multiplied by the number of shares of Common Stock that would have been received upon conversion pursuant to this Article VIII that is in excess of the actual number of shares of Common Stock received as a result of the operation of this subsection (e).

(f) The Corporation shall at all times reserve and keep available for issuance upon the conversion of the Series A Preferred Stock in accordance with the terms hereof, such number of its authorized but unissued shares of Common Stock as will from time to time be sufficient to permit the conversion of all outstanding shares of Series A Preferred Stock, and shall take all action required to increase the authorized number of shares of Common Stock if necessary to permit the conversion of all outstanding shares of Series A Preferred Stock.

B. Adjustment of Conversion Price. Except in connection with an Organic Change, which shall be subject to Section C below, the Conversion Price shall be subject to adjustment from time to time as follows:

(a) Stock Dividends. In case the Corporation after the date of the original issuance of the Series A Preferred Stock shall pay a dividend or make a distribution to all holders of shares of Common Stock in shares of Common Stock, then in any such case the Conversion Price in effect at the opening of business on the day following the record date for the determination of stockholders entitled to receive such dividend or distribution shall be reduced to a price obtained by multiplying such Conversion Price by a fraction of which (x) the numerator shall be the number of shares of Common Stock outstanding at the close of business on such record date and (y) the denominator shall be the sum of such number of shares of Common Stock outstanding and the total number of shares of Common Stock constituting such dividend or distribution, such reduction to become effective immediately after the opening of business on the day following such record date. For purposes of this subsection (a), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Corporation will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Corporation.

(b) Stock Splits and Reverse Splits. In case after the date of the original issuance of the Series A Preferred Stock outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case after the original issuance of the Series A Preferred Stock outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(c) Issuances Below Market. (i) If the Corporation after the date of the original issuance of the Series A Preferred Stock issues Common Stock without consideration or at a price per share (such no consideration or price per share, the "New Price Per Share") less than either (A) the Closing Price of the Common Stock on the Trading Day immediately preceding the date of such issuance of Common Stock or (B) the Conversion Price in effect immediately preceding such issuance of Common Stock, then the Conversion Price shall be adjusted effective immediately following such issuance of Common Stock to a price obtained by multiplying such Conversion Price by a fraction of which (x) the numerator shall be the number of shares of Common Stock outstanding immediately preceding such issuance of Common Stock plus the number of shares of Common Stock that the aggregate consideration received from such issuance of Common Stock would purchase at (1) if the New Price Per Share is less than both the Closing Price specified in clause (A) and the Conversion Price specified in clause (B), the higher of such prices or (2) if the New Price Per Share is less than either the Closing Price specified in clause (A) or the Conversion Price specified in clause (B) but not both, such price that the New Price Per Share is lower than, and (y) the denominator shall be the number of shares of Common Stock outstanding immediately preceding such issuance of Common Stock plus the number of additional shares of Common Stock so issued; provided, however, that no adjustment shall be made if such Common Stock is issued to holders of Common Stock and the Corporation issues or distributes to each holder of Series A Preferred Stock the Common Stock that each such

holder would have been entitled to receive had the Series A Preferred Stock held by such holder been converted prior to such issuance of such Common Stock. For the purposes of this subsection (c)(i), the number of shares of Common Stock at any time outstanding shall not include shares held in treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractional shares of Common Stock.

(ii) If the Corporation after the date of the original issuance of the Series A Preferred Stock issues Derivative Securities entitling Persons to subscribe for or acquire Common Stock, in each case at a New Price Per Share less than either (A) the Closing Price of the Common Stock on the Trading Day immediately preceding the date of such issuance of Derivative Securities or (B) the Conversion Price in effect immediately preceding such issuance of Derivative Securities, then the Conversion Price shall be adjusted effective immediately following such issuance of Derivative Securities to a price obtained by multiplying such Conversion Price by a fraction of which (x) the numerator shall be the number of shares of Common Stock outstanding immediately preceding such issuance of Derivative Securities plus the number of shares of Common Stock that the aggregate consideration received from the exercise, conversion or exchange of such Derivatives Securities would purchase at (1) if the New Price Per Share is less than both the Closing Price specified in clause (A) and the Conversion Price specified in clause (B), the higher of such prices or (2) if the New Price Per Share is less than either the Closing Price specified in clause (A) or the Conversion Price specified in clause (B) but not both, such price that the New Price Per Share is lower than, and (y) the denominator shall be the number of shares of Common Stock outstanding immediately preceding such issuance of Derivative Securities plus the number of additional shares of Common Stock for or into which such Derivative Securities are exercisable, convertible or exchangeable; provided, however, that no adjustment shall be made if such Derivative Securities are issued to holders of Common Stock and the Corporation issues or distributes to each holder of Series A Preferred Stock the Derivative Securities that each such holder would have been entitled to receive had the Series A Preferred Stock held by such holder been converted prior to such issuance of Derivative Securities. For the purposes of this subsection (c)(ii), the number of shares of Common Stock at any time outstanding shall not include shares held in treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractional shares of Common Stock. The Corporation shall not issue any Derivative Securities in respect of shares of Common Stock held in the treasury of the Corporation. Rights or warrants issued by the Corporation to all holders of Common Stock entitling the holders thereof to subscribe for or purchase Equity Securities, which rights or warrants (A) are deemed to be transferred with such shares of Common Stock, (B) are not exercisable and (C) are also issued in respect of future issuances of Common Stock, including shares of Common Stock issued upon conversion of shares of Series A Preferred Stock, in each case in clauses (A) through (C) until the occurrence of a specified event or events (a "Trigger Event"), shall for purposes of this subsection (c)(ii) not be deemed issued until the occurrence of the earliest Trigger Event.

(iii) If (A) the exercise price provided for in any Derivative Securities referred to in subsection (c)(ii) above, (B) the additional consideration, if any, payable upon the conversion or exchange of any Derivative Securities referred to in subsection (c)(ii) above or (C) the rate at which any such Derivative Securities referred to in subsection (c)(ii) above are convertible into or exchangeable for Common Stock shall change at any time (other than under or by reason of provisions designed to protect against dilution upon an event which results in a

related adjustment pursuant to this Article VIII), the Conversion Price then in effect shall forthwith be readjusted (effective only with respect to the conversion of Series A Preferred Stock after such readjustment) to the Conversion and Price that would then be in effect had the adjustment made upon the issuance, sale, distribution or granting of such Derivative Securities been made based upon such changed purchase price, additional consideration or conversion rate, as the case may be, but only with respect to such Derivative Securities as then remain outstanding.

(d) Special Dividends. In case the Corporation after the date of the original issuance of the Series A Preferred Stock shall distribute to all holders of shares of Common Stock evidences of its indebtedness or assets (excluding any regular periodic cash dividend but including any extraordinary cash dividend), Equity Securities (other than Common Stock) or rights to subscribe (excluding those referred to in subsection (c) above) for Equity Securities other than Common Stock, in each such case the Conversion Price in effect immediately prior to the close of business on the record date for the determination of stockholders entitled to receive such distribution shall be adjusted to a price obtained by multiplying such Conversion Price by a fraction of which (x) the numerator shall be the Closing Price per share of Common Stock on such record date, less the then-current fair market value as of such record date (as determined by the Board of Directors in its good faith judgment) of the portion of assets or evidences of indebtedness or Equity Securities or subscription rights so distributed applicable to one share of Common Stock, and (y) the denominator shall be such Closing Price, such adjustment to become effective immediately prior to the opening of business on the day following such record date; provided, however, that no adjustment shall be made (1) if the Corporation issues or distributes to each holder of Series A Preferred Stock the subscription rights referred to above that each such holder would have been entitled to receive had the Series A Preferred Stock held by such holder been converted prior to such record date or (2) if the Corporation grants to each such holder the right to receive, upon the conversion of the Series A Preferred Stock held by such holder at any time after the distribution of the evidences of indebtedness or assets or Equity Securities referred to above, the evidences of indebtedness or assets or Equity Securities that such holder would have been entitled to receive had such Series A Preferred Stock been converted prior to such record date. The Corporation shall provide any holder of Series A Preferred Stock, upon receipt of a written request therefor, with any indenture or other instrument defining the rights of the holders of any indebtedness, assets, subscription rights or Equity Securities referred to in this subsection (d). Rights or warrants issued by the Corporation to all holders of Common Stock entitling the holders thereof to subscribe for or purchase Equity Securities, which rights or warrants (i) are deemed to be transferred with such shares of Common Stock, (ii) are not exercisable and (iii) are also issued in respect of future issuances of Common Stock, including shares of Common Stock issued upon conversion of shares of Series A Preferred Stock, in each case in clauses (i) through (iii) until the occurrence of a Trigger Event, shall for purposes of this subsection (d) not be deemed issued until the occurrence of the earliest Trigger Event.

(e) Tender or Exchange Offer. In case a tender or exchange offer made by the Corporation or any subsidiary of the Corporation for all or any portion of the Common Stock shall be consummated and such tender offer shall involve an aggregate consideration having a fair market value (as determined by the Board of Directors in its good faith judgment) at the last time (the "Offer Time") tenders may be made pursuant to such tender or exchange offer (as it

may be amended) that, together with the aggregate of the cash plus the fair market value (as determined by the Board of Directors in its good faith judgment), as of the Offer Time, of consideration payable in respect of any tender or exchange offer by the Corporation or any such subsidiary for all or any portion of the Common Stock consummated within the 12 months preceding the Offer Time and in respect of which no Conversion Price adjustment pursuant to this subsection (e) has been made, exceeds 5% of the product of the Closing Price of the Common Stock at the Offer Time multiplied by the number of shares of Common Stock outstanding (including any tendered shares) at the Offer Time, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the Offer Time by a fraction of which (x) the numerator shall be (i) the product of the Closing Price of the Common Stock at the Offer Time multiplied by the number of shares of Common Stock outstanding (including any tendered shares) at the Offer Time minus (ii) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered and not withdrawn as of the Offer Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the denominator shall be the product of (i) such Closing Price at the Offer Time multiplied by (ii) such number of outstanding shares at the Offer Time minus the number of Purchased Shares, such reduction to become effective immediately prior to the opening of business on the day following the Offer Time. For purposes of this subsection (e), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock.

(f) Closing Price Determination. For the purpose of any computation under subsections (c) and (d) of this Section B, the Closing Price of Common Stock on any date shall be deemed to be the average of the Closing Prices for the five consecutive Trading Days ending on the day in question (or if such day is not a Trading Day, the next preceding Trading Day), provided, however, that (i) if the "ex" date for any event (other than the issuance or distribution requiring such computation) that requires an adjustment to the Conversion Price pursuant to this Section B occurs on or after the 20th Trading Day prior to the day in question and prior to the "ex" date for the issuance or distribution requiring such computation, the Closing Price for each Trading Day prior to the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the same fraction which the Conversion Price is so required to be adjusted as a result of such other event, (ii) if the "ex" date for any event (other than the issuance or distribution requiring such computation) that requires an adjustment to the Conversion Price pursuant to this Section B occurs on or after the "ex" date for the issuance or distribution requiring such computation and on or prior to the day in question, the Closing Price for each Trading Day on and after the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the reciprocal of the fraction by which the Conversion Price is so required to be adjusted as a result of such other event, and (iii) if the "ex" date for the issuance or distribution requiring such computation is on or prior to the day in question, after taking into account any adjustment required pursuant to clause (ii) of this proviso, the Closing Price for each Trading Day on or after such "ex" date shall be adjusted by adding thereto the fair market value on the day in question (as determined by the Board of Directors in a manner consistent with any determination of such value for the purposes of subsection (d) of this Section B) of the assets, evidences of indebtedness, Equity Securities or subscription rights being distributed applicable to

one share of Common Stock as of the close of business on the day before such "ex" date. For the purposes of any computation under subsection (e) of this Section B, the Closing Price on any date shall be deemed to be the average of the daily Closing Prices for the five consecutive Trading Days ending at the Offer Time; provided, however, that if the "ex" date for any event (other than the tender or exchange offer requiring such computation) that requires an adjustment to the Conversion Price pursuant to this Section B occurs on or after the date of commencement of such tender or exchange offer and prior to the Offer Time for such tender or exchange offer, the Closing Price for each Trading Day prior to the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the same fraction by which the Conversion Price is so required to be adjusted as a result of such other event. For purposes of this subsection (f), the term "ex" date, (i) when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the Nasdaq or on the relevant exchange or in the relevant market from which the Closing Price was obtained without the right to receive such issuance or distribution, (ii) when used with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on the Nasdaq or such exchange or in such market after the time at which such subdivision or combination becomes effective, and (iii) when used with respect to any tender or exchange offer means the first date on which the Common Stock trades regular way on the Nasdaq or such exchange or in such market after the Offer Time of such tender or exchange offer.

(g) Other Adjustments. The Corporation may, but shall not be required to, make such reductions in the Conversion Price, in addition to those required by clauses (a), (b), (c), (d), (e) and (f) of this Section B, as it considers to be advisable, including without limitation in order to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock, from any event treated as such for income tax purposes, from any subdivision, reclassification or combination of stock, from any issuance of rights or warrants or from any other transaction having an effect similar to any of the above. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Corporation shall mail to the holders of then-outstanding shares of Series A Preferred Stock a notice of the reduction at least 15 days prior to the date the reduced Conversion Price takes effect, and such notice shall state the reduced Conversion Price and the period it will be in effect.

(h) Minimum Adjustment Requirement. No adjustment shall be required unless such adjustment would result in an increase or decrease of at least $0.01 in the Conversion Price then subject to adjustment; provided, however, that any adjustments that are not made by reason of this subsection (h) shall be carried forward and taken into account in any subsequent adjustment. In case the Corporation shall at any time issue shares of Common Stock by way of dividend on any stock of the Corporation or subdivide or combine the outstanding shares of Corporation Stock, said amount of $0.01 specified in the preceding sentence (as therefore increased or decreased, if said amount shall have been adjusted in accordance with the provisions of this subsection (h)) shall forthwith be proportionately increased in the case of such a combination or decreased in the case of such a subdivision or stock dividend so as appropriately to reflect the same.

(i) Minimum Permissible Conversion Price. Notwithstanding any other provision of this Section B, no adjustment to the Conversion Price shall reduce the Conversion Price below $0.01, and any such purported adjustment shall instead reduce the Conversion Price to $0.01.

The Corporation hereby covenants not to take any action that would or does result in any adjustment in the Conversion Price that, if made without giving effect to the previous sentence, would cause the Conversion Price to be less than $0.01.

(j) Notice. Whenever the Conversion Price is adjusted as herein provided, a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price shall promptly be mailed by the Corporation to the holders of the Series A Preferred Stock.

(k) No Adjustment. Anything to the contrary herein notwithstanding, no adjustment to the Conversion Price shall be made pursuant to this Section B as a result of, or in connection with, the issuance of Common Stock or Derivative Securities (i) to directors, employees or consultants of the Corporation or its Subsidiaries pursuant to an existing or future stock option, stock purchase or other similar plan adopted by the Board of Directors, an employment agreement approved by the Board of Directors, a consulting agreement or arrangement approved by the Board of Directors, or the modification, renewal or extension of any such plan, agreement or arrangement if approved by the Board of Directors; provided, however, that with respect to the issuance of Common Stock and/or Derivative Securities to consultants other than Bain & Company, only the issuance of Common Stock and/or Derivative Securities to such consultants pursuant to such plans, agreements or arrangements in any one calendar year that would otherwise cause an adjustment to the Conversion Price pursuant to this Section B and represents in the aggregate 1% or less of the Corporation's outstanding Common Stock as of the first day of such calendar year shall be covered by this subsection (k) and any such subsequent issuance after such 1% threshold has been exceeded shall not be covered by this subsection (k) and there shall be an adjustment to the Conversion Price as a result of any such subsequent issuance if otherwise required pursuant to this Section B, (ii) as consideration for the acquisition of a business or of assets, in each case, approved by the Board of Directors, (iii) in a firm commitment underwritten public offering in which both (x) the underwriting discount is less than 7% and (y) the offering price per share is greater than the Conversion Price in effect immediately preceding the execution of the underwriting agreement for such offering, (iv) to the Corporation's joint venture partners in exchange for interests in the relevant joint venture if such exchange is approved by the Board of Directors, or (v) upon exercise, conversion or exchange of any Derivative Securities the issuance of which caused an adjustment hereunder or the issuance of which did not require adjustment hereunder.

C. Organic Change.

(a) Corporation Survives. Upon the consummation of an Organic Change (other than a transaction in which the Corporation is not the surviving entity), lawful provision shall be made as part of the terms of such transaction whereby the terms hereof shall be modified, without payment of any additional consideration by any holder, so as to provide that upon the conversion of shares of Series A Preferred Stock following the consummation of such Organic Change, the holder of Series A Preferred Stock shall have the right to acquire and receive (in lieu of or in addition to the shares of Common Stock acquirable and receivable prior to the Organic Change), without payment of additional consideration therefor, such securities, cash and other property as such holder would have received if such holder had converted such shares of Series A Preferred Stock into Common Stock immediately prior to such Organic Change. Lawful

provision also shall be made as part of the terms of the Organic Change so that all other terms hereof shall remain in full force and effect following such an Organic Change. The provisions of this subsection (a) shall similarly apply to successive Organic Changes of the character described in this subsection (a).

(b) Corporation Does Not Survive. The Corporation shall not enter into an Organic Change that is a transaction in which the Corporation is not the surviving entity unless lawful provision shall be made as part of the terms of such transaction whereby the surviving entity shall issue new securities to each holder of Series A Preferred Stock, without payment of any additional consideration by such holder, with terms that provide that upon the conversion of such securities, the holder of such securities shall have the right to acquire and receive (in lieu of or in addition to the shares of Common Stock acquirable and receivable prior to the Organic Change), without payment of additional consideration therefor, such securities, cash and other property (the "New Securities") as such holder would have received if such holder had converted such shares of Series A Preferred Stock into Common Stock immediately prior to such Organic Change. The certificate or articles of incorporation or other constituent document of the surviving entity shall provide for such adjustments which, for events subsequent to the effective date of such certificate or articles of incorporation or other constituent document, shall be equivalent to the adjustments provided for in Section B of this Article VIII. All other terms of such New Securities shall be substantially equivalent to the terms provided herein. The provisions of this subsection (b) shall similarly apply to successive Organic Changes of the character described in of this subsection (b).

D. Certain Events. If any event similar to or of the type contemplated by the provisions of Section B or Section C of this Article VIII, but not expressly provided for by such provisions, occurs, then the Board of Directors of the Corporation, will make an appropriate and equitable adjustment in the Conversion Price so as to protect the rights of the holders of Series A Preferred Stock; provided, however, that no such adjustment will decrease the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock.

IX. Additional Definitions

For the purposes of this Certificate of Designations of Series A Preferred Stock, the following terms shall have the meanings indicated:

"Affiliate" has the meaning set forth in Rule 12b-2 under the Exchange Act as in effect on the date of the Investment Agreement. The term "Affiliated" has a correlative meaning.

"Beneficially Own" with respect to any securities means having "beneficial ownership" of such securities (as determined pursuant to Rule 13d-3 under the Exchange Act as in effect on the date of the Investment Agreement, except that a Person shall be deemed to Beneficially Own all such securities that such Person has the right to acquire whether such right is exercisable immediately or after the passage of time). The terms "Beneficial Ownership" and "Beneficial Owner" have correlative meanings.

"Business Day" means any day, other than a Saturday, Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"By-laws" means the By-laws of the Corporation, as amended from time to time.

"Change of Control" shall be deemed to have occurred if (a) any person or group (within the meaning of Rule 13d-5 under the Exchange Act as in effect on the date of the Investment Agreement) shall own directly or indirectly, beneficially or of record, shares representing more than 35% of the aggregate ordinary voting power represented by the issued and outstanding Equity Securities of the Corporation, other than any TPG Person or any Person or Group that owned at least 5% of such Equity Securities on the Closing Date; (b) a majority of the seats (other than vacant seats) on the board of directors of the Corporation shall at any time be occupied by persons who were neither (i) nominated by the board of directors of the Corporation nor (ii) appointed by directors so nominated; (c) any change in control (or similar event, however denominated) with respect to the Corporation shall occur under and as defined in any indenture or agreement in respect of Indebtedness for borrowed money in excess of the aggregate principal amount of $10,000,000 to which the Corporation or any Subsidiary thereof is a party; or (d) a "Change in Control" or "Change of Control" (or similar event) shall have occurred under the Credit Agreement or the Indenture, unless, in the case of a "Change of Control" under the Indenture, the aggregate principal amount outstanding under the Senior Subordinated Notes is less than $10,000,000. Notwithstanding the foregoing, no event described above shall constitute a "Change of Control" if such event resulted directly from any action taken by the Investor or any of its Affiliates.

"Closing" has the meaning set forth in the Investment Agreement.

"Closing Date" has the meaning set forth in the Investment Agreement.

"Closing Price" with respect to a share of Common Stock on any day means, subject to subsection (f) of Section B of Article VIII if applicable, the last reported sale price on that day or, in case no such reported sale takes place on such day, the average of the last reported bid and asked prices, regular way, on that day, in either case, as reported in the consolidated transaction reporting system with respect to securities quoted on Nasdaq or, if the shares of Common Stock are not quoted on Nasdaq, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not quoted on Nasdaq and not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices on such other nationally recognized quotation system then in use, or, if on any such day the shares of Common Stock are not quoted on any such quotation system, the average of the closing bid and asked prices as furnished by a professional market maker selected by the Board of Directors in good faith making a market in the shares of Common Stock. If the shares of Common Stock are not publicly held, or so listed, quoted or publicly traded, the "Closing Price" means the fair market value of a share of Common Stock, as determined in good faith by the Board of Directors.

"Conversion Price" shall mean $2.82, as adjusted from time to time pursuant to Section B of Article VIII.

"Conversion Shares" has the meaning set forth in the Investment Agreement.

"Credit Agreement" has the meaning set forth in the Investment Agreement.

"Current Market Price" means, in respect of any share of Common Stock as of any date, the average Closing Price for the 30 Trading Days immediately preceding the date in question. In case any event that would require an adjustment to the Conversion Price pursuant to Section B of occurs with an "ex" date or an effective date occurring during the foregoing 30 Trading Day period, the Closing Prices used in determining the Current Market Price shall be appropriately adjusted to take such event into account.

"Derivative Securities" means any subscriptions, options, conversion rights, warrants, or other agreements, securities or commitments of any kind obligating the Company to issue, grant, deliver or sell, or cause to be issued, granted, delivered or sold, Common Stock.

"Equity Securities" of any Person, means any and all common stock, preferred stock and any other class of capital stock of, and any partnership or limited liability company interests in, such Person or any other similar interests of any Person that is not a corporation, partnership or limited liability company.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, from time to time.

"Governmental Entity" means any government or political subdivision or department thereof, any governmental or regulatory body (including without limitation the NASD and the Nasdaq), commission, board, bureau, agency or instrumentality, or any court or arbitrator or alternative dispute resolution body, in each case whether federal, state, local or foreign.

"Group" has the meaning set forth in Rule 13d-5 under the Exchange Act.

"Guarantee" means any direct or indirect obligation, contingent or otherwise, to guarantee (or having the economic effect of guaranteeing) Indebtedness in any manner, including, without limitation, any monetary obligation to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness (whether arising by agreement to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise).

"Indebtedness" means, with respect to any Person, without duplication, (i) all obligations of such Person for money borrowed, (ii) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments, (iii) all obligations of such Person upon which interest charges are customarily paid, (iv) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (v) all obligations of such Person issued or assumed as the deferred purchase price of property or services (excluding (x) trade accounts payable and accrued obligations incurred in the ordinary

course of business and (y) deferred earn-out and other performance-based payment obligations incurred in connection with any Permitted Acquisition (as such term is defined in the Credit Agreement as in effect on the date of the Investment Agreement), (vi) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (vii) all Guarantees by such Person of Indebtedness of others, (viii) all capital lease obligations of such Person, (ix) all obligations (determined on the basis of actual, not notional, obligations) of such Person in respect of interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements and (x) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances issued in support of obligations that constitute Indebtedness under any other clause of this definition (unless such obligations are fully cash collateralized), provided, however, that all obligations in respect of letters of credit shall be deemed Indebtedness to the extent drawings thereunder are unreimbursed (after any applicable grace period) regardless of the purpose for which such letter of credit was issued. The Indebtedness of any Person shall include the recourse Indebtedness of any partnership in which such Person is a general partner. Notwithstanding the foregoing, no portion of Indebtedness that becomes the subject of a defeasance (whether a legal defeasance or a "covenant" or "in substance" defeasance) shall, at any time that such defeasance remains in effect, be treated as Indebtedness for purposes hereof.

"Indenture" has the meaning set forth in the Investment Agreement.

"Investment Agreement" means the Investment Agreement, dated on or about the date hereof, by and between the Investor and the Corporation, as amended, supplemented or otherwise modified from time to time.

"Investor" has the meaning set forth in the Investment Agreement.

"Investor Group" means, collectively, the Investor and its Affiliates.

"Investor Nominee" means a person designated for election to the Board of Directors by the Investor pursuant to the Investment Agreement.

"Law" means any law, treaty, statute, ordinance, code, rule, regulation, judgment, decree, order, writ, award, injunction or determination of any Governmental Entity.

"Lien" means any mortgage, pledge, lien , security interest, claim, voting agreement, conditional sale agreement, title retention agreement, restriction, option or encumbrance of any kind, character or description whatsoever.

"NASD" means the National Association of Securities Dealers, Inc.

"Nasdaq" means The Nasdaq Stock Market's National Market.

"Organic Change" means, with respect to any Person, any transaction (including without limitation any recapitalization, capital reorganization or reclassification of any class of capital stock, any consolidation or amalgamation of such Person with, or merger of such Person

into, any other Person, any merger of another Person into such Person (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of capital stock of such Person), any sale or transfer or lease of all or substantially all of the assets of such Person or any compulsory share exchange) pursuant to which any class of capital stock of such Person is converted into the right to receive other securities, cash or other property.

"Other Credit Facilities" means, with respect to the Company, such agreements (other than the Credit Agreement and the Indenture) to which the Company now is, or hereafter becomes, a party, which agreements evidence obligations of the Company that are included within clauses (i) or (ii) of the definition of "Indebtedness", as the same may be amended, restated, supplemented, extended, renewed or increased from time to time, replaced, substituted, refunded or refinanced or otherwise modified from time to time, in whole or in part, and any successive replacements, substitutions, refundings or refinancings..

"Person" means any individual, corporation, company, association, partnership, limited liability company, joint venture, trust or unincorporated organization, or Governmental Entity.

"Securities Act" means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, from time to time.

"Senior Subordinated Notes" means the Senior Subordinated Notes issued pursuant to the Indenture.

"Series A Shareholder Approval" has the meaning set forth in the Investment Agreement.

"Subsidiary" means as to any Person, any other Person of which more than 50% of the shares of the voting stock or other voting interests are owned or controlled, or the ability to select or elect more than 50% of the directors or similar managers is held, directly or indirectly, by such first Person or one or more of its Subsidiaries or by such first Person and one or more of its Subsidiaries; provided, however, that no Joint Venture (as such term is defined in the Investment Agreement) shall be considered (i) a "Subsidiary" of the Corporation or (ii) a "Subsidiary" of any Subsidiary of the Corporation.

"TPG Person" means the Investor, and each Person controlled by, controlling or under common control with the Investor.

"Trading Day" means any day on which the Nasdaq is open for trading, or if the shares of Common Stock are not quoted on the Nasdaq any day on which the principal national securities exchange or national quotation system on which the shares of Common Stock are listed, admitted to trading or quoted is open for trading, or if the shares of Common Stock are not so listed, admitted to trading or quoted, any Business Day.

X. Miscellaneous

A. Notices. Any notice referred to herein shall be in writing and shall be deemed to have been duly given (and shall be effective when received), if delivered personally, by facsimile or sent by overnight courier or by first class mail, postage prepaid, as follows:

(i) if to the Corporation, to its office at 5005 East McDowell Road, Phoenix, Arizona 85008 (Attention: General Counsel);

(ii) if to a holder of the Series A Preferred Stock, to such holder at the address of such holder as listed in the stock record books of the Corporation (which may include the records of any transfer agent for the Series A Preferred Stock); or

(iii) to such other address as the Corporation or such holder, as the case may be, shall have designated by notice similarly given.

B. Reacquired Shares. Any shares of Series A Preferred Stock redeemed, purchased or otherwise acquired by the Corporation, directly or indirectly, in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof (and shall not be deemed to be outstanding for any purpose) and, if necessary to provide for the lawful redemption or purchase of such shares, the capital represented by such shares shall be reduced in accordance with the Delaware General Corporation Law. All such shares of Series A Preferred Stock shall upon their cancellation and upon the filing of an appropriate certificate with the Secretary of State of the State of Delaware, become authorized but unissued shares of Preferred Stock, $0.01 par value, of the Corporation and may be reissued as part of another series of Preferred Stock, $0.01 par value, of the Corporation subject to the conditions or restrictions on issuance set forth herein.

C. Enforcement. Any registered holder of shares of Series A Preferred Stock may proceed to protect and enforce its rights and the rights of such holders by any available remedy by proceeding at law or in equity to protect and enforce any such rights, whether for the specific enforcement of any provision in this Certificate of Designations or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

D. Transfer Taxes. Except as otherwise agreed upon pursuant to the terms of this Certificate of Designations, the Corporation shall pay any and all documentary, stamp or similar issue or transfer taxes and other governmental charges that may be imposed under the laws of the United States of America or any political subdivision or taxing authority thereof or therein in respect of any issue or delivery of Common Stock on conversion, or other securities or property issued on account of, shares of Series A Preferred Stock pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax or other charge that may be imposed in connection with any transfer involved in the issue or transfer and delivery of any certificate for Common Stock or other securities or property in a name other than that in which the shares of Series A Preferred Stock so converted, or on account of which such securities were issued, were registered and no such issue or delivery shall be made unless and until the Person requesting such issue has paid to the Corporation the amount

of any such tax or has established to the satisfaction of the Corporation that such tax has been paid or is not payable.

E. Transfer Agent. The Corporation may appoint, and from time to time discharge and change, a transfer agent for the Series A Preferred Stock. Upon any such appointment or discharge of a transfer agent, the Corporation shall send notice thereof by first-class mail, postage prepaid, to each holder of record of shares of Series A Preferred Stock.

F. Record Dates. In the event that the Series A Preferred Stock shall be registered under either the Securities Act or the Exchange Act, the Corporation shall establish appropriate record dates with respect to payments and other actions to be made with respect to the Series A Preferred Stock.

G. Subordination to Credit Agreement and Senior Subordinated Notes. Notwithstanding anything to the contrary herein, by accepting a share of Series A Preferred Stock, the holder thereof shall be deemed to have acknowledged and agreed that (a) such holder's right to receive payments in respect of the Series A Preferred Stock is subject and subordinated in right of payment to the payment in full and discharge of all amounts of principal, interest and fees (however denominated) then outstanding under the Credit Agreement, the Senior Subordinated Notes and then existing Other Credit Facilities and (b) until (i) either payment in full of all such amounts (however denominated) under the Credit Agreement, the Senior Subordinated Notes and then existing Other Credit Facilities has been made in cash, or (ii) if earlier than such payment, all necessary waivers and consents have been obtained with respect to the relevant document as contemplated by the proviso to the last sentence of this Section G, no payment, whether directly or indirectly, by exercise of any right of set off or otherwise in respect of the Series A Preferred Stock shall be made by the Corporation, and no deposit in respect of the Series A Preferred Stock shall be made pursuant to the terms hereof. In the event that any payment by, or distribution of the assets of, the Corporation of any kind or character (whether in cash, property or securities, whether directly or indirectly, by exercise of any right of set-off or otherwise and whether as a result of a bankruptcy proceeding with respect to the Corporation or otherwise) shall be received by a holder of Series A Preferred Stock at any time when such payment is prohibited by this Section G, such payment shall be held in trust for the benefit of, and shall be paid over to, the lenders under the Credit Agreement, the holders of Senior Subordinated Notes and the lenders under Other Credit Facilities, as the case may be, as their interests may appear. The preceding two sentences address the relative rights of holders of Series A Preferred Stock, on the one hand, and the lenders under the Credit Agreement, the holders of Senior Subordinated Notes and the lenders under Other Credit Facilities, as the case may be, on the other hand, and nothing in this Certificate of Designations shall impair, as between the Corporation and the holders of Series A Preferred Stock, the obligation of the Corporation, which is absolute and unconditional, to pay amounts due in respect of the Series A Preferred Stock in accordance with their terms. Without limiting the foregoing, upon a Change of Control, the Corporation shall pay all amounts outstanding under the Credit Agreement, the Indenture and the Other Credit Facilities to the extent necessary, but only if permitted under the relevant document, in order to permit the payment of the Change of Control Price hereunder or, if such payment is not so permitted under any such document, the Corporation shall exercise any right of defeasance it has under such document (provided that all conditions precedent to the exercise of such right of defeasance have been satisfied, which conditions the Corporation shall

use its reasonable best efforts to satisfy) to the extent necessary in order to permit the payment of the Change of Control Price hereunder; provided, that the Corporation shall not be required to make such payments or exercise such right of defeasance under the Credit Agreement, the Indenture or an Other Credit Facility if the Corporation has received all necessary waivers and consents from the applicable lenders or holders of notes permitting the Corporation to pay the Change of Control Price hereunder.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Chief Financial Officer and attested by its Assistant Secretary, this 6th day of September, 2001.

ON SEMICONDUCTOR CORPORATION

By: /s/ Dario Sacomani

Name: Dario Sacomani
Title: Chief Financial Officer,
Senior Vice President:

[Corporate Seal]

ATTEST:

/s/ Judith A. Boyle
- ---
Name: Judith A. Boyle
Title: Assistant Secretary

Exhibit 4.1

$300,000,000

ON SEMICONDUCTOR CORPORATION
SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC

12% SENIOR SECURED NOTES DUE 2008

PURCHASE AGREEMENT

May 1, 2002

CREDIT SUISSE FIRST BOSTON CORPORATION,
Morgan Stanley & Co. Incorporated,
J.P. Morgan Securities Inc., and
Salomon Smith Barney Inc.,
c/o Credit Suisse First Boston Corporation,
Eleven Madison Avenue,
New York, N.Y. 10010-3629

Dear Sirs:

1. Introductory. ON Semiconductor Corporation, a Delaware corporation (the "COMPANY"), and Semiconductor Components Industries, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Company ("SCI LLC," and together with the Company, the "ISSUERS"), propose, subject to the terms and conditions stated herein, to issue and sell to the several initial purchasers named in Schedule A hereto (the "PURCHASERS") U.S.$300,000,000 principal amount of their 12% Senior Secured Notes due 2008 ("OFFERED SECURITIES"), to be issued under an indenture, dated as of May 6, 2002 (the "INDENTURE"), among the Issuers, the subsidiaries of the Company listed on the signature pages hereof, as guarantors (collectively, the "GUARANTORS") and Wells Fargo Bank Minnesota, National Association, as Trustee. The United States Securities Act of 1933 is herein referred to as the "SECURITIES ACT."

Holders (including subsequent transferees) of the Offered Securities will have the registration rights set forth in the registration rights agreement (the "REGISTRATION RIGHTS AGREEMENT"), to be dated the Closing Date, in substantially the form of Exhibit I hereto, for so long as such Offered Securities constitute "TRANSFER RESTRICTED SECURITIES" (as defined in the Registration Rights Agreement). Pursuant to the Registration Rights Agreement, the Issuers and the Guarantors will agree to file with the Securities and Exchange Commission (the "COMMISSION") under the circumstances set forth therein, (i) a registration statement under the Securities Act (the "EXCHANGE OFFER REGISTRATION STATEMENT") relating to the Issuers' 12% Senior Secured Notes in a like aggregate principal amount as the Issuers issued under the Indenture, identical in all material respects to the Offered Securities and registered under the Securities Act (the "EXCHANGE SECURITIES"), to be offered in exchange for the Offered Securities (such offer to exchange being referred to as the "EXCHANGE OFFER") and the Guarantees (as defined below) thereof and (ii) a shelf registration statement pursuant to Rule 415 under the Securities Act (the "SHELF REGISTRATION STATEMENT" and, together with the Exchange

Offer Registration Statement, the "REGISTRATION STATEMENTS") relating to the resale by certain holders of the Offered Securities and to use their reasonable best efforts to cause such Registration Statements to be declared and remain effective and usable for the periods specified in the Registration Rights Agreement and to consummate the Exchange Offer. The Offered Securities and Exchange Securities are referred to collectively as the "SECURITIES".

The Offered Securities and the guarantees of the Guarantors relating to the Offered Securities (the "GUARANTEES") will be, on the Closing Date (as hereinafter defined) or within a commercially reasonable time thereafter, secured on a second-priority basis by certain collateral (the "COLLATERAL") as described in the Offering Circular, and as will be more fully described in and pursuant to the Intercreditor Agreement (the "INTERCREDITOR AGREEMENT"), a certain Pledge Agreement (the "PLEDGE AGREEMENT"), a certain Security Agreement (the "SECURITY AGREEMENT"), a certain Collateral Assignment (the "COLLATERAL ASSIGNMENT"), a certain Mortgage with respect to the Company's Maricopa, Arizona facility (the "AZ MORTGAGE") and a certain Mortgage with respect to the Company's East Greenwich, Rhode Island facility (the "RI MORTGAGE," and together with the AZ Mortgage, the "MORTGAGES"), each to be dated the Closing Date (as hereinafter defined) and delivered to Wells Fargo Bank Minnesota, National Association, as collateral agent (the "COLLATERAL AGENT"), granting a second-priority security interest on the Collateral for the benefit of the holders of the Offered Securities (collectively, the "SECURITY DOCUMENTS").

The offering of the Offered Securities is part of the refinancing transactions ("REFINANCING TRANSACTIONS") as described in the Offering Circular, pursuant to which an Amendment dated as of April 17, 2002 (the "CREDIT AGREEMENT AMENDMENT"), to the Credit Agreement, dated as of August 4, 1999, as amended and restated as of April 3, 2000 (as further amended, supplemented or otherwise modified from time to time, and together with the Credit Agreement Amendment, the "CREDIT AGREEMENT"), has been entered into by the Issuers with certain syndicate lenders. Pursuant to the Credit Agreement and the Credit Agreement Amendment, which will become effective upon the closing of the sale of the Offered Securities pursuant to this Agreement, and the security documents relating thereto, such syndicate lenders and certain other lenders (collectively, the "BANK LENDERS") do or will hold a first-priority security interest in the Collateral.

Each of the Issuers and the Guarantors hereby agrees with the several Purchasers as follows:

2. Representations, Warranties and Agreements of Each of the Issuers and the Guarantors. Each of the Issuers and the Guarantors represents and warrants to, and agrees with, the several Purchasers that:

(a) A preliminary offering circular and an offering circular relating to the Offered Securities to be offered by the Purchasers have been prepared by the Issuers. Such preliminary offering circular (the "PRELIMINARY OFFERING CIRCULAR") and offering circular (the "OFFERING CIRCULAR"), as supplemented as of the date of this Agreement, together with the documents listed in Schedule B hereto and any other document approved by the Company for use in connection with the contemplated resale of the Offered Securities are hereinafter collectively referred to as the "OFFERING DOCUMENT." On the date of this Agreement, the Offering Document does not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in

the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from the Offering Document based upon written information furnished to the Issuers by any Purchaser through Credit Suisse First Boston Corporation ("CSFBC") specifically for use therein, it being understood and agreed that the only such information is that described as such in Section 7(b) hereof. Except as disclosed in the Offering Document, on the date of this Agreement, the Company's Annual Report on Form 10-K most recently filed with the Securities and Exchange Commission (the "COMMISSION") and all subsequent reports (collectively, the "EXCHANGE ACT REPORTS") which have been filed by the Company with the Commission or sent to stockholders pursuant to the Securities Exchange Act of 1934 (the "EXCHANGE ACT") do not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Such documents, when they were filed with the Commission, conformed in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission thereunder.

(b) Each of the Issuers has been duly incorporated or formed, as applicable, and is an existing corporation or limited liability company, as applicable, in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Offering Document; and each of the Issuers is duly qualified to do business as a foreign corporation or limited liability company, as applicable, in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to so qualify or have such power or authority would not, individually or in the aggregate, have a material adverse effect on the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as a whole ("MATERIAL ADVERSE EFFECT").

(c) Each subsidiary of the Company has been duly incorporated or formed and is an existing corporation or entity in good standing under the laws of the jurisdiction of its incorporation or formation, with power and authority (corporate and other) to own its properties and conduct its business as described in the Offering Document; and each subsidiary of the Company is duly qualified to do business as a foreign corporation or limited liability company, as applicable, in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to so qualify or have such power or authority would not, individually or in the aggregate, have a Material Adverse Effect; all of the issued and outstanding capital stock or membership interests of each subsidiary of the Company has been duly authorized and validly issued and is fully paid and nonassessable; and the capital stock or membership interests of each subsidiary owned by the Company, directly or through subsidiaries, is owned free from any security interest, mortgage, pledge, lien or encumbrance, or defect (collectively, "LIENS"), except for Liens pursuant to or contemplated by the Credit Agreement or the Indenture ("PERMITTED LIENS").

(d) The Indenture has been duly authorized by each of the Issuers and the Guarantors, as applicable; the Offered Securities have been duly authorized by each of the Issuers and the Guarantors, as applicable; and when the Offered Securities are delivered and paid for pursuant to this Agreement on the Closing Date (as defined below), the Indenture will have been duly executed and delivered, the Offered Securities will have been duly executed, authenticated, issued and delivered and will conform to the description thereof contained in the Offering Document and the Indenture (with respect to

the Issuers and the Guarantors) and the Offered Securities (with respect to the Issuers) will constitute valid and legally binding obligations of the Issuers and the Guarantors, as applicable, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(e) No consent, approval, authorization, or order of, or filing with, any governmental agency or body or any court is required for the consummation of the transactions contemplated by this Agreement, the Security Documents and the Registration Rights Agreement by the Issuers and the Guarantors, as applicable, except (i) for the order of the Commission declaring the Exchange Offer Registration Statement or the Shelf Registration Statement (each as defined in the Registration Rights Agreement) effective or other such consents, approvals, authorizations, orders or filings as may be required to be obtained or made under the Securities Act and applicable state securities laws as provided in the Registration Rights Agreement, (ii) for such filings or recordings necessary to perfect the security interests created by the Security Documents or (iii) where the failure to obtain such consent, approval, authorization, order or filing would not have a Material Adverse Effect.

(f) The execution, delivery and performance of the Indenture, this Agreement, the Security Documents and the Registration Rights Agreement, and the issuance and sale of the Offered Securities and compliance with the terms and provisions thereof will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any statute, any rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or any subsidiary of the Company or any of their properties, or any agreement or instrument to which the Company or any such subsidiary is a party or by which the Company or any such subsidiary is bound or to which any of the properties of the Company or any such subsidiary is subject, or the charter or by-laws of the Company or any such subsidiary, and each of the Issuers has full power and authority to authorize, issue and sell the Offered Securities as contemplated by this Agreement, except for such breaches, violations or defaults that would not have a Material Adverse Effect.

(g) This Agreement and the Security Documents have been duly authorized, executed and delivered by each of the Issuers and the Guarantors, as applicable.

(h) Except as disclosed in the Offering Document, the Company and its subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them, in each case free from Liens, except Permitted Liens, that would materially affect the value thereof or materially interfere with the use made or to be made thereof by them; and except as disclosed in the Offering Document, the Company and its subsidiaries hold any leased real or personal property under valid and enforceable leases with no exceptions that would materially interfere with the use made or to be made thereof by them.

(i) The Company and its subsidiaries possess adequate certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by them and have not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or

permit that, if determined adversely to the Company or any of its subsidiaries, would have Material Adverse Effect.

(j) No labor dispute with the employees of the Company or any subsidiary exists or, to the knowledge of the Issuers, is imminent that might have a Material Adverse Effect.

(k) The Company and its subsidiaries own, possess or can acquire on reasonable terms, the trademarks, trade names and other rights to inventions, know-how, patents, copyrights, confidential information and other intellectual property (collectively, "INTELLECTUAL PROPERTY RIGHTS") necessary to conduct the business now operated by them, or presently employed by them, and have not received any notice of infringement of or conflict with asserted rights of others with respect to any intellectual property rights that, individually or in the aggregate, is reasonably likely to result in a Material Adverse Effect.

(l) Except as disclosed in the Offering Document, neither the Company nor any of its subsidiaries is in violation of any statute, any rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "ENVIRONMENTAL LAWS"), owns or operates any real property contaminated with any substance that is subject to any environmental laws, is liable for any off-site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim would, individually or in the aggregate, have a Material Adverse Effect; and the Company is not aware of any pending investigation which is reasonably likely to lead to such a claim.

(m) Except as disclosed in the Offering Document, there is no pending action, suit or proceeding against or affecting the Company, any of its subsidiaries or any of their respective properties that, individually or in the aggregate, is reasonably likely to result in a Material Adverse Effect, or would materially and adversely affect the ability of the Issuers to perform their obligations under the Indenture, this Agreement, the Security Documents or the Registration Rights Agreement, or which is otherwise material in the context of the sale of the Offered Securities; and, to the Company's knowledge, there is no such action, suit or proceeding threatened.

(n) The financial statements included in the Offering Document present fairly the financial position of the Company and its consolidated subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and, except as otherwise disclosed in the Offering Document, such financial statements have been prepared in conformity with the generally accepted accounting principles in the United States applied on a consistent basis.

(o) Except as disclosed in the Offering Document, since the date of the latest audited financial statements included in the Offering Document there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as a whole, and, except as disclosed in or contemplated by the Offering Document, there has been no dividend or distribution of any kind declared, paid or made by the Issuers on any class of its capital stock.

(p) The Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Securities Exchange Act of 1934 and files reports with the Commission on the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system.

(q) Neither of the Issuers nor any of the Company's subsidiaries is an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the United States Investment Company Act of 1940 (the "INVESTMENT COMPANY ACT"); and neither of the Issuers nor any of the Company's subsidiaries is and, after giving effect to the offering and sale of the Offered Securities and the application of the proceeds thereof as described in the Offering Document, will be an "investment company" as defined in the Investment Company Act.

(r) No securities of the same class (within the meaning of Rule 144A(d)(3) under the Securities Act) as the Offered Securities are listed on any national securities exchange registered under Section 6 of the Exchange Act or quoted in a U.S. automated inter-dealer quotation system.

(s) Assuming the accuracy of the representations and warranties of the Purchasers contained in Section 4 hereof and their compliance with the agreements set forth herein, it is not necessary, in connection with the issuance and sale of the Offered Securities to the Purchasers and the offer, resale and delivery of the Offered Securities by the Purchasers in the manner contemplated by this Agreement and the Offering Circular, to register the Offered Securities under the Securities Act or to qualify the Indenture under the United States Trust Indenture Act of 1939, as amended (the "TRUST INDENTURE ACT").

(t) Neither of the Issuers, the Guarantors, nor any of their affiliates, nor any person acting on their behalf (i) has, within the six-month period prior to the date hereof, offered or sold in the United States or to any U.S. person (as such terms are defined in Regulation S under the Securities Act) the Offered Securities or any security of the same class or series as the Offered Securities or (ii) has offered or will offer or sell the Offered Securities (A) in the United States by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act or (B) with respect to any such securities sold in reliance on Rule 903 of Regulation S, by means of any directed selling efforts within the meaning of Rule 902(c) of Regulation S. The Issuers, the Guarantors, their affiliates and any person acting on their behalf have complied and will comply with the offering restrictions requirement of Regulation S. The Issuers have not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Securities except for this Agreement.

(u) PricewaterhouseCoopers LLP are independent public accountants with respect to the Issuers as required by the Securities Act and the rules and regulations of the Commission thereunder (the "SECURITIES ACT REGULATIONS").

(v) The Guarantees have been duly and validly authorized by the Guarantors, and the Guarantees, upon the execution and delivery of the Indenture by the Issuers, the Guarantors and the Trustee and the due authorization, execution and delivery of the related Offered Securities, will constitute valid and binding obligations of the Guarantors, enforceable against the Guarantors in accordance with their terms, except as such enforcement may be subject to or limited by (i) bankruptcy, receivership,

conservatorship, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and remedies generally and (ii) general principles of equity (regardless of whether such enforcement may be sought in a proceeding in equity or at law). The Guarantees will conform in all material respects to the description thereof contained in the Offering Circular.

(w) On and as of the Closing Date (as defined below) or within a commercially reasonable time frame thereafter:

(i) The Pledge Agreement will constitute, for the ratable benefit of the holders of the Offered Securities a legal, valid and binding obligation of the pledgors party thereto, enforceable against them in accordance with its terms, except as enforceability may be limited by (A) bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, (B) general equitable principles and (C) with respect to the pledge of any capital stock of any Foreign Subsidiary (as defined herein), applicable local law.

(ii) Upon delivery to JPMorgan Chase Bank, as bailee on behalf of the Trustee, of the Equity Interests (as defined in the Pledge Agreement) of SCI LLC and each subsidiary that is a corporation or limited liability company, as the case may be, organized or formed, as applicable, under the laws of any jurisdiction within the United States (each, a "DOMESTIC SUBSIDIARY") and, with respect to Equity Interests not constituting certificated securities or instruments, the filing of appropriate Uniform Commercial Code ("UCC") financing statements in the appropriate filing offices, the security interests granted pursuant to the Pledge Agreement will constitute a valid, perfected second-priority security interest on such pledged Equity Interest under New York law, for the ratable benefit of the holders of the Offered Securities, enforceable as such against all creditors of the respective pledgor and to Persons purporting to purchase any such pledged Equity Interest from the respective pledgor, except as the priority is subject to Permitted Liens.

(iii) To the extent U.S. law is applicable, upon delivery to JPMorgan Chase Bank, as bailee on behalf of the Trustee, of the Equity Interests (as defined in the Pledge Agreement) of any first-tier non-domestic subsidiary (each, a "FOREIGN SUBSIDIARY") and, with respect to Equity Interests not constituting certificated securities or instruments, the filing of appropriate UCC financing statements in the appropriate filing offices, the security interests in the Equity Interests of each Foreign Subsidiary granted pursuant to the Pledge Agreement will constitute a valid, perfected second-priority security interest on such pledged Equity Interest, for the ratable benefit of the holders of the Offered Securities, enforceable as such against all creditors of the respective pledgor and any Persons purporting to purchase any such pledged Equity Interest from the respective pledgor, except as the priority is subject to Permitted Liens.

(iv) Upon delivery to JPMorgan Chase Bank, as bailee on behalf of the Trustee, of the Pledged Debt Securities (as defined in the Pledge Agreement) the security interests in the Pledged Debt Securities granted pursuant to the Pledge Agreement will constitute a valid, perfected second-priority security interest on such Pledged Debt Securities under New York law, for the ratable benefit of the

holders of the Offered Securities, enforceable as such against all creditors of the respective pledgor, except as the priority is subject to Permitted Liens.

(v) Each Security Document will constitute a legal, valid and binding obligation of the grantor party thereto, for the ratable benefit of the holders of the Offered Securities, enforceable against it in accordance with its terms, except as enforceability may be limited by (A) bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and (B) general equitable principles.

(vi) Except with respect to the Collateral located in any facility which is not owned or leased by the Company or any of its subsidiaries and upon filing by the Collateral Agent of (A) financing statements, (B) any filings required with the United States Patent and Trademark Office and (C) any filings required with the United States Copyright Office, the security interests granted pursuant to the Security Documents will constitute valid, perfected second-priority security interests, on such Collateral described therein for the ratable benefit of the holders of the Offered Securities, enforceable as such against all creditors of any grantor and any Persons purporting to purchase any such Collateral from any grantor (except purchasers of Inventory (as defined in the Security Documents) in the ordinary course of business), except as the priority is subject to Permitted Liens.

(vii) The Mortgages will be effective to grant a legal, valid and enforceable mortgage lien on all of the mortgagor's right, title and interest in the mortgaged properties thereunder. When the Mortgages are duly recorded in the proper recorders' offices and the mortgage recording fees and taxes in respect thereof are paid and compliance is otherwise had with the formal requirements of state law applicable to the recording of real estate mortgages generally, each such Mortgage shall constitute a validly perfected, second-priority security interest in the related mortgaged property, for the ratable benefit of the holders of the Offered Securities, subject only to the encumbrances and exceptions to title expressly set forth therein and except as (A) enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and (ii) general equitable principles and (B) the priority is subject to Permitted Liens.

(viii) (A) Neither of the Issuers nor any of the Guarantors will hold any Accounts (as defined in the Security Agreement) with respect to which the Collateral Agent does not hold a perfected, second-priority security interest, other than any such Accounts, if any, which the Bank Lenders do not or will not hold a first-priority security interest in.

(B) Neither of the Issuers nor any of the Guarantors maintains any Inventory (as defined in the Security Agreement) with respect to which the Collateral Agent does not possess a perfected, second-priority security interest, other than any such Inventory, if any, which the Bank Lenders do not or will not hold a first-priority security interest in.

(ix) It is the ordinary business practice of each of the Issuers and the Guarantors to file with the United States Patent and Trademark Office for registration or recordation, as applicable, (A) a completed application for the

registration of each trademark and patent owned by it which is material to the business of such Issuer or Guarantor and (B) an appropriate assignment to either of the Issuers or any of the Guarantors of the interest acquired by it in any trademark and patent which is material to the business of the Company and its subsidiaries taken as a whole.

(x) The mortgaged properties under the Mortgages and the buildings and improvements thereon comply in all material respects with all applicable setback requirements, zoning codes, ordinances, laws and regulations, except where non-compliance would not, individually or in the aggregate, be likely to have a Material Adverse Effect.

(xi) There are no pending or threatened condemnation proceedings, lawsuits, or administrative actions relating to the mortgaged properties under the Mortgages which would have, individually or in the aggregate, a Material Adverse Effect.

(x) The entities listed on Schedule C hereto are the only subsidiaries, direct or indirect, of the Company.

(y) On the Closing Date, the Indenture will conform in all material respects to the requirements of the TIA, and the rules and regulations of the Commission applicable to an indenture which is qualified thereunder.

(z) On the Closing Date, the Exchange Securities will have been duly authorized by the Issuers; and when the Exchange Securities are issued, executed and authenticated in accordance with the terms of the Exchange Offer and the Indenture, the Exchange Securities will be entitled to the benefits of the Indenture and will be the valid and legally binding obligations of the Issuers and the Guarantors, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(aa) The Guarantee of the Exchange Securities by each Guarantor has been duly authorized by such Guarantor; and, when issued, will have been duly executed and delivered by each such Guarantor and will conform to the description thereof contained in the Offering Document. When the Exchange Securities have been issued, executed and authenticated in accordance with the terms of the Exchange Offer and the Indenture, the Guarantee of each Guarantor will constitute valid and legally binding obligations of such Guarantor, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(bb) The Registration Rights Agreement has been duly authorized by each of the Issuers and the Guarantors and, on the Closing Date, will have been duly executed and delivered by each of the Issuers and the Guarantors. When the Registration Rights Agreement has been duly executed and delivered, the Registration Rights Agreement will be a valid and binding agreement of each of the Issuers and the Guarantors, enforceable against each of the Issuers and Guarantors in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws

of general applicability relating to or affecting creditors' rights and to general equity principles. On the Closing Date, the Registration Rights Agreement will conform as to legal matters to the description thereof in the Offering Circular.

(cc) Neither the Company nor any of its subsidiaries is in violation of its respective charter or by-laws or in default in the performance of any obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument, except for such defaults that, singularly or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or their respective property is bound.

(dd) There are no contracts, agreements or understandings between the Issuers or any Guarantor and any person granting such person the right to require the Issuers or such Guarantor to file a registration statement under the Securities Act with respect to any debt securities of the Issuers or such Guarantor or to require the Issuers or such Guarantor to include such securities with the Securities and Guarantees registered pursuant to any Registration Statement, other than the Registration Rights Agreement contemplated hereunder.

(ee) Neither the Company nor any of its subsidiaries nor any agent thereof acting on the behalf of them has taken, and none of them will take, any action that might cause this Agreement or the issuance or sale of the Offered Securities to violate Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System.

(ff) No "nationally recognized statistical rating organization" as such term is defined for purposes of Rule 436(g)(2) under the Securities Act (i) has imposed (or has informed the Issuers or any Guarantor that it is considering imposing) any condition (financial or otherwise) on either of the Issuers' or any Guarantor's retaining any rating assigned to either of the Issuers or any Guarantor, any securities of either of the Issuers or any Guarantor or (ii) has indicated to the Issuers or any Guarantor that it is considering (A) the downgrading, suspension, or withdrawal of, or any review for a possible change that does not indicate the direction of the possible change in, any rating so assigned or (B) any change in the outlook for any rating of either of the Issuers, any Guarantor or any securities of either of the Issuers or any Guarantor.

(gg) No form of general solicitation or general advertising (as defined in Regulation D under the Securities Act) was used by the Issuers, the Guarantors or any of their respective representatives (other than the Purchasers, as to whom the Issuers and the Guarantors make no representation) in connection with the offer and sale of the Offered Securities contemplated hereby, including, but not limited to, articles, notices or other communications published in any newspaper, magazine, or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising. No securities of the same class as the Offered Securities have been issued and sold by the Issuers within the six-month period immediately prior to the date hereof.

(hh) The Offered Securities offered and sold in reliance on Regulation S have been and will be offered and sold only in offshore transactions.

(ii) The sale of the Offered Securities pursuant to Regulation S is not part of a plan or scheme to evade the registration provisions of the Securities Act.

3. Purchase, Sale and Delivery of Offered Securities. On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Issuers severally and jointly agree to sell to the Purchasers, and the Purchasers agree, severally and not jointly, to purchase from the Issuers, at a purchase price of 94.237195% of the principal amount thereof plus accrued interest from May 1, 2002 to the Closing Date (as defined below), the respective principal amounts set forth opposite the names of the several Purchasers in Schedule A hereto.

The Issuers will deliver against payment of the purchase price the Offered Securities in the form of one or more permanent global Securities in definitive form (the "GLOBAL SECURITIES") deposited with the Trustee as custodian for The Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee for DTC. Interests in any permanent global Securities will be held only in book-entry form through DTC, except in the limited circumstances described in the Offering Document. Payment for the Offered Securities shall be made by the Purchasers in Federal (same day) funds by official check or checks or wire transfer to a bank account drawn to the order of ON Semiconductor Corporation or as the Company may direct at the office of Cleary, Gottlieb, Steen & Hamilton ("CGSH"), One Liberty Plaza, New York, NY 10006 at 10:00 A.M. (New York time), on May 6, 2002, or at such other time not later than seven full business days thereafter as CSFBC and the Company determine, such time being herein referred to as the "CLOSING DATE," against delivery to the Trustee as custodian for DTC of the Global Securities representing all of the Securities. The Global Securities will be made available for checking at the above office of CGSH at least 24 hours prior to the Closing Date.

4. Representations by Purchasers; Resale by Purchasers. (a) Each Purchaser severally represents and warrants to the Issuers that it is an "accredited investor" within the meaning of Regulation D under the Securities Act.

(b) Each Purchaser severally acknowledges that the Offered Securities have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Purchaser severally represents and agrees that it has offered and sold the Offered Securities, and will offer and sell the Offered Securities (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 or Rule 144A under the Securities Act ("RULE 144A"). Accordingly, neither such Purchaser nor its affiliates, nor any persons acting on its or their behalf, have engaged or will engage in any directed selling efforts with respect to the Offered Securities, and such Purchaser, its affiliates and all persons acting on its or their behalf have complied and will comply with the offering restrictions requirement of Regulation S. Each Purchaser severally agrees that, at or prior to confirmation of sale of the Offered Securities, other than a sale pursuant to Rule 144A, such Purchaser will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Offered Securities from it during the restricted period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the date of the commencement of the offering and the closing date, except in either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in this subsection (b) have the meanings given to them by Regulation S.

(c) Each Purchaser severally agrees that it and each of its affiliates has not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Securities except for any such arrangements with the other Purchasers or affiliates of the other Purchasers or with the prior written consent of the Issuers.

(d) Each Purchaser severally agrees that it and each of its affiliates will not offer or sell the Offered Securities in the United States by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act, including, but not limited to (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, or (ii) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising. Each Purchaser severally agrees, with respect to resales made in reliance on Rule 144A of any of the Offered Securities, to deliver either with the confirmation of such resale or otherwise prior to settlement of such resale a notice to the effect that the resale of such Offered Securities has been made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

(e) Each of the Purchasers severally represents and agrees that (i) it has not offered or sold and prior to the expiry of a period of six months from the Closing Date, will not offer or sell any Offered Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by it in relation to the Offered Securities in, from or otherwise involving the United Kingdom; and (iii) it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Offered Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuers or the Guarantors.

(f) Each Purchaser, severally and not jointly, agrees that, prior to or simultaneously with the confirmation of sale by such Purchaser to any purchaser of any of the Offered Securities purchased by such Purchaser from the Issuers pursuant hereto, such Purchaser shall furnish to that purchaser a copy of the Offering Circular (and any amendment or supplement thereto that the Issuers shall have furnished to such Purchaser

prior to the date of such confirmation of sale). In addition to the foregoing, each Purchaser acknowledges and agrees that the Issuers and, for purposes of the opinions to be delivered to the Purchasers pursuant to Sections 6(c) and (d), counsel for the Issuers and the Purchasers, respectively, may rely upon the accuracy of the representations and warranties of the Purchasers and their compliance with the agreements contained in this Section 4, and each Purchaser hereby consents to such reliance.

5. Certain Agreements of the Issuers and the Guarantors. Each of the Issuers and the Guarantors agrees with the several Purchasers that:

(a) The Issuers will furnish a copy to CSFBC promptly of any proposal to amend or supplement the Offering Document and will not effect such amendment or supplementation to which CSFB shall reasonably object by notice to the Issuers after a reasonable period to review. If, at any time prior to the completion of the resale of the Offered Securities by the Purchasers, any event occurs as a result of which the Offering Document as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Issuers promptly will notify CSFBC of such event and promptly will prepare, at their own expense, an amendment or supplement which will correct such statement or omission. Neither CSFBC's consent to, nor the Purchasers' delivery to offerees or investors of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 6.

(b) The Issuers will furnish to CSFBC copies of any preliminary offering circular, the Offering Document and all amendments and supplements to such documents, in each case as soon as available and in such quantities as CSFBC reasonably requests, and the Issuers will furnish to CSFBC on the date hereof three copies of the Offering Document signed by a duly authorized officer of each of the Issuers, one of which will include the independent accountants' reports therein manually signed by such independent accountants. At any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company will promptly furnish or cause to be furnished to CSFBC (and, upon request, to each of the other Purchasers) and, upon request of holders and prospective purchasers of the Offered Securities, to such holders and purchasers, copies of the information required to be delivered to holders and prospective purchasers of the Offered Securities pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto) in order to permit compliance with Rule 144A in connection with resales by such holders of the Offered Securities. The Issuers will pay the expenses of printing and distributing to the Purchasers all such documents.

(c) The Issuers will arrange for the qualification of the Offered Securities for sale and the determination of their eligibility for investment under the laws of such jurisdictions in the United States and Canada as CSFBC designates and will continue such qualifications in effect so long as required for the resale of the Offered Securities by the Purchasers, provided that neither of the Issuers will be required to qualify as a foreign corporation or to file a general consent to service of process in any such jurisdiction.

(d) During the period of two years after the Closing Date, the Issuers will, upon request, furnish to CSFBC, each of the other Purchasers and any holder of Offered Securities a copy of the restrictions on transfer applicable to the Offered Securities.

(e) During the period of two years after the Closing Date, the Issuers will not, and will not permit any of their affiliates (as defined in Rule 144 under the Securities Act) to, resell any of the Offered Securities that have been reacquired by any of them, except for Offered Securities purchased by the Issuers or any of their affiliates and resold in a transaction registered under the Securities Act.

(f) During the period of two years after the Closing Date, neither of the Issuers will be or become, an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act.

(g) The Issuers will pay all expenses incidental to the performance of their obligations under this Agreement, the Indenture, the Security Documents and the Registration Rights Agreement, including (i) the fees and expenses of the Trustee and the Collateral Agent and their professional advisers; (ii) all expenses in connection with the execution, issue, authentication, packaging and initial delivery of the Offered Securities and, as applicable, the Exchange Securities (as defined in the Registration Rights Agreement), the preparation and printing of this Agreement, the Registration Rights Agreement, the Offered Securities, the Indenture, the Offering Document and amendments and supplements thereto, and any other document relating to the issuance, offer, sale and delivery of the Offered Securities and as applicable, the Exchange Securities; (iii) the cost of listing the Offered Securities and qualifying the Offered Securities for trading in The Portal(SM) Market ("PORTAL") and any expenses incidental thereto; (iv) the cost of any advertising approved by the Issuers in connection with the issue of the Offered Securities (v) any expenses (including fees and disbursements of counsel) incurred in connection with qualification of the Offered Securities or the Exchange Securities for sale under the laws of such jurisdictions in the United States and Canada as CSFBC designates and the printing of memoranda relating thereto, (vi) any fees charged by investment rating agencies for the rating of the Securities or the Exchange Securities, (vii) the costs of preparing the Security Documents and perfecting the security interests in the Collateral, and (viii) expenses incurred in distributing preliminary offering circulars and the Offering Document (including any amendments and supplements thereto) to the Purchasers. The Issuers will also pay or reimburse the Purchasers (to the extent incurred by them) for all travel expenses of the Purchasers and the Issuers' officers and employees and any other expenses of the Purchasers and the Issuers in connection with attending or hosting meetings with prospective purchasers of the Offered Securities from the Purchasers; provided, however, that the cost of the rental of the aircraft used by the Purchasers and the Issuers' officers and employees in connection with their attendance at such meetings shall be shared equally between the Issuers and the Purchasers with the Issuers paying half of such cost and the Purchasers paying the other half of such cost. If this Agreement is terminated pursuant to Section 8 of this Agreement by reason of the default of one or more of the Purchasers, the Issuers and the Guarantors shall not be obligated to reimburse any defaulting Purchaser on account of such expenses.

(h) In connection with the offering, until CSFBC shall have notified the Issuers and the other Purchasers of the completion of the resale of the Offered Securities, neither of the Issuers nor any of their affiliates has or will, either alone or with one or more other persons, bid for or purchase for any account in which they or any of their affiliates has a beneficial interest any Offered Securities or attempt to induce any person to purchase any Offered Securities; and neither of the Issuers nor any of their affiliates will

make bids or purchases for the purpose of creating actual, or apparent, active trading in, or of raising the price of, the Offered Securities.

(i) For a period of 180 days after the date of the initial offering of the Offered Securities by the Purchasers, the Issuers will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any United States dollar-denominated debt securities issued or guaranteed by the Company or any of its subsidiaries and having a maturity of more than one year from the date of issue in the United States in a public offering or a Rule 144A offering, without the prior written consent of CSFBC; provided, however, that the foregoing shall not apply to debt securities which are convertible into equity securities or are equity linked debt securities or equity securities. Neither the Company nor any of its subsidiaries will at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances where such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbor of Regulation S thereunder to cease to be applicable to the offer and sale of the Offered Securities.

(j) The Issuers will use the net proceeds received by them from the sale of the Offered Securities in the manner specified in the Offering Circular under the heading "Use of Proceeds."

(k) The Issuers will use their best efforts to have the Offered Securities admitted to trading in PORTAL.

6. Conditions of the Obligations of the Purchasers. The obligations of the several Purchasers to purchase and pay for the Offered Securities will be subject to the accuracy of the representations and warranties on the part of the Issuers and the Guarantors herein, to the accuracy of the statements of each of the Issuers and the Guarantors and their respective officers made pursuant to the provisions hereof, to the performance by each of the Issuers and the Guarantors of its obligations hereunder and to the following additional conditions precedent:

(a) On the date of this Agreement and on the Closing Date PricewaterhouseCoopers LLP shall have furnished to the Purchasers, at the request of the Issuers, letters, dated the respective dates of delivery thereof and addressed to the Purchasers, in customary form and covering matters of the type customarily covered in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Preliminary Offering Circular and the Offering Circular as contemplated, and only if permitted, by Statement of Auditing Standards No. 72.

(b) Subsequent to the execution and delivery of this Agreement, there shall not have occurred (i) any change, or any development or event involving a prospective change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as one enterprise which, in the judgment of a majority in interest of the Purchasers including CSFBC, is material and adverse and makes it impractical or inadvisable to proceed with completion of the offering or the sale of and payment for the Offered Securities; (ii) any downgrading in the rating of any debt securities of the Company by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Securities Act), or any public announcement that any such organization has under surveillance or review its rating of any

debt securities of the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating) or any announcement that the Company has been placed on negative outlook; (iii) any change in U.S. or international financial, political or economic conditions or currency exchange rates or exchange controls as would, in the judgment of a majority in interest of the Purchasers including CSFBC, be likely to prejudice materially the success of the proposed issue, sale or distribution of the Offered Securities, whether in the primary market or in respect of dealings in the secondary market, (iv) any material suspension or material limitation of trading in securities generally on the New York Stock Exchange, or any material setting of minimum prices for trading on such exchange, or any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; (v) any general banking moratorium declared by U.S. Federal or, New York authorities; (vi) any major disruption of settlements of securities or clearance services in the United States or (vii) any attack on, outbreak or escalation of hostilities or act of terrorism involving the United States, any declaration of war by Congress or any other national or international calamity or emergency if, in the judgment of a majority in interest of the Purchasers including CSFBC, the effect of any such attack, outbreak, escalation, act, declaration, calamity or emergency makes it impractical or inadvisable to proceed with completion of the offering or sale of and payment for the Offered Securities.

(c) On the Closing Date, each of the following (i) opinion of CGSH, counsel to the Issuers, (ii) letter of CGSH, (iii) opinion of George H. Cave, general counsel to the Issuers, (iv) opinion of Gust Rosenfeld, as special Arizona counsel to the Issuers, and (v) opinion of Hinckley, Allen & Snyder LLP, as special Rhode Island counsel to the Issuers, shall have been furnished to the Purchasers, addressed to the Purchasers and dated the Closing Date, each in form and substance reasonably satisfactory to the Purchasers.

(d) The Purchasers shall have received from Cravath, Swaine & Moore ("CS&M"), counsel for the Purchasers, such opinion or opinions, dated the Closing Date, with respect to the incorporation of the Company, the validity of the Offered Securities, the Offering Circular, the exemption from registration for the offer and sale of the Offered Securities by the Issuers to the several Purchasers and the resales by the several Purchasers as contemplated hereby and other related matters as CSFBC may require, and the Issuers shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters

(e) The Purchasers shall have received a certificate, dated the Closing Date and executed by Steven P. Hanson, as chief executive officer, and John T. Kurtzweil, as chief financial officer, in which such officers, to the best of their knowledge after reasonable investigation, shall state that, on the date hereof and on and as of the Closing Date, the representations and warranties of each of the Issuers and Guarantors in this Agreement are true and correct, that each of the Issuers and Guarantors has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date, and that, subsequent to the dates of the most recent financial statements in the Offering Document there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as a whole.

(f) On the Closing Date, the Purchasers shall have received a counterpart of the Registration Rights Agreement which shall have been executed and delivered by duly authorized officers of the Issuers and the Guarantors.

(g) On the Closing Date, the Indenture shall have been duly executed and delivered by the Issuers, the Guarantors and the Trustee, and the Offered Securities shall have been duly executed and delivered by the Issuers and duly authenticated by the Trustee.

(h) The Offered Securities shall have been approved by the NASD for trading in the PORTAL market.

(i) On the Closing Date or within a commercially reasonable time frame thereafter, the following documents and instruments relating to the Collateral shall have been delivered to the Purchasers:

(1) a copy of the financing statements and such other instruments, including UCC financing statements, necessary to perfect the lien of, and the security interests to be created by, the Security Documents; and

(2) a receipt executed on behalf of JPMorgan Chase Bank as the Administrative Agent acknowledging receipt in the State of New York of the certificates representing the pledged capital stock or other equity interests, as the case may be.

(j) The Purchasers shall have received or shall receive within a commercially reasonable time frame, in respect of the Mortgages, a mortgagee's title policy of title insurance or marked-up title commitment for such insurance. Such policy or title commitment shall (i) be in an amount equal to the amount of title insurance coverage already provided to the Bank Lenders in respect of their security interest in the properties covered by such Mortgages; (ii) insure that the Mortgages insured thereby create a valid second lien on the property covered by such Mortgage, free and clear of all liens, defects and encumbrances other than Permitted Liens; (iii) provide affirmative mechanic's lien coverage; (iv) name the Collateral Agent, for the benefit of the holders of the Offered Securities, as the insured thereunder; (v) be in the form of ALTA Loan Policy-1992; and (vi) contain revolving endorsements and such applicable endorsements and effective coverage as contained in the title insurance policies delivered in connection with the Credit Agreement.

(k) On or prior to the Closing Date, CSFBC shall have received the results of lien searches, conducted by a search service reasonably satisfactory to CSFBC, and CSFBC shall be satisfied that no liens are outstanding on the property or assets of the Issuers and the Guarantors, other than any such Liens (i) which constitute Permitted Liens or (ii) as to which CSFBC has received documentation reasonably satisfactory to it evidencing the termination of such Liens.

(l) On or prior to the Closing Date, the Credit Agreement Amendment shall be effective on the terms described in the Offering Document.

(m) On or prior to the Closing Date, a copy of each of the duly executed Security Documents shall have been delivered to the Purchasers.

Documents described as being "in the agreed form" are documents which are in the forms which have been initialed for the purpose of identification by CS&M, copies of which are held by the Company and CSFBC, with such changes as the Company and CSFBC may approve.

The Issuers will furnish the Purchasers with such conformed copies of such opinions, certificates, letters and documents as the Purchasers reasonably request. CSFBC may in its sole discretion waive on behalf of the Purchasers compliance with any conditions to the obligations of the Purchasers hereunder.

7. Indemnification and Contribution. (a) Each of the Issuers and Guarantors will jointly and severally indemnify and hold harmless each Purchaser, its partners, directors and officers and each person, if any, who controls such Purchaser within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such Purchaser may become subject, under the Securities Act or the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Offering Document, or any amendment or supplement thereto, or any related preliminary offering circular or the Exchange Act Reports, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, including any losses, claims, damages or liabilities arising out of or based upon the Issuers' failure to perform their obligations under Section 5(a) of this Agreement, and will reimburse each Purchaser for any legal or other expenses reasonably incurred by such Purchaser in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Issuers and Guarantors will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Issuers by any Purchaser through CSFBC specifically for use therein, it being understood and agreed that the only such information consists of the information described as such in subsection (b) below.

(b) Each Purchaser will severally and not jointly indemnify and hold harmless each of the Issuers, their directors and officers and each person, if any, who controls the Issuers within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities to which either of the Issuers may become subject, under the Securities Act or the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Offering Document, or any amendment or supplement thereto, or any related preliminary offering circular, or arise out of or are based upon the omission or the alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Issuers by such Purchaser through CSFBC specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by the Issuers in connection with investigating or defending any such loss, claim, damage, liability or action as such

expenses are incurred, it being understood and agreed that the only such information furnished by any Purchaser consists of the following information in the Offering Circular furnished on behalf of each Purchaser: under the caption "Plan of Distribution" paragraphs 3, 6, 10 and 11, and the third sentence of paragraph 9 and the second and third sentences of paragraph 13; provided, however, that the Purchasers shall not be liable for any losses, claims, damages or liabilities arising out of or based upon the Issuers' failure to perform its obligations under Section 5(a) of this Agreement.

(c) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under subsection (a) or (b) above, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under subsection (a) or (b) above. In case any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation unless (i) the indemnifying party has failed within a reasonable amount of time to retain counsel reasonably satisfactory to the indemnified party; (ii) the indemnified party shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the indemnifying party; or (iii) the named parties in any such proceeding (included any impleaded parties) include both the indemnifying party and the indemnified party and representations of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement includes (i) an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (ii) does not include a statement as to or an admission of fault, culpability or failure to act by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Issuers and Guarantors on the one hand and the Purchasers on the other from the offering of the Offered Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Issuers and the Guarantors on the one hand and the Purchasers on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Issuers and the Guarantors on the one hand and the Purchasers on

the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Issuers and the Guarantors bear to the total discounts and commissions received by the Purchasers from the Issuers under this Agreement. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuers and Guarantors or the Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), no Purchaser shall be required to contribute any amount in excess of the amount by which the total discounts, fees and commissions received by such Purchaser exceeds the amount of any damages which such Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. The Purchasers' obligations in this subsection (d) to contribute are several in proportion to their respective purchase obligations and not joint.

(e) The obligations of the Issuers and Guarantors under this Section shall be in addition to any liability which the Issuers and Guarantors may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Purchaser within the meaning of the Securities Act or the Exchange Act; and the obligations of the Purchasers under this Section shall be in addition to any liability which the respective Purchasers may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls the Issuers within the meaning of the Securities Act or the Exchange Act.

8. Default of Purchasers. If any Purchaser or Purchasers default in their obligations to purchase Offered Securities hereunder and the aggregate principal amount of Offered Securities that such defaulting Purchaser or Purchasers agreed but failed to purchase does not exceed 10% of the total principal amount of Offered Securities, CSFBC may make arrangements satisfactory to the Issuers for the purchase of such Offered Securities by other persons, including any of the Purchasers, but if no such arrangements are made by the Closing Date, the non-defaulting Purchasers shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Offered Securities that such defaulting Purchasers agreed but failed to purchase. If any Purchaser or Purchasers so default and the aggregate principal amount of Offered Securities with respect to which such default or defaults occur exceeds 10% of the total principal amount of Offered Securities and arrangements satisfactory to CSFBC and the Company for the purchase of such Offered Securities by other persons are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Purchaser or the Issuers, except as provided in Section 9. As used in this Agreement, the term "Purchaser" includes any person substituted for a Purchaser under this Section. Nothing herein will relieve a defaulting Purchaser from liability for its default.

9. Survival of Certain Representations and Obligations. The respective indemnities, agreements, representations, warranties and other statements of the Issuers and Guarantors or their officers and of the several Purchasers set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any

investigation, or statement as to the results thereof, made by or on behalf of any Purchaser, either of the Issuers and any Guarantors or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Offered Securities. If for any reason the purchase of the Offered Securities by the Purchasers is not consummated, the Issuers and the Guarantors shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 5 and the respective obligations of the Issuers and Guarantors and the Purchasers pursuant to Section 7 shall remain in effect. If the purchase of the Offered Securities by the Purchasers is not consummated for any reason other than solely because of the occurrence of any event specified in clause (iii), (iv), (v), (vi) or (vii) of Section 6(b), the Issuers and the Guarantors will reimburse the Purchasers for all out-of-pocket expenses (including fees and disbursements of counsel) reasonably incurred by them in connection with the offering of the Offered Securities.

10. Notices. All communications hereunder will be in writing and, if sent to the Purchasers will be mailed, delivered or telegraphed and confirmed to the Purchasers, c/o Credit Suisse First Boston Corporation, Eleven Madison Avenue, New York, N.Y. 10010-3629, Attention: Transactions Advisory Group, or, if sent to the Issuers, will be mailed, delivered or telegraphed and confirmed to it at ON Semiconductor Corporation, 5005 East McDowell Road, Phoenix, Arizona 85005, Attention: General Counsel; provided, however, that any notice to a Purchaser pursuant to Section 7 will be mailed, delivered or telegraphed and confirmed to such Purchaser.

11. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the controlling persons referred to in Section 7, and no other person will have any right or obligation hereunder, except that holders of Offered Securities shall be entitled to enforce the agreements for their benefit contained in the second and third sentences of Section 5(b) hereof against the Issuers as if such holders were parties thereto.

12. Representation of Purchasers. You will act for the several Purchasers in connection with this purchase, and any action under this Agreement taken by you will be binding upon all the Purchasers.

13. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

14. APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

The Issuers hereby submit to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, as its authorized agent in the Borough of Manhattan in The City of New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to the Issuers, by the person serving the same to the address provided in Section 10, shall be deemed in every respect effective service of process upon the Issuers in any such suit or proceeding. The Issuers further agree to take any and all action as may be necessary to maintain such designation

and appointment of such agent in full force and effect for a period of seven years from the date of this Agreement.

If the foregoing is in accordance with the Purchasers' understanding of our agreement, kindly sign and return to us one of the counterparts hereof, whereupon it will become a binding agreement between the Issuers and the several Purchasers in accordance with its terms.

Very truly yours,

ON SEMICONDUCTOR CORPORATION,
SEMICONDUCTOR COMPONENTS INDUSTRY, LLC,
SCG (MALAYSIA SMP) HOLDING CORPORATION,
SCG (CZECH) HOLDING CORPORATION,
SCG (CHINA) HOLDING CORPORATION,
SEMICONDUCTOR COMPONENTS INDUSTRIES
PUERTO RICO, INC.,
SCG INTERNATIONAL DEVELOPMENT LLC,
SEMICONDUCTOR COMPONENTS INDUSTRIES OF
RHODE ISLAND, INC.,
SEMICONDUCTOR COMPONENTS INDUSTRIES
INTERNATIONAL OF RHODE ISLAND, INC.

By /s/ John T. Kurtzweil

Name: John T. Kurtzweil
Title: Chief Financial Officer

The foregoing Purchase Agreement
is hereby confirmed and accepted
as of the date first above written.

CREDIT SUISSE FIRST BOSTON CORPORATION

By /s/ Ted Iantuono

Title: Director

Acting on behalf of itself
and as the Representative
of the several Purchasers

SCHEDULE A

MANAGER	PRINCIPAL AMOUNT OF OFFERED SECURITIES
Credit Suisse First Boston Corporation	$127,500,000
Morgan Stanley & Co Incorporated	97,500,000
J.P. Morgan Securities Inc.	37,500,000
Salomon Smith Barney Inc.	37,500,000
Total	$300,000,000

SCHEDULE B

NONE

SCHEDULE C

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 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}
- ON Semiconductor Technology Japan Ltd. {Japan}
- SCG Philippines, Incorporated {Philippines}
- SCG Asia Capital Pte. Ltd. {Malaysia}
- SCG Czech Design Center s.r.o. {Czech Republic}
- ON Semiconductor Hong Kong Design Limited {Hong Kong, China}
- ON Semiconductor Japan Ltd. {Japan}
- ON Semiconductor Design (Shanghai) Limited {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}
      - ON Semiconductor Germany GmbH {Germany}
      - SCG France SAS {France}
      - ON Semiconductor AB {Sweden}
    - ON Semiconductor Mexico Trading S. de R. L. de C. V. {Mexico}
      - SCG Italy S.r.l. {Italy}
      - ON Semiconductor Limited {United Kingdom}
        - Semiconductor Components Industries UK Limited {United Kingdom}

{ } Denotes jurisdiction

Exhibit 4.2

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ON SEMICONDUCTOR CORPORATION
SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC

12% Senior Secured Notes due 2008

INDENTURE

Dated as of May 6, 2002

Wells Fargo Bank Minnesota, National Association,

as Trustee

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TABLE OF CONTENTS

INDENTURE dated as of May 6, 2002, among ON SEMICONDUCTOR CORPORATION, a Delaware corporation (the "Company"), SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company and a wholly-owned subsidiary of the Company ("SCI LLC" and, together with the Company, the "Issuers"), SCG (MALAYSIA SMP) HOLDING CORPORATION, SCG (CZECH) HOLDING CORPORATION, SCG (CHINA) HOLDING CORPORATION, SEMICONDUCTOR COMPONENTS INDUSTRIES PUERTO RICO, INC., SCG INTERNATIONAL DEVELOPMENT LLC, SEMICONDUCTOR COMPONENTS INDUSTRIES OF RHODE ISLAND, INC. and SEMICONDUCTOR COMPONENTS INDUSTRIES INTERNATIONAL OF RHODE ISLAND, INC., as guarantors (collectively, the "Guarantors"), and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association, as trustee (the "Trustee").

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of (a) the Issuers' 12% Senior Secured Notes due 2008 issued on the date hereof (the "Original Notes"), (b) any Additional Notes (as defined herein) that may be issued on any Issue Date (all such Notes in clauses (a) and (b) being referred to collectively as the "Initial Notes"), (c) if and when issued as provided in a Registration Rights Agreement (as defined in Appendix A hereto (the "Appendix")), the Issuers' 12% Senior Secured Notes due 2008 (the "Exchange Notes") issued in an Exchange Offer in exchange for any Initial Notes and (d) if and when issued as provided in a Registration Rights Agreement, the Private Exchange Notes (such term and each other term used but not defined herein has the meaning assigned to such term in Sections 1.01 and 1.02; the Private Exchange Notes, together with the Initial Notes and any Exchange Notes issued hereunder, the "Notes") issued in a Private Exchange. On the date hereof, $300,000,000 in aggregate principal amount of Notes will be initially issued. Subject to the conditions and in compliance with the covenants set forth herein, the Issuers may issue an unlimited aggregate principal amount of Additional Notes from time to time.

ARTICLE I

Definitions and Incorporation by Reference

SECTION 1.01. Definitions.

"Acquired Debt" means, with respect to any specified Person, (a) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, including Indebtedness Incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Restricted Subsidiary of such specified Person and (b) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Additional Assets" means (a) any property or assets (other than Indebtedness and Capital Stock) to be used by the Company or a Restricted Subsidiary in a Permitted Business; (b) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary; or (c) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary; provided, however, that any such Restricted Subsidiary described in clauses (b) or (c) above is primarily engaged in a Permitted Business.

"Additional Interest" means any additional interest payable under a Registration Rights Agreement.

"Additional Notes" means any 12% Senior Secured Notes due 2008, issued under the terms of this Indenture subsequent to the Closing Date.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of Sections 4.06 and 4.07 only, "Affiliate" shall also mean any beneficial owner of shares representing more than 10% of the total voting power of the Voting Stock (on a fully diluted basis) of the Company or of rights or warrants to purchase such Voting Stock (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"Asset Disposition" means any sale, lease (other than an operating lease), transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "disposition"), of (a) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary) that have a Fair Market Value in excess of $5 million, (b) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary or (c) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary (other than, in the case of (a), (b) and (c) above, (i) a disposition by the Company to a Restricted Subsidiary or by a Restricted Subsidiary to the Company or to another Restricted Subsidiary, (ii) an issuance of Capital Stock by a Subsidiary to the Company or to a Restricted Subsidiary, (iii) for purposes of Section 4.06 only, a disposition that constitutes a Restricted Payment permitted by Section 4.04, (iv) a disposition of assets with a Fair Market Value of less than $5 million, (v) a Sale/Leaseback Transaction with respect to any assets within 90 days of the acquisition of such assets, (vi) a disposition of Temporary Cash Investments, the proceeds of which are used within five business days to make another Permitted Investment, (vii) a disposition of obsolete, uneconomical, negligible, worn out or surplus property or equipment in the ordinary course of business and the periodic clearance of aged inventory, (viii) any exchange of like-kind property of the type described in Section 1031 of the Code for use in a Permitted Business, (ix) the sale or disposition

of any assets or property received as a result of a foreclosure by the Company or any of its Restricted Subsidiaries of any secured Investment or any other transfer of title with respect to any secured Investment in default, (x) the licensing of intellectual property in the ordinary course of business or in accordance with industry practice, (xi) the sale or discount, in each case without recourse, of accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof and (xii) a sale of accounts receivable and related assets pursuant to a Receivables Facility. Notwithstanding the foregoing, the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole will be governed by the provisions of Sections 4.08 and 5.01 and not by the provisions of Section 4.06.

"Attributable Debt" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate implicit in such transaction, determined in accordance with GAAP) of the total obligations of the lessee for net rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended or may be, at the option of the lessor, extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the number of years obtained by dividing (a) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or scheduled redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (b) the then outstanding sum of all such payments.

"Bank Indebtedness" means any and all amounts payable under or in respect of the Credit Agreement and any Refinancing Indebtedness with respect thereto, as amended from time to time, including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or SCI LLC whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof. It is understood and agreed that Refinancing Indebtedness in respect of the Credit Agreement may be Incurred from time to time after termination of the Credit Agreement.

"Board of Directors" means the Board of Directors of the Company or any committee thereof duly authorized to act on behalf of the Board of Directors of the Company.

"Business Day" means each day which is not a Legal Holiday.

"Capitalized Lease Obligations" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Capital Stock" of any Person means any and all shares, partnership, membership or other interests, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock (but excluding any debt securities convertible into such equity) and any rights to purchase, warrants, options or similar interests with respect to the foregoing.

"Cash Management Obligations" means, with respect to any Person, all obligations of such Person in respect of overdrafts and related liabilities owed to any other Person that arise from treasury, depositary or cash management services in connection with automated clearing house transfers of funds or any similar transactions.

"Change of Control" means the occurrence of any of the following events:

(a) (i) any "person" (as such term is used in Section 13(d)(3) of the Exchange Act), other than one or more Permitted Holders, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 40% of the total voting power of the Voting Stock of the Company or SCI LLC, whether as a result of issuance of securities of the Company or SCI LLC, any merger, consolidation, liquidation or dissolution of the Company or SCI LLC, any direct or indirect transfer of securities by any Permitted Holder or otherwise, and (ii) the Permitted Holders "beneficially own" (as defined in clause (i) above), directly or indirectly, in the aggregate a lesser percentage of the total voting power of the Voting Stock of the Company or SCI LLC, than such other person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of the Company or the similar governing body of SCI LLC, as the case may be;

(b) during any period of two consecutive years, individuals who at the beginning of such period constituted the board of directors of the Company or the similar governing body of SCI LLC, as the case may be (together with any new directors or members of such governing body, as the case may be, whose election by such board of directors of the Company or governing body of SCI LLC, as the case may be, or whose nomination for election by the shareholders of the Company or the members of SCI LLC, as the case may be, was approved by a vote of a majority of the directors of the Company or a majority of the members of the governing body of SCI LLC, as the case may be, then still in office who were either directors or members of such governing body, as the case may be, at the beginning of such period or whose election or nomination for election was previously so approved), cease for any reason to constitute a majority of the board of directors of the Company or a majority of the members of the governing body of SCI LLC, as the case may be, then in office;

(c) the adoption of a plan relating to the liquidation or dissolution of the Company or SCI LLC (other than a plan with respect to SCI LLC adopted solely for the purpose of reorganizing SCI LLC as a corporation); or

(d) the merger or consolidation of the Company or SCI LLC with or into another Person or the merger of another Person with or into the Company or SCI LLC, or the sale of all

or substantially all the assets of the Company or SCI LLC to another Person (other than a Person that is controlled by the Permitted Holders), and, in the case of any such merger or consolidation, the securities of the Company or SCI LLC that are outstanding immediately prior to such transaction and which represent 100% of the aggregate voting power of the Voting Stock of the Company or SCI LLC are changed into or exchanged for cash, securities or property, unless pursuant to such transaction such securities are changed into or exchanged for, in addition to any other consideration, securities of the surviving Person or transferee that represent immediately after such transaction, at least a majority of the aggregate voting power of the Voting Stock of the surviving Person or transferee or a Person controlling such surviving Person or transferee.

"China JV" means the Company's joint venture in Leshan, China.

"Closing Date" means the date of this Indenture.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means all property and assets of any Issuer or Guarantor with respect to which from time to time a Lien is granted as security for the Notes pursuant to the applicable Security Documents.

"Collateral Agent" means the Trustee in its capacity as the "Collateral Agent" under and as defined in the Security Documents and any successor thereto in such capacity.

"Collateral Assignment" means the Collateral Assignment dated as of May 6, 2002, between SCI LLC and the Collateral Agent.

"Commission" means the Securities and Exchange Commission.

"Commodity Hedge Obligations" means with respect to any Person any commodity price protection agreement or other commodity price hedging arrangement or other similar agreement or arrangement as to which such Person is party.

"Common Collateral Agent" means a bank or trust company authorized to exercise corporate trust powers that has been appointed by the Issuers, and has agreed, to act as collateral agent for the equal and ratable benefit of both the holders of obligations secured by the Liens Securing Note Obligations and the holders of all other obligations secured by Liens Securing Other Second-Lien Obligations, in its capacity as such collateral agent.

"Company" means the party named as such in this Indenture until a successor replaces it and, thereafter, means the successor and, for purposes of any provision contained herein and required by the TIA, each other obligor on the indenture securities.

"Consolidated Coverage Ratio" as of any date of determination means the ratio of (a) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters for which internal financial statements are available prior to the date of such determination to (b) Consolidated Interest Expense for such four fiscal quarters; provided, however, that (i) if the Company or any Restricted Subsidiary has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if

the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (in each case other than Indebtedness Incurred under any revolving credit facility, in which case interest expense shall be computed based upon the average daily balance of such Indebtedness during the applicable period) and the discharge of any other Indebtedness repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Indebtedness as if such discharge had occurred on the first day of such period, (ii) if the Company or any Restricted Subsidiary has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case if such Indebtedness has been permanently repaid and has not been replaced, other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness is permanently reduced, in which case interest expense shall be computed based upon the average daily balance of such Indebtedness during the applicable period) on the date of the transaction giving rise to the need to calculate the Consolidated Coverage Ratio, EBITDA and Consolidated Interest Expense for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Company or such Restricted Subsidiary has not earned any interest income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness, (iii) if since the beginning of such period the Company or any Restricted Subsidiary shall have made any Asset Disposition, EBITDA for such period shall be reduced by an amount equal to EBITDA (if positive) directly attributable to the assets that are the subject of such Asset Disposition for such period or increased by an amount equal to EBITDA (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale), (iv) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period and (v) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (iii) or (iv) above if made by the Company or a Restricted Subsidiary during such period, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition of assets occurred on the first day

of such period. For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting Officer of the Company. Any such pro forma calculations shall reflect any pro forma expense and cost reductions attributable to such acquisitions, to the extent such expense and cost reduction would be permitted by the Commission to be reflected in pro forma financial statements included in a registration statement filed with the Commission. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term as at the date of determination in excess of 12 months).

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its Consolidated Restricted Subsidiaries, plus, to the extent Incurred by the Company or its Restricted Subsidiaries in such period but not included in such interest expense, without duplication (a) interest expense attributable to Capitalized Lease Obligations and the imputed interest with respect to Attributable Debt, (b) amortization of debt discount, (c) amortization of debt issuance costs (other than any such costs associated with the Bank Indebtedness, the Initial Notes, the Exchange Notes, the Senior Subordinated Notes, the Junior Subordinated Note or otherwise associated with the Refinancing), (d) capitalized interest, (e) noncash interest expense other than any noncash interest expense in connection with the Junior Subordinated Note, (f) commissions, discounts and other fees and charges attributable to letters of credit and bankers' acceptance financing, (g) interest accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by the Company or any Restricted Subsidiary, (h) net costs associated with Hedging Obligations (including amortization of fees) (other than any such costs associated with the Bank Indebtedness, the Initial Notes, the Exchange Notes, the Senior Subordinated Notes, the Junior Subordinated Note or otherwise associated with the Refinancing), (i) dividends in respect of all Disqualified Stock of the Company and all Preferred Stock of any of the Restricted Subsidiaries of the Company, to the extent held by Persons other than the Company or another Restricted Subsidiary, other than accumulated but unpaid dividends on the TPG Preferred Stock, (j) interest Incurred in connection with investments in discontinued operations and (k) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Indebtedness Incurred by such plan or trust. Notwithstanding anything to the contrary contained herein, commissions, discounts, yield and other fees and charges Incurred in connection with any transaction (including in connection with a Receivables Facility) pursuant to which the Company or any Subsidiary of the Company may sell, convey or otherwise transfer or grant a security interest in any accounts receivable or related assets as contemplated by the definition of "Receivables Facility" shall be included in Consolidated Interest Expense.

"Consolidated Net Income" means, for any period, the net income of the Company and its Consolidated Subsidiaries for such period determined in accordance with GAAP; provided, however, that:

(a) any net income of any Person (other than the Company), if such Person is not a Restricted Subsidiary, shall be excluded from such Consolidated Net Income, except that (i) subject to the limitations contained in clause (d) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution made to a Restricted Subsidiary, to the limitations contained in clause (c) below) and (ii) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income;

(b) any net income (or loss) of any Person acquired by the Company or a Subsidiary in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded from such Consolidated Net Income;

(c) any net income (or loss) of any Restricted Subsidiary, to the extent that the declaration of dividends or similar distributions by such Restricted Subsidiary of that income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or is, directly or indirectly, restricted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary or its stockholders or other holders of its equity, shall be excluded from such Consolidated Net Income, except that (i) subject to the limitations contained in clause (d) below, the Company's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution made to another Restricted Subsidiary, to the limitation contained in this clause) and (ii) the Company's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income;

(d) any gain (or loss) realized upon the sale or other disposition of any asset of the Company or its Consolidated Subsidiaries (including pursuant to any Sale/Leaseback Transaction) that is not sold or otherwise disposed of in the ordinary course of business and any gain (or loss) realized upon the sale or other disposition of any Capital Stock of any Person shall be excluded from such Consolidated Net Income (without regard to abandonments or reserves related thereto);

(e) any extraordinary gain or loss shall be excluded from such Consolidated Net Income;

(f) the cumulative effect of a change in accounting principles shall be excluded from such Consolidated Net Income;

(g) gains or losses due solely to fluctuations in currency values and the related tax effects according to GAAP shall be excluded from such Consolidated Net Income;

(h) only for the purposes of the definition of EBITDA, one-time cash charges recorded in accordance with GAAP resulting from any merger, recapitalization or acquisition transaction shall be excluded from such Consolidated Net Income; and

(i) the amortization of any premiums, fees or expenses incurred in connection with the Refinancing or any amounts required or permitted by Accounting Principles Board Opinions Nos. 16 (including noncash write-ups and noncash charges relating to inventory and fixed assets, in each case arising in connection with the Refinancing) and 17, in each case in connection with the Refinancing, shall be excluded from such Consolidated Net Income.

"Consolidation" means the consolidation of the amounts of each of the Restricted Subsidiaries with those of the Company in accordance with GAAP consistently applied; provided, however, that "Consolidation" shall not include consolidation of the accounts of any Unrestricted Subsidiary, but the interest of the Company or any Restricted Subsidiary in an Unrestricted Subsidiary shall be accounted for as an investment. The term "Consolidated" has a correlative meaning.

"Credit Agent" means JPMorgan Chase Bank, in its capacity as administrative and collateral agent for the lenders party to the Credit Agreement or any successor thereto, or any Person otherwise designated the "Credit Agent" pursuant to the Intercreditor Agreement.

"Credit Agreement" means the credit agreement dated as of August 4, 1999, as amended and restated as of April 3, 2000, and as subsequently amended, among SCI LLC, the Company, the lenders named therein and JPMorgan Chase Bank, as administrative agent, collateral agent and syndication agent, and Credit Lyonnais New York Branch, Credit Suisse First Boston and Lehman Commercial Paper Inc., as co-documentation agents, including any guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof (except to the extent that any such amendment, supplement, modification, extension, renewal, restatement or refunding would be prohibited by the terms of this Indenture, unless otherwise agreed to by the Holders of at least a majority in aggregate principal amount of Notes at the time outstanding) and any indentures or credit facilities or commercial paper facilities with banks or other institutional lenders that replace, refund or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding or refinancing facility or indenture that increases the amount borrowable thereunder or alters the maturity thereof.

"Credit Agreement Obligations" means (a) all Bank Indebtedness and all other Indebtedness outstanding under one or more of any other First-Lien Credit Facilities that constitutes Permitted Debt or is otherwise permitted under Section 4.03 and that is designated by the Issuers as "Credit Agreement Obligations" for purposes of this Indenture and is secured by a Permitted Lien described in clause (a) of the definition thereof, (b) all other obligations (not constituting Indebtedness) of an Issuer or Guarantor under the Credit Agreement or any such other First-Lien Credit Facility and (c) all other obligations of an Issuer or any Guarantor in

respect of Hedging Obligations, Commodity Hedge Obligations or Cash Management Obligations that are designated by the Issuers to be "Credit Agreement Obligations" for purposes of this Indenture.

"Credit Facilities" means one or more debt facilities (including the Credit Agreement) or commercial paper facilities, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit, or any debt securities or other form of debt financing (including convertible or exchangeable debt instruments), in each case, as amended, supplemented, modified, extended, renewed, restated or refunded in whole or in part from time to time.

"Currency Agreement" means with respect to any Person any foreign exchange contract, currency swap agreements or other similar agreement or arrangement to which such Person is a party.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Discharge of Credit Agreement Obligations" means payment in full in cash of the principal of and interest and premium, if any, on all Indebtedness outstanding under the First-Lien Credit Facilities or, with respect to Hedging Obligations, Commodity Hedge Obligations or letters of credit outstanding thereunder, delivery of cash collateral or backstop letters of credit in respect thereof in compliance with such First-Lien Credit Facility, in each case after or concurrently with termination of all commitments to extend credit thereunder, and payment in full of any other Credit Agreement Obligations that are due and payable or otherwise accrued and owing at or prior to the time such principal, interest and premium, if any, are paid.

"Disqualified Stock" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable) or upon the happening of any event (a) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (b) is convertible or exchangeable for Indebtedness or Disqualified Stock or (c) is redeemable at the option of the holder thereof, in whole or in part, in the case of clauses (a), (b) and (c) on or prior to 90 days after the Stated Maturity of the Notes (or the Senior Subordinated Notes, but only as the term "Disqualified Stock" is used in the definition of the term "Qualified Preferred Stock"); provided, however, that only the portion of Capital Stock that so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to the Stated Maturity of the Notes shall be deemed Disqualified Stock; provided further, however, that (i) any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to 90 days after the Stated Maturity of the Notes (or the Senior Subordinated Notes, but only as the term "Disqualified Stock" is used in the definition of the term "Qualified Preferred Stock") shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the provisions of Sections 4.06 and 4.08, (ii) a class of Capital Stock shall not be Disqualified Stock

hereunder solely as a result of any maturity or redemption that is conditioned upon, and subject to, compliance with the Section 4.04 and (iii) Capital Stock issued to any plan for the benefit of employees shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Company in order to satisfy applicable statutory or regulatory obligations.

"Domestic Subsidiary" means any Restricted Subsidiary of the Company other than a Foreign Subsidiary.

"EBITDA" for any period means the Consolidated Net Income for such period, plus, without duplication, the following to the extent deducted in calculating such Consolidated Net Income: (a) provision for taxes based on income or profits of the Company and its Consolidated Restricted Subsidiaries, (b) Consolidated Interest Expense, (c) depreciation expense of the Company and its Consolidated Restricted Subsidiaries, (d) amortization expense (including amortization of goodwill and other intangibles) of the Company and its Consolidated Restricted Subsidiaries (excluding amortization expense attributable to a prepaid cash item that was paid in a prior period), (e) all other noncash expenses or losses of the Company and its Consolidated Restricted Subsidiaries for such period (including but not limited to, such expenses or losses in connection with restructuring activities, whether incurred before or after the Closing Date), determined on a consolidated basis in accordance with GAAP (excluding any such charge that constitutes an accrual of or a reserve for cash charges for any future period), (f) any non-recurring fees, expenses or charges realized by the Company and its Restricted Subsidiaries for such period related to (i) any offering of Capital Stock or Incurrence of Indebtedness permitted to be Incurred under this Indenture, or (ii) during 2001 and the first six months of 2002, the Profitability Enhancement Program, provided the fees, expenses and charges referred to in this clause (ii) shall not exceed $150.4 million in 2001 or $20.0 million in the first six months of 2002, and (g) noncash dividends on TPG Preferred Stock; and minus all noncash items increasing Consolidated Net Income of such Person for such Period (excluding any items which represent the reversal of any accrual of, or cash reserve for, anticipated cash charges in any prior period). Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and noncash charges of, a Restricted Subsidiary of the Company shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion) that the net income of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended or similarly distributed to the Company by such Restricted Subsidiary without prior governmental approval (that has not been obtained) or is not, directly or indirectly, restricted by operation of the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders or other holders of its equity.

"Equity Offering" means a primary offering of common stock of the Company, other than public offerings with respect to the Company's common stock registered on Form S-8.

"Exchange Act" means the Securities Exchange Act of 1934.

"Fair Market Value" means, with respect to any asset or property, the price which could be negotiated in an arm's-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to

complete the transaction. For all purposes of this Indenture, Fair Market Value will be determined in good faith by the Board of Directors, whose determination will be conclusive and evidenced by a resolution of the Board of Directors.

"First Lien Credit Facilities" means (a) the Credit Facilities provided pursuant to the Credit Agreement and (b) any other Credit Facility that, in the case of both clauses (a) and (b), is secured by a Permitted Lien described in clause (a) of the definition thereof and, except for the Credit Facilities provided pursuant to the Credit Agreement, is designated by the Issuers as a "First-Lien Credit Facility" for the purposes of this Indenture.

"Foreign Subsidiary" means any Restricted Subsidiary of the Company that is not organized under the laws of the United States of America or any State thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, including those set forth in (a) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (b) statements and pronouncements of the Financial Accounting Standards Board, (c) such other statements by such other entities as approved by a significant segment of the accounting profession and (d) the rules and regulations of the Commission governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the Commission. All ratios and computations based on GAAP contained in this Indenture shall be computed in conformity with GAAP.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantor" means any Subsidiary that has issued a Note Guarantee.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"Holder" means the Person in whose name a Note is registered on the Registrar's books.

"Incur" means, with respect to any Indebtedness or other obligation of any Person, to issue, assume, Guarantee, incur or otherwise become liable for; provided, however, that any

Indebtedness or Capital Stock of a Person existing immediately after the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Subsidiary. The term "Incurrence" when used as a noun shall have a correlative meaning. The accretion of principal of a non-interest bearing or other discount security shall not be deemed the Incurrence of Indebtedness.

"Indebtedness" means, with respect to any Person on any date of determination, without duplication, the following items if and to the extent that any of them (other than items specified under clauses (c), (h), (i) and (j) below) would appear as a liability or, in the case of clause (f) only, Preferred Stock on the balance sheet of such Person, prepared in accordance with GAAP, on such date:

(a) the principal amount of and premium (if any) in respect of indebtedness of such Person for borrowed money;

(b) the principal amount of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto but excluding obligations in respect of letters of credit issued in respect of Trade Payables);

(d) all obligations of such Person to pay the deferred and unpaid purchase price of property or services (except Trade Payables), which purchase price is due more than twelve months after the date of placing such property in service or taking delivery and title thereto or the completion of such services;

(e) all Capitalized Lease Obligations and all Attributable Debt of such Person;

(f) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary of such Person, any Preferred Stock (but excluding, in each case, any accrued dividends);

(g) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of Indebtedness of such Person shall be the lesser of (i) the Fair Market Value of such asset at such date of determination and (ii) the amount of such Indebtedness of such other Persons;

(h) Hedging Obligations of such Person;

(i) all obligations of such Person in respect of a Receivables Facility; and

(j) all obligations of the type referred to in clauses (a) through (i) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations described above, at such date; provided, however, that the amount outstanding at any time of any Indebtedness issued with original issue discount will be deemed to be the face amount of such Indebtedness less the remaining unaccreted portion of the original issue discount of such Indebtedness at such time, as determined in accordance with GAAP.

"Indenture" means this Indenture as amended or supplemented from time to time.

"Indenture Documents" means (a) the Indenture, the Notes and the Security Documents and (b) any other related document or instrument executed and delivered pursuant to any Indenture Document described in clause (a) of this definition evidencing or governing Obligations.

"Intercreditor Agreement" means (a) the intercreditor agreement, dated as of the date of this Indenture, among the Issuers, the Credit Agent and the Trustee, as amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, and (b) any substantially identical agreement hereafter entered into pursuant to Section 10.09(c).

"Interest Rate Agreement" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party.

"Investment" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extension of credit (including by way of Guarantee or similar arrangement but excluding commission, travel and similar advances to officers, consultants and employees made in the ordinary course of business) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person. For purposes of the definition of "Unrestricted Subsidiary" and Section 4.04, (a) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (i) the Company's "Investment" in such Subsidiary at the time of such redesignation less (ii) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and (b) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer.

"Issue Date" means the date on which the Original Notes are originally issued.

"Junior Subordinated Note" means the 10% junior subordinated note due 2011 issued by SCI LLC on August 4, 1999.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Mortgaged Property" means, initially, the parcel of real property located at 5005 East McDowell Road, Phoenix, Arizona 85018 and the improvements thereto owned by SCI LLC and the parcel of real property located at 2000 South County Trail, East Greenwich, Rhode Island 02818 owned by Semiconductor Components Industries of Rhode Island, Inc., and includes each other parcel of real property and the improvements thereto with respect to which a Mortgage is granted pursuant to Section 4.11.

"Mortgages" means a mortgage, deed of trust, assignment of leases and rents, leasehold mortgage or other security document granting a Lien on any Mortgaged Property to secure the Obligations.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other noncash form) therefrom, in each case net of (a) all direct costs relating to such Asset Disposition, including all legal, title, accounting and investment banking fees, and recording tax expenses, sales and other commissions and other fees and relocation expenses incurred, and all Federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP, (b) all payments made on any Indebtedness that (i) is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or (ii) must, by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition, (c) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition and (d) appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds", with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Note Guarantee" means each Guarantee of the obligations with respect to the Notes issued by a Subsidiary of the Company pursuant to the terms of this Indenture.

"Notes" means the Notes issued under this Indenture.

"Obligations" means all obligations of the Issuers and the Guarantors under the Indenture, the Notes and the other Indenture Documents, including obligations to the Trustee and the Collateral Agent, whether for payment of principal of, interest, including Additional Interest, if any, on the Notes and all other monetary obligations of the Issuers and the Guarantors under the Indenture, the Notes and the other Indenture Documents, whether for fees, expenses, indemnification or otherwise.

"Offering Circular" means the offering circular relating to the issuance of the Original Notes dated May 1, 2002.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company. "Officer" of SCI LLC and of a Guarantor has a correlative meaning.

"Officers' Certificate" means a certificate signed by two Officers of each Person issuing such certificate. For the avoidance of doubt, any Officers' Certificate to be delivered by the Issuers pursuant to this Indenture shall be signed by two Officers of each Issuer.

"Opinion of Counsel" means a written opinion (subject to customary assumptions and exclusions) from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company, SCI LLC, a Guarantor or the Trustee.

"Other Second-Lien Obligations" means any Indebtedness of any Issuer or Restricted Subsidiary, other than the Notes, that is secured by a Permitted Lien described in clause (a) of the definition thereof, which is secured equally and ratably with the Notes by a second-priority security interest in the Collateral, granted to a Common Collateral Agent and designated by the Issuers as "Other Second-Lien Obligations" for the purposes of this Indenture.

"Permitted Business" means any business engaged in by the Issuers or any Restricted Subsidiary on the Closing Date and any Related Business.

"Permitted Holders" means TPG Partners II, L.P. and its Affiliates and any Person acting in the capacity of an underwriter in connection with a public or private offering of the Company's or SCI LLC's Capital Stock.

"Permitted Investment" means an Investment by the Company or any Restricted Subsidiary (a) in the Company, a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary; provided, however, that the primary business of such Restricted Subsidiary is a Permitted Business; (b) in another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary; provided, however, that such Person's primary business is a Permitted Business; (c) in Temporary Cash Investments; (d) in receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as

the Company or any such Restricted Subsidiary deems reasonable under the circumstances; (e) in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business; (f) in loans or advances to employees made in the ordinary course of business consistent with prudent business practice and not exceeding $5 million in the aggregate outstanding at any one time; (g) in stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments; (h) in any Person to the extent such Investment represents the noncash portion of the consideration received for an Asset Disposition that was made pursuant to and in compliance with Section 4.06 or a transaction not constituting an Asset Disposition by reason of the $1 million threshold contained in the definition thereof; (i) that constitutes a Hedging Obligation or commodity hedging arrangement entered into for bona fide hedging purposes of the Company in the ordinary course of business and otherwise in accordance with this Indenture; (j) in securities of any trade creditor or customer received in settlement of obligations or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor or customer; (k) acquired as a result of a foreclosure by the Company or such Restricted Subsidiary with respect to any secured Investment or other transfer of title with respect to any secured Investment in default; (l) existing as of the Closing Date or an Investment consisting of any extension, modification or renewal of any Investment existing as of the Closing Date (excluding any such extension, modification or renewal involving additional advances, contributions or other investments of cash or property or other increases thereof unless it is a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms, as of the Closing Date, of the original Investment so extended, modified or renewed); (m) consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and otherwise in accordance with this Indenture; (n) in a trust, limited liability company, special purpose entity or other similar entity in connection with a Receivables Facility permitted under Section 4.03; provided that, in the good faith determination of the Board of Directors, such Investment is necessary or advisable to effect such Receivables Facility; (o) consisting of intercompany Indebtedness permitted under Section 4.03; (p) the consideration for which consists solely of shares of common stock of the Company; and (q) so long as no Default shall have occurred and be continuing (or result therefrom), in any Person engaged in a Permitted Business having an aggregate Fair Market Value (measured on the date made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (q) that are at the time outstanding (and measured on the date made and without giving effect to subsequent changes in value), not to exceed $15 million.

"Permitted Liens" means any of the following Liens: (a) Liens upon any property of any Issuer or Restricted Subsidiary securing any Indebtedness permitted under Sections 4.03(a), 4.03(b)(i) or 4.03(b)(xiv) hereof and all other obligations of any Issuer or Restricted Subsidiary in respect of such Indebtedness not constituting Indebtedness; (b) Liens securing the Notes and the Note Guarantees; (c) Liens in favor of the Company or any Restricted Subsidiary; (d) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with or acquired by the Company or any Restricted Subsidiary; provided that such Liens were in existence prior to the contemplation of such merger or consolidation or acquisition and do not extend to any assets other than those of the Person merged into or consolidated with

or acquired by the Company or the Restricted Subsidiary; (e) Liens on property existing at the time of acquisition of the property by the Company of any Restricted Subsidiary; provided that such Liens were in existence prior to the contemplation of such acquisition; (f) Liens to secure Indebtedness (including Capitalized Lease Obligations) permitted under Section 4.03(b)(x) hereof covering only the assets acquired with such Indebtedness or additions or improvements to such assets; (g) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor; (h) Liens incurred in the ordinary course of business including judgment and attachment liens of the Company or any Restricted Subsidiary of the Company with respect to obligations that do not exceed in the aggregate $25.0 million at any one time outstanding and that are not incurred in connection with the borrowing of money or the obtaining of advances of credit (other than trade credit in the ordinary course of business, not evidenced by a note and not past due); (i) Liens in favor of the Trustee; (j) Liens incurred in connection with Refinancing Indebtedness, but only if such Liens extend to no more assets than the Liens securing the Indebtedness being refinanced; (k) Liens securing Hedging Obligations; (l) statutory Liens of landlords and carriers', warehousemen's, mechanics', suppliers', materialmen's, repairmen's, or other like Liens (including contractual landlords liens) arising in the ordinary course of business and with respect to amounts not yet delinquent by more than 30 days or being contested in good faith by appropriate proceedings, if a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor; (m) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security; (n) Liens to secure Indebtedness of any Restricted Subsidiary that is a Foreign Subsidiary, provided that such Indebtedness is used by such Restricted Subsidiary to finance operations of such Foreign Subsidiary outside the United States; (o) easements, zoning restrictions, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the business of the Company or any of its Restricted Subsidiaries; (p) Liens on specific items of inventory or other goods and proceeds thereof of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods; (q) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and the property relating to such letters of credit and products and proceeds thereof; (r) any interest or title of a lessor in the property subject to any lease or arising from filing UCC financing statements regarding leases; (s) judgment Liens in respect of judgments that do not constitute an Event of Default; (t) Liens existing on the date hereof; (u) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, government contracts, performance and return of money bonds and other obligation of a like nature incurred in the ordinary course of business; (v) Liens securing obligations in respect of Cash Management Obligations; (w) ground leases in respect of real property on which facilities owned or leased by the Company or any of its Restricted Subsidiaries are located; (x) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; (y) leases or subleases granted to other Persons and not interfering in any material respect with the business of the Company and its Restricted Subsidiaries, taken as a whole; (z) Liens in connection with a Receivables Facility

incurred in compliance with Sections 4.03(b)(i) and 4.03(b)(ii) hereof; (aa) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights; and (bb) Liens on the assets of the China JV securing Indebtedness incurred in compliance with Section 4.03 hereof.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Pledge Agreement" means the Pledge Agreement dated as of May 6, 2002, among the Issuers, the Grantors (as defined therein) and the Collateral Agent.

"Preferred Stock", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Profitability Enhancement Program" means the Profitability Enhancement Program described in the Offering Circular.

"Purchase Money Indebtedness" means Indebtedness (a) consisting of the deferred purchase price of an asset, conditional sale obligations, obligations under any title retention agreement and other purchase money obligations, in each case where the maturity of such Indebtedness does not exceed the anticipated useful life of the asset being financed, and (b) Incurred to finance the acquisition by the Company or a Restricted Subsidiary of all or a portion of such asset, including additions and improvements; provided, however, that such Indebtedness is Incurred within 180 days after the acquisition by the Company or such Restricted Subsidiary of such asset or the relevant addition or improvement.

"Qualified Preferred Stock" means any preferred stock that (i) is not Disqualified Stock, (ii) does not entitle the holder to receive cash dividends prior to November 1, 2009 (prior to such date, dividends may accrue or be paid in kind), (iii) is convertible into common stock and (iv) is issued to one or more financial sponsors, such as Texas Pacific Group or any other private equity firm or similar entity.

"Qualified Proceeds" means any of the following or any combination of the following: (a) cash, (b) Temporary Cash Investments, (c) the Fair Market Value of assets that are used or useful in the Permitted Business and (d) the Fair Market Value of the Capital Stock of any Person engaged primarily in a Permitted Business if, in connection with the receipt by the Company or any Restricted Subsidiary of the Company of such Capital Stock, (i) such Person becomes a Restricted Subsidiary or (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or any Restricted Subsidiary.

"Receivables Facility" means one or more receivables financing facilities, as amended from time to time, pursuant to which the Company and/or any of its Restricted Subsidiaries sells its accounts receivable to a Person that is not a Restricted Subsidiary pursuant to arrangements customary in the industry.

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness.

"Refinancing" means the Company's offering and sale of the Original Notes and the application of the proceeds therefrom as described in the Offering Circular.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness of the Company or any Restricted Subsidiary (including Indebtedness of the Company that Refinances Refinancing Indebtedness); provided, however, that (a) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced, (b) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced, (c) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being Refinanced and (d) if the Indebtedness being refinanced is subordinated in right of payment to the Notes, such Refinancing Indebtedness is subordinated in right of payment to the Notes at least to the same extent as the Indebtedness being Refinanced; provided further, however, that Refinancing Indebtedness shall not include (i) Indebtedness of a Restricted Subsidiary that Refinances Indebtedness of the Company or (ii) Indebtedness of the Company or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

"Related Business" means any business related, ancillary or complementary to any of the businesses of the Company and the Restricted Subsidiaries on the Closing Date.

"Restricted Subsidiary" means any Subsidiary of the Company (including SCI LLC) other than an Unrestricted Subsidiary.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired by the Company or a Restricted Subsidiary whereby the Company or a Restricted Subsidiary transfers such property to a Person and the Company or such Restricted Subsidiary leases it from such Person, other than leases between the Company and a Wholly-Owned Subsidiary or between Wholly-Owned Subsidiaries.

"SCI LLC" means Semiconductor Components Industries, LLC until a successor replaces it and, thereafter, means the successor.

"Securities Act" means the Securities Act of 1933.

"Security Agreement" means the Security Agreement dated as of May 6, 2002, among the Issuers, the Grantors (as defined therein) and the Collateral Agent.

"Security Documents" means the Security Agreement, the Pledge Agreement, the Collateral Assignment, the Mortgages and any other document or instrument pursuant to which a Lien is granted by any Issuer or any Guarantor to secure any Obligations or under which rights

or remedies with respect to such Lien are governed, as such agreements may be amended, modified or supplemented from time to time.

"Senior Subordinated Notes" means the 12% senior subordinated notes due 2009 issued by the Company and SCI LLC on July 28, 1999.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the Commission.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"Subordinated Indebtedness" means any Indebtedness of the Company (whether outstanding on the Closing Date or thereafter Incurred) that is subordinate or junior in right of payment to the Notes pursuant to a written agreement. "Subordinated Indebtedness" of SCI LLC or a Guarantor has a correlative meaning.

"Subsidiary" of any Person means any corporation, association, partnership or other business entity of which more than 50% of the total Voting Stock is at the time owned or controlled, directly or indirectly, by (a) such Person, (b) such Person and one or more Subsidiaries of such Person or (c) one or more Subsidiaries of such Person. Notwithstanding the foregoing, with respect to the Company, the term "Subsidiary" also shall include the following Persons: Tesla Sezam, a.s., Terosil, a.s. and Leshan-Phoenix Semiconductor Co. Ltd, so long as the Company directly or indirectly owns more than 50% of the Voting Stock or economic interests of such Person.

"Temporary Cash Investments" means any of the following: (a) any investment in direct obligations of the United States of America or any agency thereof or obligations Guaranteed by the United States of America or any agency thereof, (b) investments in time deposit accounts, certificates of deposit and money market deposits maturing not more than one year from the date of acquisition thereof, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case with a bank or trust company that is organized under the laws of the United States of America, any state thereof (including any foreign branch of any of the foregoing) or any foreign country recognized by the United States of America having capital, surplus and undivided profits aggregating in excess of $250,000,000 (or the foreign currency equivalent thereof), (c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (a) above or clause (e) below entered into with a bank meeting the qualifications described in clause (b) above, (d) investments in commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America having at the time as of which any investment therein is made one of the two highest

ratings obtainable from either Moody's Investors Service, Inc. ("Moody's") or Standard and Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ("S&P"), (e) investments in securities with maturities of six months or less from the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, or by any foreign government or any state, commonwealth or territory or by any political subdivision or taxing authority thereof, and, in each case, having one of the two highest ratings obtainable from either S&P or Moody's; and (f) investments in funds investing exclusively in investments of the types described in clauses (a) and (e) above.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the Closing Date.

"TPG Preferred Stock" means the preferred stock issued on September 7, 2001, and additional shares of such series issued thereafter.

"Trade Payables" means, with respect to any Person, any accounts payable or any indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person arising in the ordinary course of business in connection with the acquisition of goods or services.

"Trustee" means the party named as such in this Indenture until a successor replaces it and, thereafter, means the successor.

"Trust Officer" means any vice president, assistant vice president or trust officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Uniform Commercial Code" means the New York Uniform Commercial Code as in effect from time to time.

"Unrestricted Subsidiary" means (a) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below and (b) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or owns or holds any Lien on any property of, the Company or any other Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; provided, however, that either (i) the Subsidiary to be so designated has total Consolidated assets of $1,000 or less or (ii) if such Subsidiary has Consolidated assets greater than $1,000, then such designation would be permitted under Section 4.04. The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that immediately after giving effect to such designation (a) the Company could Incur $1.00 of additional Indebtedness under Section 4.03(a) and (b) no Default shall have occurred and be continuing. Any such designation of a Subsidiary as a Restricted Subsidiary or Unrestricted Subsidiary by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

"Voting Stock" of a Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding and normally entitled at the time to vote in the election of directors, managers or trustees thereof.

"Wholly-Owned Subsidiary" means a Restricted Subsidiary of the Company all the Capital Stock of which (other than directors' qualifying shares) is owned by the Company or another Wholly-Owned Subsidiary.

SECTION 1.02. Other Definitions. The following terms have the definitions set forth in the Sections listed below.

Term	Defined in Section
"Affiliate Transaction"	4.07(a)
"Appendix"	Preamble
"Bankruptcy Law"	6.01
"Change of Control Offer"	4.08(b)
"covenant defeasance option"	8.01(b)
"Custodian"	6.01
"Definitive Notes"	Appendix
"Event of Default"	6.01
"Excess Proceeds"	4.06(b)
"Exchange Offer"	Appendix
"Exchange Notes"	Preamble
"Global Notes"	Appendix
"Guaranteed Obligations"	11.01
"incorporated provision"	12.01
"Initial Notes"	Preamble
"legal defeasance option"	8.01(b)
"Legal Holiday"	12.08
"Liens Securing Note Obligations"	10.09(d)
"Liens Securing Other Second-Lien Obligations"	10.09(d)
"Notice of Default"	6.01
"Offer"	4.06(b)
"Offer Amount"	4.06(c)(ii)
"Offer Period"	4.06(c)(ii)
"Original Notes"	Preamble
"Notes Custodian"	Appendix

Term	Defined in Section
"Paying Agent"	2.04
"Permitted Debt"	4.03(b)
"Private Exchange"	Appendix
"Private Exchange Notes"	Appendix
"protected purchaser"	2.08
"Purchase Date"	4.06(c)(i)
"Registrar"	2.04
"Registration Rights Agreement"	Appendix
"Required Information"	4.02
"Restricted Payment"	4.04(a)
"Successor Company"	5.01(a)

SECTION 1.03. Incorporation by Reference of Trust Indenture Act. This Indenture is subject to the mandatory provisions of the TIA, which are incorporated by reference in and made a part of this Indenture. The following TIA terms have the following meanings:

"Commission" means the Commission.

"indenture securities" means the Notes and the Note Guarantees.

"indenture security holder" means a Holder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company, the Guarantors and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule have the meanings assigned to them by such definitions.

SECTION 1.04. Rules of Construction. Unless the context otherwise requires:

(a) a term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(c) "or" is not exclusive;

(d) "including" means including without limitation;

(e) words in the singular include the plural and words in the plural include the singular;

(f) the principal amount of any noninterest bearing or other discount security at any date shall be the principal amount thereof that would be shown on a balance sheet of the issuer dated such date prepared in accordance with GAAP; and

(g) the principal amount of any Preferred Stock shall be (i) the maximum liquidation value of such Preferred Stock or (ii) the maximum mandatory redemption or mandatory repurchase price with respect to such Preferred Stock, whichever is greater.

SECTION 1.05. Designated Senior Indebtedness. For purposes of the indenture that governs the Senior Subordinated Notes, the Notes shall constitute Designated Senior Indebtedness (as such term is defined in such indenture).

ARTICLE II

The Notes

SECTION 2.01. Amount of Notes; Issuable in Series. The aggregate principal amount of Notes which may be authenticated and delivered under this Indenture is unlimited. The Notes may be issued in one or more series. All Notes of any one series shall be substantially identical except as to denomination.

With respect to any Additional Notes issued after the Closing Date (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 2.07, 2.08, 2.09, 2.10 or 3.06 or the Appendix), there shall be (a) established in or pursuant to a resolution of the Board of Directors and (b) (i) set forth or determined in the manner provided in an Officer's Certificate or (ii) established in one or more indentures supplemental hereto, prior to the issuance of such Additional Notes:

(1) whether such Additional Notes shall be issued as part of a new or existing series of Notes and the title of such Additional Notes (which shall distinguish the Additional Notes of the series from Notes of any other series);

(2) the aggregate principal amount of such Additional Notes which may be authenticated and delivered under this Indenture, which may be in an unlimited aggregate principal amount;

(3) the issue price and issuance date of such Additional Notes, including the date from which interest on such Additional Notes shall accrue; provided, however, that Additional Notes may be issued only if they are fungible with the other Notes issued under this Indenture for U.S. federal income tax purposes;

(4) if applicable, that such Additional Notes shall be issuable in whole or in part in the form of one or more Global Notes and, in such case, the respective depositaries for such Global Notes, the form of any legend or legends which shall be borne by such

Global Notes in addition to or in lieu of those set forth in Exhibit A hereto and any circumstances in addition to or in lieu of those set forth in Section 2.3 of the Appendix in which any such Global Note may be exchanged in whole or in part for Additional Notes registered, or any transfer of such Global Note in whole or in part may be registered, in the name or names of Persons other than the depositary for such Global Note or a nominee thereof; and

(5) if applicable, that such Additional Notes shall not be issued in the form of Initial Notes as set forth in Exhibit A, but shall be issued in the form of Exchange Notes as set forth in Exhibit B.

If any of the terms of any Additional Notes are established by action taken pursuant to a resolution of the Board of Directors, a copy of an appropriate record of such action shall be certified by the Secretary or any Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate or the indenture supplemental hereto setting forth the terms of the Additional Notes.

SECTION 2.02. Form and Dating. Provisions relating to the Original Notes, the Additional Notes, the Private Exchange Notes and the Exchange Notes are set forth in the Appendix, which is hereby incorporated in and expressly made a part of this Indenture. The (a) Original Notes and the Trustee's certificate of authentication, (b) Private Exchange Notes and the Trustee's certificate of authentication and (c) any Additional Notes (if issued as Transfer Restricted Notes) and the Trustee's certificate of authentication shall each be substantially in the form of Exhibit A hereto, which is hereby incorporated in and expressly made a part of this Indenture. The Exchange Notes and any Additional Notes issued other than as Transfer Restricted Notes and the Trustee's certificate of authentication shall each be substantially in the form of Exhibit B hereto, which is hereby incorporated in and expressly made a part of this Indenture. The Notes may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Issuers or any Guarantor are subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Issuers). Each Note shall be dated the date of its authentication. The Notes shall be issuable only in registered form without interest coupons and only in denominations of $1,000 and integral multiples thereof.

SECTION 2.03. Execution and Authentication. One Officer shall sign the Notes for each of the Issuers by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

A Note shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the Note. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee shall authenticate and make available for delivery Notes as set forth in the Appendix.

The Trustee may appoint an authenticating agent reasonably acceptable to the Issuers to authenticate the Notes. Any such appointment shall be evidenced by an instrument signed by a Trust Officer, a copy of which shall be furnished to the Issuers. Unless limited by the terms of such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

SECTION 2.04. Registrar and Paying Agent. (a) The Issuers shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where Notes may be presented for payment (the "Paying Agent"). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Issuers may have one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent, and the term "Registrar" includes any co-registrars. The Issuers initially appoint the Trustee as (i) Registrar and Paying Agent in connection with the Notes and (ii) the Notes Custodian with respect to the Global Notes.

(b) The Issuers shall enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to this Indenture, which shall incorporate the terms of the TIA. The agreement shall implement the provisions of this Indenture that relate to such agent. The Issuers shall notify the Trustee of the name and address of any such agent. If the Issuers fail to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.07. The Issuers or any of their domestically organized Wholly-Owned Subsidiaries may act as Paying Agent or Registrar.

(c) The Issuers may remove any Registrar or Paying Agent upon written notice to such Registrar or Paying Agent and to the Trustee; provided, however, that no such removal shall become effective until (i) acceptance of an appointment by a successor as evidenced by an appropriate agreement entered into by the Issuers and such successor Registrar or Paying Agent, as the case may be, and delivered to the Trustee or (ii) notification to the Trustee that the Trustee shall serve as Registrar or Paying Agent until the appointment of a successor in accordance with clause (i) above. The Registrar or Paying Agent may resign at any time upon written notice to the Issuers and the Trustee.

SECTION 2.05. Paying Agent to Hold Money in Trust. Prior to each due date of the principal of and interest, including Additional Interest, if any, on any Note, the Issuers shall deposit with the Paying Agent (or if either of the Issuers or a Subsidiary of the Issuers is acting as Paying Agent, segregate and hold in trust for the benefit of the Persons entitled thereto) a sum sufficient to pay such principal and interest when so becoming due. The Issuers shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of or interest on the Notes, shall notify the Trustee of any default by the Issuers in making any such payment. If either of the Issuers or a Subsidiary of the Issuers acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Issuers at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by the Paying Agent. Upon complying with this Section, the Paying Agent shall have no further liability for the money delivered to the Trustee.

SECTION 2.06. Holder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Issuers shall furnish, or cause the Registrar to furnish, to the Trustee, in writing at least five Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

SECTION 2.07. Transfer and Exchange. The Notes shall be issued in registered form and shall be transferable only upon the surrender of a Note for registration of transfer and in compliance with the Appendix. When a Note is presented to the Registrar with a request to register a transfer, the Registrar shall register the transfer as requested if its requirements therefor are met. When Notes are presented to the Registrar with a request to exchange them for an equal principal amount of Notes of other denominations, the Registrar shall make the exchange as requested if the same requirements are met. To permit registration of transfers and exchanges, the Issuers shall execute and the Trustee shall authenticate Notes at the Registrar's request. The Issuers may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges in connection with any transfer or exchange pursuant to this Section. The Issuers shall not be required to make and the Registrar need not register transfers or exchanges of Notes selected for redemption (except, in the case of Notes to be redeemed in part, the portion thereof not to be redeemed) or any Notes for a period of 15 days before a selection of Notes to be redeemed.

Prior to the due presentation for registration of transfer of any Note, the Issuers, the Guarantors, the Trustee, the Paying Agent, and the Registrar may deem and treat the Person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and (subject to paragraph 2 of the Notes) interest, if any, on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Issuers, any Guarantor, the Trustee, the Paying Agent, or the Registrar shall be affected by notice to the contrary.

Any Holder of a Global Note shall, by acceptance of such Global Note, agree that transfers of beneficial interest in such Global Note may be effected only through a book-entry system maintained by (a) the Holder of such Global Note (or its agent) or (b) any Holder of a beneficial interest in such Global Note, and that ownership of a beneficial interest in such Global Note shall be required to be reflected in a book entry.

All Notes issued upon any transfer or exchange pursuant to the terms of this Indenture will evidence the same debt and will be entitled to the same benefits under this Indenture as the Notes surrendered upon such transfer or exchange.

SECTION 2.08. Replacement Notes. If a mutilated Note is surrendered to the Registrar or if the Holder of a Note claims that the Note has been lost, destroyed or wrongfully taken, the Issuers shall issue and the Trustee shall authenticate a replacement Note if the requirements of Section 8-405 of the Uniform Commercial Code are met, such that the Holder (a) satisfies the Issuers or the Trustee within a reasonable time after he has notice of such loss, destruction or wrongful taking and the Registrar does not register a transfer prior to receiving such notification, (b) makes such request to the Issuers or the Trustee prior to the Note being

acquired by a protected purchaser as defined in Section 8-303 of the Uniform Commercial Code (a "protected purchaser") and (c) satisfies any other reasonable requirements of the Trustee. If required by the Trustee or the Issuers, such Holder shall furnish an indemnity bond sufficient in the judgment of the Trustee to protect the Issuers, the Trustee, the Paying Agent and the Registrar from any loss that any of them may suffer if a Note is replaced. The Issuers and the Trustee may charge the Holder for their expenses in replacing a Note. In the event any such mutilated, lost, destroyed or wrongfully taken Note has become or is about to become due and payable, the Issuers in their discretion may pay such Note instead of issuing a new Note in replacement thereof.

Every replacement Note is an additional obligation of the Issuers.

Upon the issuance of any replacement Note under this Section 2.08, the Issuers may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges that may be imposed in connection therewith.

The provisions of this Section 2.08 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, lost, destroyed or wrongfully taken Notes.

SECTION 2.09. Outstanding Notes. Notes outstanding at any time are all authenticated by the Trustee except for those canceled by it, those delivered to it for cancelation and those described in this Section as not outstanding. Subject to Section 12.06, a Note does not cease to be outstanding because the Issuers or an Affiliate of the Issuers hold the Note.

If a Note is replaced pursuant to Section 2.08, it ceases to be outstanding unless the Trustee and the Issuers receive proof satisfactory to them that the replaced Note is held by a protected purchaser.

If the Paying Agent segregates and holds in trust, in accordance with this Indenture, on a redemption date or maturity date money sufficient to pay all principal and interest, including Additional Interest, if any, payable on that date with respect to the Notes (or portions thereof) to be redeemed or maturing, as the case may be, then on and after that date such Notes (or portions thereof) cease to be outstanding and interest on them ceases to accrue.

SECTION 2.10. Temporary Notes. In the event that Definitive Notes are to be issued under the terms of this Indenture, until such Definitive Notes are ready for delivery, the Issuers may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Issuers consider appropriate for temporary Notes. Without unreasonable delay, the Issuers shall prepare and the Trustee shall authenticate Definitive Notes and deliver them in exchange for temporary Notes upon surrender of such temporary Notes at the office or agency of the Issuers, without charge to the Holder.

SECTION 2.11. Cancelation. The Issuers at any time may deliver Notes to the Trustee for cancelation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment or

cancelation and shall dispose of canceled Notes in accordance with its customary procedures or deliver canceled Notes to the Issuers pursuant to written direction by an Officer. The Issuers may not issue new Notes to replace Notes it has redeemed, paid or delivered to the Trustee for cancelation. The Trustee shall not authenticate Notes in place of canceled Notes other than pursuant to the terms of this Indenture.

SECTION 2.12. Defaulted Interest. If the Issuers default in a payment of interest on the Notes, the Issuers shall pay the defaulted interest (plus interest on such defaulted interest to the extent lawful) in any lawful manner. The Issuers may pay the defaulted interest to the Persons who are Holders on a subsequent special record date. The Issuers shall fix or cause to be fixed any such special record date and payment date to the reasonable satisfaction of the Trustee and shall promptly mail or cause to be mailed to each Holder a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

SECTION 2.13. CUSIP and "ISIN" Numbers. The Issuers in issuing the Notes may use "CUSIP" and "ISIN" numbers (if then generally in use) and, if so, the Trustee shall use "CUSIP" and "ISIN" numbers in notices of redemption as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers.

SECTION 2.14. Computation of Interest. Interest on the Notes shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

ARTICLE III

Redemption

SECTION 3.01. Notices to Trustee. If the Issuers elect to redeem Notes pursuant to paragraph 5 of the Notes, they shall notify the Trustee in writing of the redemption date and the principal amount of Notes to be redeemed.

The Issuers shall give each notice to the Trustee provided for in this Section at least 45 days before the redemption date unless the Trustee consents to a shorter period. Such notice shall be accompanied by an Officers' Certificate from the Issuers to the effect that such redemption will comply with the conditions herein. Any such notice may be canceled at any time prior to notice of such redemption being mailed to any Holder and shall thereby be void and of no effect.

SECTION 3.02. Selection of Notes To Be Redeemed. If fewer than all the Notes are to be redeemed, the Trustee shall select the Notes to be redeemed pro rata or by lot or by a method that the Trustee in its sole discretion shall deem to be fair and appropriate. The Trustee shall make the selection from outstanding Notes not previously called for redemption. The Trustee may select for redemption portions of the principal of Notes that have denominations larger than $1,000. Notes and portions of them the Trustee selects shall be in amounts of $1,000

or a whole multiple of $1,000. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption. The Trustee shall notify the Issuers promptly of the Notes or portions of Notes to be redeemed.

SECTION 3.03. Notice of Redemption. (a) At least 30 days but not more than 60 days before a date for redemption of Notes, the Issuers shall mail a notice of redemption by first-class mail to each Holder of Notes to be redeemed at such Holder's registered address.

The notice shall identify the Notes to be redeemed and shall state:

(i) the redemption date;

(ii) the redemption price and the amount of accrued interest to the redemption date;

(iii) the name and address of the Paying Agent;

(iv) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(v) if fewer than all the outstanding Notes are to be redeemed, the certificate numbers and principal amounts of the particular Notes to be redeemed;

(vi) that, unless the Issuers default in making such redemption payment or the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture, interest on Notes (or portion thereof) called for redemption ceases to accrue on and after the redemption date;

(vii) the CUSIP or ISIN number, if any, printed on the Notes being redeemed; and

(viii) that no representation is made as to the correctness or accuracy of the CUSIP or ISIN number, if any, listed in such notice or printed on the Notes.

(b) At the Issuers' request, the Trustee shall give the notice of redemption in the Issuers' name and at the Issuers' expense. In such event, the Issuers shall provide the Trustee with the information required by this Section.

SECTION 3.04. Effect of Notice of Redemption. Once notice of redemption is mailed, Notes called for redemption become due and payable on the redemption date and at the redemption price stated in the notice. Upon surrender to the Paying Agent, such Notes shall be paid at the redemption price stated in the notice, plus accrued interest, including Additional Interest, if any, to the redemption date; provided, however, that if the redemption date is after a regular record date and on or prior to the related interest payment date, the accrued interest and Additional Interest, if any, shall be payable to the Holder of the redeemed Notes registered on the relevant record date. Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

SECTION 3.05. Deposit of Redemption Price. Prior to 10:00 a.m. on the redemption date, the Issuers shall deposit with the Paying Agent (or, if either of the Issuers or a Subsidiary of the Issuers is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued interest, including Additional Interest, if any, on all Notes to be redeemed on that date other than Notes or portions of Notes called for redemption that have been delivered by the Issuers to the Trustee for cancelation. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption so long as the Issuers have deposited with the Paying Agent funds sufficient to pay the principal of, plus accrued and unpaid interest, including Additional Interest, if any, on the Notes to be redeemed, unless the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture. The Paying Agent shall promptly return to the Issuers upon their written request any money deposited with the Paying Agent by the Issuers that is in excess of the amounts necessary to pay the redemption price of and accrued interest, including Additional Interest, if any, on all Notes to be redeemed.

SECTION 3.06. Notes Redeemed in Part. Upon surrender of a Note that is redeemed in part, the Issuers shall execute and the Trustee shall authenticate for the Holder (at the Issuers' expense) a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

ARTICLE IV

Covenants

SECTION 4.01. Payment of Notes. The Issuers shall promptly pay the principal of and interest, including Additional Interest, if any, on the Notes on the dates and in the manner provided in the Notes and in this Indenture. Principal and interest, including Additional Interest, if any, shall be considered paid on the date due if on such date the Trustee or the Paying Agent holds in accordance with this Indenture money sufficient to pay all principal and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the Holders on that date pursuant to the terms of this Indenture.

The Issuers shall pay interest on overdue principal at the rate specified therefor in the Notes, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful. Notwithstanding anything to the contrary contained in this Indenture, the Issuers

may, to the extent they are required to do so by law, deduct or withhold income or other similar taxes imposed by the United States of America from principal or interest payments hereunder.

SECTION 4.02. Commission Reports. If at any time the Company is no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall provide the Trustee and Holders and prospective Holders (upon request) within 15 days after it files them with the Commission (or would be required to file with the Commission), copies of its annual report and the information, documents and other reports that are specified in Section 13 and 15(d) of the Exchange Act (collectively, the "Required Information"); provided, however, that if any of the Required Information is filed with the Commission, the Company shall only be required to provide the Trustee copies of such Required Information. In addition, the Company shall furnish to the Trustee, promptly upon their becoming available, copies of the annual report to shareholders and any other information provided by the Company to its public shareholders generally. The Company also shall comply with the other provisions of TIA Section 314(a).

SECTION 4.03. Limitation on Incurrence of Additional Indebtedness. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; provided, however, that the Company, SCI LLC or any Guarantor may Incur Indebtedness if on the date of such Incurrence and after giving effect thereto, the Consolidated Coverage Ratio would be greater than 2.25:1; provided further, however, that the Company, SCI LLC or any Guarantor may Incur Indebtedness under any First Lien Credit Facilities pursuant to this Section 4.03(a) only if on the date of such Incurrence and after giving effect thereto (i) the Consolidated Coverage Ratio would be greater than 2.75:1 and (ii) the total aggregate principal amount of Indebtedness outstanding under all First Lien Credit Facilities and any unused credit commitment thereunder does not exceed $400 million; provided further, however, that the foregoing proviso shall not apply to any Incurrence of Indebtedness under the First Lien Credit Facilities that results from a consolidation, merger, conveyance, transfer or lease that is permitted by Article V so long as such Indebtedness is not Incurred in connection with or in contemplation of such transaction and the other Person involved in such transaction is not an Affiliate of the Company.

(b) Notwithstanding Section 4.03(a), the Company and, to the extent specified, its Restricted Subsidiaries may Incur the following Indebtedness (collectively, the "Permitted Debt"):

(i) Bank Indebtedness of the Company, SCI LLC or any Guarantor and any Receivables Facility in an aggregate principal amount not to exceed $732.2 million less the aggregate amount of all prepayments of principal applied to permanently reduce any such Indebtedness after the date of issuance of the Original Notes and the application of the proceeds therefrom;

(ii) Indebtedness in respect of a Receivables Facility in an aggregate principal amount not to exceed the lesser of (1) the amount of all prepayments of principal applied to permanently reduce Indebtedness under Section 4.03(b)(i) and (2) $100 million;

(iii) Indebtedness of the Company owed to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owed to and held by the Company or any other Restricted Subsidiary; provided, however, that (1) any subsequent issuance or transfer of any Capital Stock or any other event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of any such Indebtedness (except to the Company or another Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the issuer thereof, (2) if the Company or SCI LLC is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes and (3) if a Guarantor is the obligor, such Indebtedness is subordinated in right of payment to the Note Guarantee of such Guarantor;

(iv) Indebtedness represented by the Senior Subordinated Notes, the Guarantees of the Senior Subordinated Notes, the Junior Subordinated Note, the Notes (not including any Additional Notes), the Note Guarantees, the Exchange Notes, Guarantees of the Exchange Notes and any replacement Notes issued pursuant to this Indenture;

(v) Indebtedness outstanding on the Closing Date (other than the Indebtedness described in clause (ii), (iii) or (iv) of this Section 4.03(b));

(vi) Indebtedness consisting of Refinancing Indebtedness Incurred in respect of any Indebtedness described in Section 4.03(a) and in clauses (iv), (v), (vi), (vii), (x) and (xiii) of this Section 4.03(b);

(vii) Indebtedness consisting of Guarantees of (1) any Indebtedness permitted under Section 4.03(a), so long as the Person providing the Guarantee is a Guarantor or (2) any Indebtedness permitted under this Section 4.03(b);

(viii) Indebtedness of the Company or any of its Restricted Subsidiaries in respect of worker's compensation claims, self-insurance obligations, performance bonds, bankers' acceptances, letters of credit, surety, appeal or similar bonds and completion guarantees provided by the Company and the Restricted Subsidiaries in the ordinary course of their business; provided, however, that upon the drawing of letters of credit for reimbursement obligations, including with respect to workers' compensation claims, or the Incurrence of other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims, such obligations are reimbursed within 30 days following such drawing or Incurrence;

(ix) Indebtedness under Interest Rate Agreements and Currency Agreements entered into for bona fide hedging purposes of the Company in the ordinary course of business;

(x) Purchase Money Indebtedness, mortgage financings and Capitalized Lease Obligations, in each case Incurred by the Company, SCI LLC or any Restricted Subsidiary for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Permitted

Business, and in an aggregate principal amount not in excess of $25 million at any one time outstanding.

(xi) Indebtedness of the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five business days of Incurrence;

(xii) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred or assumed in connection with the disposition of any business, assets or Capital Stock of the Company or any Restricted Subsidiary; provided that (1) the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company and its Subsidiaries in connection with such disposition and (2) such Indebtedness is not reflected in the balance sheet of the Company or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (2));

(xiii) Indebtedness of the Company or any of its Restricted Subsidiaries that is Acquired Debt in an aggregate principal amount at any time outstanding not to exceed $25 million; and

(xiv) Indebtedness (other than Indebtedness permitted to be Incurred pursuant to Section 4.03(a) or any other clause of Section 4.03(b)) of the Company or any Restricted Subsidiary in an aggregate principal amount (or accreted value, as applicable) on the date of Incurrence that, when added to all other Indebtedness Incurred pursuant to this clause (xiv) and then outstanding, shall not exceed $50 million, of which up to $25 million may be Incurred by Restricted Subsidiaries that are not Guarantors.

(c) Notwithstanding the foregoing, neither the Company nor SCI LLC shall Incur any Indebtedness pursuant to Section 4.03(b) above if the proceeds thereof are used, directly or indirectly, to repay, prepay, redeem, defease, retire, refund or refinance any Subordinated Indebtedness of such Person in reliance on Section 4.04(b)(ii) unless such Indebtedness shall be subordinated to the Notes to at least the same extent as such Subordinated Indebtedness.

(d) Notwithstanding any other provision of this Section 4.03, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may Incur pursuant to this Section 4.03 shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rates of currencies. For purposes of determining compliance with this Section 4.03, (i) Indebtedness Incurred pursuant to the Credit Agreement prior to or on the Closing Date shall be treated as Incurred pursuant to Section 4.03(b)(i), (ii) Indebtedness permitted by this Section 4.03 need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this Section 4.03 permitting such Indebtedness, (iii) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in this

Section 4.03, the Company, in its sole discretion, shall classify such Indebtedness and only be required to include the amount of such Indebtedness in one of such clauses and (iv) the aggregate amount of any Indebtedness Guaranteed pursuant to Section 4.03(b)(vii) will be included in the calculation of Indebtedness, but the corresponding amount of the Guarantee will not be so included.

(e) Accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness will not be deemed to be an Incurrence of Indebtedness for purposes of this Section 4.03.

(f) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term debt, or first committed, in the case of revolving credit debt; provided that (i) the U.S. dollar-equivalent principal amount of any such Indebtedness outstanding or committed on the Closing Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date, and (ii) if such Indebtedness is Incurred to Refinance other Indebtedness denominated in a foreign currency, and such Refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such Refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being Refinanced. The principal amount of any Indebtedness Incurred to Refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such Refinancing.

(g) The Company will not, and will not permit SCI LLC to, make any amendment to the Senior Subordinated Notes or the Junior Subordinated Note which (i) makes either the Senior Subordinated Notes or the Junior Subordinated Note subordinated in right of payment to the Notes to a lesser extent than on the Closing Date or (ii) results or could result in any cash payment of principal, premium or interest in respect of either the Senior Subordinated Notes or the Junior Subordinated Note becoming due at any time prior to the date such payment would have been required in accordance with the terms of each of the Senior Subordinated Notes or the Junior Subordinated Note as in effect on the Closing Date.

SECTION 4.04. Limitation on Restricted Payments. (a) The Company shall not, and shall not permit any Restricted Subsidiary, directly or indirectly, to (i) declare or pay any dividend or make any distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company) or similar payment to the direct or indirect holders of its Capital Stock except dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock) and except dividends or distributions payable to the Company or another Restricted Subsidiary (and, if such Restricted Subsidiary has shareholders other than the Company or other Restricted Subsidiaries, to its other shareholders on a pro rata basis), (ii) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or

any Restricted Subsidiary held by Persons other than the Company or another Restricted Subsidiary, other than the making of a Permitted Investment, (iii) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment any Subordinated Indebtedness (other than the purchase, repurchase or other acquisition of Subordinated Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of acquisition), (iv) make any Investment (other than a Permitted Investment) in any Person or (v) make or pay any interest or other distribution on the Junior Subordinated Note except interest or other distributions payable solely in Capital Stock (other than Disqualified Stock) or additional Junior Subordinated Note (any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Investment described in and not excluded from clauses (i) through (v) being herein referred to as a "Restricted Payment"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(1) a Default shall have occurred and be continuing (or would result therefrom);

(2) the Company could not Incur at least $1.00 of additional Indebtedness under Section 4.03(a); or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments (the amount so expended, if other than in cash, to be determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a resolution of the Board of Directors) declared or made subsequent to the Closing Date would exceed the sum of, without duplication:

(A) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fiscal quarter immediately following the fiscal quarter during which the Closing Date occurs to the end of the most recent fiscal quarter for which internal financial statements are available prior to the date of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit);

(B) the aggregate Qualified Proceeds received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock) subsequent to the Closing Date (other than an issuance or sale to (x) a Subsidiary of the Company or (y) an employee stock ownership plan or other trust established by the Company or any of its Subsidiaries for the benefit of its employees to the extent that the purchase by such plan or trust is financed by Indebtedness of such plan or trust owed to the Company or any of its Subsidiaries or Indebtedness Guaranteed by the Company or any of its Subsidiaries);

(C) 100% of the aggregate Qualified Proceeds received by the Company from the issuance or sale of debt securities of the Company or Disqualified Stock of the Company that after the Closing Date have been converted into or exchanged for Capital Stock (other than Disqualified Stock) of the Company (other than an issuance or sale to a Subsidiary of the Company or an employee stock ownership plan or other trust established by the Company or any of its Subsidiaries for the benefit of its employees to

the extent that the purchase by such plan or trust is financed by Indebtedness of such plan or trust owed to the Company or any of its Subsidiaries or Indebtedness Guaranteed by the Company or any of its Subsidiaries (less the amount of any cash or the Fair Market Value of any property distributed by the Company or any Restricted Subsidiary upon such conversion or exchange); provided, however, that no amount will be included in this clause (C) to the extent it is already included in Consolidated Net Income;

(D) in the case of any Investment by the Company or any Restricted Subsidiary (other than any Permitted Investment) made after the Closing Date, the disposition of such Investment by, or repayment of such Investment to, the Company or a Restricted Subsidiary or the receipt by the Company or any Restricted Subsidiary of any dividends or distributions from such Investment, an aggregate amount equal to the lesser of (x) the aggregate amount of such Investment treated as a Restricted Payment pursuant to clause (iv) above and (y) the aggregate amount in cash received by the Company or any Restricted Subsidiary upon such disposition, repayment, dividend or distribution; provided, however, that no amount will be included in this clause (iv) to the extent it is already included in Consolidated Net Income;

(E) in the event the Company or any Restricted Subsidiary makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, an amount equal to the Company's or any Restricted Subsidiary's existing Investment in such Person that was previously treated as a Restricted Payment pursuant to clause (iv) above; provided, however, that such Person is engaged in a Permitted Business; and

(F) the amount equal to the sum of (x) the net reduction in Investments in Unrestricted Subsidiaries resulting from payments of dividends, repayments of the principal of loans or advances or other transfers of assets to the Company or any Restricted Subsidiary from Unrestricted Subsidiaries and (y) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is redesignated a Restricted Subsidiary; provided, however, that the foregoing sum shall not exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary and treated as a Restricted Payment pursuant to clause (iv) above.

(b) The provisions of Section 4.04(a) shall not prohibit:

(i) any purchase, repurchase, redemption or other acquisition or retirement for value of Capital Stock of the Company or any Restricted Subsidiary made by exchange for, or out of the proceeds of the substantially concurrent sale of, other Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Company or an employee stock ownership plan or other trust established by the Company or any of its Subsidiaries for the benefit of its employees to the extent that the purchase by such plan or trust is financed by Indebtedness of such plan or trust owed to the Company or any of its Subsidiaries or Indebtedness Guaranteed by the Company or any of its Subsidiaries); provided, however, that (1) such Restricted

Payment shall be excluded from the calculation of the amount of Restricted Payments and (2) the Net Cash Proceeds from such sale applied in the manner set forth in this clause (i) shall be excluded from the calculation of amounts under Section 4.04(a)(3)(B);

(ii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Restricted Subsidiary, other than the Junior Subordinated Note, made by exchange for, or out of the proceeds of the substantially concurrent sale of, Indebtedness that is permitted to be Incurred pursuant to Section 4.03(b); provided, however, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded from the calculation of the amount of Restricted Payments;

(iii) the repurchase, redemption or other acquisition or retirement for value of Disqualified Stock of the Company or any Restricted Subsidiary made by exchange for, or out of the proceeds of the substantially concurrent sale of, Disqualified Stock of the Company or any Restricted Subsidiary that is permitted to be Incurred pursuant to Section 4.03; provided, however, that such repurchase, redemption or other acquisition or retirement for value will be excluded from the calculation of the amount of Restricted Payments;

(iv) any purchase or redemption of Subordinated Indebtedness from Net Available Cash to the extent permitted by Section 4.06; provided, however, that such purchase or redemption shall be excluded from the calculation of the amount of Restricted Payments;

(v) upon the occurrence of a Change of Control and within 60 days after the completion of the offer to repurchase the Notes pursuant to Section 4.08 (including the purchase of the Notes tendered), any purchase or redemption of Subordinated Indebtedness required pursuant to the terms thereof as a result of such Change of Control at a purchase or redemption price not to exceed the outstanding principal amount thereof, plus any accrued and unpaid interest; provided, however, that (1) at the time of such purchase, no Default or Event of Default shall have occurred and be continuing (or would result therefrom), (2) the Company would be able to Incur at least $1.00 of additional Indebtedness under Section 4.03 (a) above after giving pro forma effect to such Restricted Payment and (3) such purchase or redemption will be included in the calculation of the amount of Restricted Payments;

(vi) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with Section 4.04(a); provided, however, that such dividend shall be included in the calculation of the amount of Restricted Payments (without duplication for declaration);

(vii) the repurchase, redemption or other acquisition or retirement for value of Capital Stock of the Company or any of its Subsidiaries from employees, former employees, directors or former directors of the Company or any of its Subsidiaries (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of the agreements (including employment agreements) or

plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell, or are granted the option to purchase or sell, shares of such Capital Stock; provided, however, that the aggregate amount of such repurchases shall not exceed $2 million in any calendar year; provided further, however, that such repurchases, redemptions and other acquisitions or retirements for value shall be excluded from the calculation of the amount of Restricted Payments;

(viii) the declaration and payment of any dividend (or the making of any similar distribution or redemption) to the holders of any class or series of Disqualified Stock of the Company, or SCI LLC or a Guarantor issued or Incurred after the Closing Date in accordance with Section 4.03; provided that no Default or Event of Default shall have occurred and be continuing immediately after making such declaration or payment; and provided further, that such payment will be excluded from the calculation of the amount of Restricted Payments;

(ix) cash payments in lieu of fractional shares issuable as dividends on Preferred Stock of the Company or any of its Restricted Subsidiaries; provided that such cash payments shall not exceed $20,000 in the aggregate in any twelve-month period and no Default or Event of Default shall have occurred and be continuing immediately after such cash payments; and provided further, that such cash payments will be excluded from the calculation of the amount of Restricted Payments; or

(x) other Restricted Payments in an aggregate amount not to exceed $20 million.

SECTION 4.05. Limitation on Restrictions on Distributions from Restricted Subsidiaries. The Company shall not, and shall not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any of its Restricted Subsidiaries, (b) make any loans or advances to the Company or any of its Restricted Subsidiaries or (c) transfer any of its property or assets to the Company or any of its Restricted Subsidiaries, except:

(i) any encumbrance or restriction pursuant to applicable law, regulation, order or an agreement in effect at or entered into on the Closing Date;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Indebtedness Incurred by such Restricted Subsidiary prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, in contemplation of, or to provide all or any portion of the funds or credit support utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Company) and outstanding on such date;

(iii) any encumbrance or restriction pursuant to an agreement effecting a Refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (c)

(i) or (c) (ii) of this Section 4.05 or this clause (iii) or contained in any amendment to an agreement referred to in clause (c)(i) or (c)(ii) of this Section 4.05 or this clause (iii); provided, however, that the encumbrances and restrictions contained in any agreement or amendment relating to such Refinancing are no less favorable to the Holders than the encumbrances and restrictions contained in the agreements relating to the Indebtedness so Refinanced;

(iv) any encumbrance or restriction (1) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract or (2) that is contained in security agreements securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements;

(v) with respect to a Restricted Subsidiary, any restriction imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(vi) contracts for the sale of assets containing customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary;

(vii) agreements for the sale of assets containing customary restrictions with respect to such assets;

(viii) restrictions relating to the common stock of Unrestricted Subsidiaries or Persons other than Subsidiaries;

(ix) encumbrances or restrictions existing under or by reason of provisions with respect to the disposition or distribution of assets or property in joint venture agreements and other similar agreements entered into in the ordinary course of business;

(x) encumbrances or restrictions existing under or by reason of restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(xi) any encumbrance or restriction existing under or by reason of a Receivables Facility or other contractual requirements of a Receivables Facility permitted pursuant to Section 4.03; provided that such restrictions apply only to such Receivables Facility.

SECTION 4.06. Limitation on Sales of Assets and Subsidiary Stock. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, make any Asset Disposition unless (i) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming sole responsibility for, any liabilities, contingent or otherwise) at the time of such Asset Disposition at least equal to the Fair Market Value of the shares and assets subject to such Asset Disposition and (ii) at least 80% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of cash, Temporary Cash Investments or other Qualified Proceeds

(provided that the aggregate Fair Market Value of Qualified Proceeds (other than cash and Temporary Cash Investments) shall not exceed $10 million since the Closing Date).

Within 365 days after the receipt of any Net Available Cash from such Asset Disposition, the Company or such Restricted Subsidiary may apply an amount equal to 100% of the Net Available Cash from such Asset Disposition (w) to repay or cash collateralize any Credit Agreement Obligations, to repay Indebtedness of the Company or any of its Restricted Subsidiaries secured by assets not in the Collateral, or to repay any Indebtedness of any Restricted Subsidiary that is not a Guarantor; (x) to acquire all or substantially all of the assets of another Permitted Business; (y) to make a capital expenditure; or (z) to acquire other long-term assets that are used or useful in the Permitted Business; provided, however, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to clause (x) above, the Company or such Restricted Subsidiary shall retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased.

For the purposes of clause (a)(ii) of this Section 4.06 only, the following are deemed to be cash: (A) the assumption of any liabilities (as shown on the Company's or a Restricted Subsidiary's most recent balance sheet) of the Company or any such Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability in connection with such Asset Disposition and (B) any securities or other obligations received by the Company or any Restricted Subsidiary from the transferee that are converted within 90 days of receipt by the Company or such Restricted Subsidiary into cash.

Pending the final application of any Net Available Cash, the Company or such Restricted Subsidiary may temporarily reduce revolving credit borrowings or otherwise invest the Net Available Cash in any manner that is not prohibited by this Indenture.

(b) Any Net Available Cash from Asset Dispositions that are not applied or invested as provided in the preceding paragraphs of this Section 4.06 shall constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $15.0 million, the Issuers shall make an Asset Disposition offer (the "Offer") to all Holders of Notes and all holders of other Indebtedness that is pari passu in right of payment with the Notes containing provisions similar to those set forth in Section 4.06(c) with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other pari passu Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Offer shall be equal to 100% of principal amount plus accrued and unpaid interest, including Additional Interest, if any, to the date of purchase, and shall be payable in cash. If any Excess Proceeds remain after consummation of an Offer, the Issuers may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes and other pari passu Indebtedness tendered into such Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and such other pari passu Indebtedness to be purchased on a pro rata basis; provided, however, that the Issuers shall not be obligated to purchase Notes in denominations other than integral multiples of $1,000 principal amount at maturity. Upon completion of each Offer, the amount of Excess Proceeds shall be reset at zero.

(c) (i) Promptly, and in any event within 10 days after the Company becomes obligated to make an Offer, the Company shall be obligated to deliver to the Trustee and send, by first-class mail to each Holder, a written notice stating that the Holder may elect to have his Notes purchased by the Company either in whole or in part (subject to prorating as hereinafter described in the event the Offer is oversubscribed) in integral multiples of $1,000 of principal amount, at the applicable purchase price. The notice shall specify a purchase date not less than 30 days nor more than 60 days after the date of such notice (the "Purchase Date") and shall contain such information concerning the business of the Company which the Company in good faith believes will enable such Holders to make an informed decision (which at a minimum shall include (1) the most recently filed Annual Report on Form 10-K (including audited consolidated financial statements) of the Company, the most recent subsequently filed Quarterly Report on Form 10-Q and any Current Report on Form 8-K of the Company filed subsequent to such Quarterly Report, other than Current Reports describing Asset Dispositions otherwise described in the offering materials (or corresponding successor reports), (2) a description of material developments in the Company's business subsequent to the date of the latest of such reports, and (3) if material, appropriate pro forma financial information) and all instructions and materials necessary to tender Notes pursuant to the Offer, together with the address referred to in clause (iii).

(ii) Not later than the date upon which written notice of an Offer is delivered to the Trustee as provided above, the Company shall deliver to the Trustee an Officers' Certificate as to (1) the amount of the Offer (the "Offer Amount"), (2) the allocation of the Net Available Cash from the Asset Dispositions pursuant to which such Offer is being made and (3) the compliance of such allocation with the provisions of Section 4.06(a) and (b). Not later than one Business Day before the Purchase Date, the Company shall also irrevocably deposit with the Trustee or with a paying agent (or, if the Company is acting as its own paying agent, segregate and hold in trust) an amount equal to the Offer Amount with written instructions for investment in Temporary Cash Investments and to be held for payment in accordance with the provisions of this Section 4.06. Upon the expiration of the period for which the Offer remains open (the "Offer Period"), the Company shall deliver to the Trustee for cancelation the Notes or portions thereof that have been properly tendered to and are to be accepted by the Company. The Trustee (or the Paying Agent, if not the Trustee) shall, on the date of purchase, mail or deliver payment to each tendering Holder in the amount of the purchase price. In the event that the Offer Amount delivered by the Company to the Trustee is greater than the purchase price of the Notes (and such other pari passu Indebtedness) tendered, the Trustee shall deliver the excess to the Company immediately after the expiration of the Offer Period for application in accordance with this Section 4.06.

(iii) Holders electing to have a Note purchased shall be required to surrender the Note, with an appropriate form duly completed, to the Company at the address specified in the notice at least three Business Days prior to the Purchase Date. Holders shall be entitled to withdraw their election if the Trustee or the Company receives not later than one Business Day prior to the Purchase Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note or Notes which were delivered by the Holder for purchase and a statement that such Holder is withdrawing his election to have such Note or Notes purchased. If at the expiration of the Offer Period the aggregate principal amount

of Notes and any such other pari passu Indebtedness included in the Offer surrendered by holders thereof exceeds the Offer Amount, the Company shall select the Notes and such other pari passu Indebtedness to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Company so that only Notes and such other pari passu Indebtedness in denominations of $1,000, or integral multiples thereof, shall be purchased). Holders whose Notes are purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered

(iv) At the time the Company delivers Notes to the Trustee which are to be accepted for purchase, the Company shall also deliver an Officers' Certificate stating that such Notes are to be accepted by the Company pursuant to and in accordance with the terms of this Section. A Note shall be deemed to have been accepted for purchase at the time the Trustee, directly or through an agent, mails or delivers payment therefor to the surrendering Holder.

(v) The Issuers shall comply in all material respects with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Disposition provisions of this Indenture, the Issuers shall comply in all material respects with the applicable securities laws and regulations and shall not be deemed to have breached their obligations under the Asset Disposition provisions of this Indenture by virtue of such conflict.

SECTION 4.07. Limitation on Transactions with Affiliates. (a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, enter into or conduct any transaction (including, the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (an "Affiliate Transaction") unless such Affiliate Transaction is on terms (i) that are no less favorable (other than in immaterial respects) to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained at the time of such transaction in comparable arm's-length dealings with a Person who is not such an Affiliate, (ii) that, in the event that such Affiliate Transaction involves an aggregate amount in excess of $5 million, (1) are set forth in writing and (2) have been approved by a majority of the members of the Board of Directors having no personal stake in such Affiliate Transaction and (iii) that, in the event that such Affiliate Transaction involves an amount in excess of $15 million, have been determined by a nationally recognized appraisal or investment banking firm to be fair, from a financial standpoint, to the Company and its Restricted Subsidiaries.

(b) The provisions of Section 4.07(a) shall not prohibit (i) any Restricted Payment permitted to be paid pursuant to Section 4.04, (ii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors, (iii) the grant of stock options or similar rights to officers, employees, consultants and directors of the Company pursuant to plans approved by the Board of Directors and the payment of amounts or the issuance of securities pursuant thereto, (iv) loans or advances to employees consistent with prudent business practice, but in any event not to exceed $5 million in the aggregate outstanding at any one time, (v) the payment of reasonable fees, compensation or

employee benefit arrangements to and any indemnity provided for the benefit of directors, officers, consultants or employees of the Company or any Restricted Subsidiary in the ordinary course of business, (vi) any transaction between the Company and a Restricted Subsidiary or between Restricted Subsidiaries, (vii) the payment of management, consulting and advisory fees to TPG Partners II, L.P. or its Affiliates made pursuant to any financial advisory, financing, underwriting or placement agreement or in respect of other investment banking activities, including in connection with acquisitions or divestitures, in an amount not to exceed $2 million in any calendar year and any related out-of-pocket expenses, (viii) transactions with customers, suppliers, contractors, joint venture partners or purchasers or sellers of goods or services, in each case which are in the ordinary course of business (including pursuant to joint venture agreements) and otherwise in compliance with the terms of this Indenture, and which are fair to the Company or its Restricted Subsidiaries, as applicable, in the reasonable determination of the Board of Directors or the senior management of the Company or its Restricted Subsidiaries, as applicable or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party, or (ix) any transaction effected in connection with a Receivables Facility permitted under Section 4.03.

SECTION 4.08. Repurchase of Notes at the Option of the Holder Upon a Change of Control. (a) Upon a Change of Control, each Holder shall have the right to require that the Issuers repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, including Additional Interest, thereon, if any, to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) in accordance with the terms contemplated in Section 4.08(b); provided, however, that notwithstanding the occurrence of a Change of Control, the Issuers shall not be obligated to purchase the Notes pursuant to this Section 4.08 in the event that they have exercised their right to redeem all the Notes under paragraph 5 of the Notes. In the event that at the time of such Change of Control the terms of the Bank Indebtedness restrict or prohibit the repurchase of Notes pursuant to this Section 4.08, then prior to the mailing of the notice to Holders provided for in Section 4.08(b) below but in any event within 30 days following any Change of Control, SCI LLC shall (i) repay in full all Bank Indebtedness or (ii) obtain the requisite consent under the agreements governing the Bank Indebtedness to permit the repurchase of the Notes as provided for in Section 4.08(b).

(b) Within 30 days following any Change of Control (except as provided in the proviso to the first sentence of Section 4.08(a)), the Issuers shall mail a notice to each Holder with a copy to the Trustee (the "Change of Control Offer") stating:

(i) that a Change of Control has occurred and that such Holder has the right to require the Issuers to purchase all or a portion (equal to $1,000 or an integral multiple thereof) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, including Additional Interest, if any, to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

(ii) the circumstances and relevant facts and financial information regarding such Change of Control;

(iii) the repurchase date (which shall be no earlier than 30 days (or such shorter time period as may be permitted under applicable laws, rules and regulations) nor later than 60 days from the date such notice is mailed); and

(iv) the instructions determined by the Issuers, consistent with this Section 4.08, that a Holder must follow in order to have its Notes purchased.

(c) Holders electing to have a Note purchased shall be required to surrender the Note, with an appropriate form duly completed, to the Company at the address specified in the notice at least three Business Days prior to the purchase date. Holders shall be entitled to withdraw their election if the Trustee or the Company receives not later than one Business Day prior to the purchase date a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note which was delivered for purchase by the Holder and a statement that such Holder is withdrawing his election to have such Note purchased. Holders whose Notes are purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered.

(d) On the purchase date, all Notes purchased by the Company under this Section 4.08 shall be delivered to the Trustee for cancelation, and the Company shall pay the purchase price plus accrued and unpaid interest, including Additional Interest, if any, to the Holders entitled thereto.

(e) Notwithstanding the foregoing provisions of this Section 4.08, the Issuers will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in Section 4.08(b) applicable to a Change of Control Offer made by the Issuers and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

(f) In connection with any Change of Control Offer, the Company shall deliver to the Trustee an Officers' Certificate stating that all conditions precedent contained herein to the right of the Company to make such offer have been complied with.

(g) The Issuers shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this Section. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Indenture relating to Change of Control Offers, the Issuers shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section by virtue thereof.

SECTION 4.09. Compliance Certificate. The Issuers shall deliver to the Trustee within 120 days after the end of each fiscal year of the Issuers an Officers' Certificate stating that in the course of the performance by the signers of their duties as Officers of the Issuers they would normally have knowledge of any Default and whether or not the signers know of any Default that occurred during such period. If they do, the certificate shall describe the Default, its status and what action the Issuers are taking or propose to take with respect thereto. The Issuers also shall comply with Section 314(a)(4) of the TIA.

SECTION 4.10. Further Instruments and Acts. Upon request of the Trustee, the Issuers shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

SECTION 4.11. Additional Note Guarantees and Liens. If (x) any Domestic Subsidiary shall, after the date hereof, become a guarantor (i) of any Credit Agreement Obligations or (ii) so long as the Senior Subordinated Notes are outstanding, the Senior Subordinated Notes, or (y) any Foreign Subsidiary shall, after the date hereof, become a guarantor of any of the Indebtedness of the Company or any Domestic Subsidiary, and the aggregate principal amount of Indebtedness of the Company and its Domestic Subsidiaries guaranteed by all Foreign Subsidiaries exceeds $25 million, then the Issuers shall, at the time, cause such Subsidiary to (a) execute a Guarantee of the obligations of the Issuers under the Notes substantially in the form set forth in Exhibit C hereto, and (b) if such Subsidiary grants any Lien upon any of its assets and property as security for any Credit Agreement Obligations, execute any and all further Security Documents, financing statements, agreements and instruments, upon substantially the same terms as the security documents in respect of such Credit Agreement Obligations, but subject to the Intercreditor Agreement, that grants the Trustee a second-priority Lien upon such assets and property for the benefit of the Holders and take all such actions (including the filing and recording of financing statements, fixture filings, Mortgages and other documents) that may be required under any applicable law, or which the Trustee may reasonably request to create such second-priority Lien, all at the expense of the Issuers, including all reasonable fees and expenses of counsel incurred by the Trustee in connection therewith; provided that such Subsidiary shall not be required to grant a second-priority Lien upon such property for the benefit of the Holders if (i) a second-priority security interest in such property cannot be granted or perfected under applicable law or (ii) such grant requires the consent of any third party, which consent such Subsidiary is unable to obtain using commercially reasonable efforts, and (c) deliver to the Trustee an Opinion of Counsel, reasonably satisfactory to the Trustee, that such Guarantee and any such Security Documents, as the case may be, are valid, binding and enforceable obligations of such Subsidiary, subject to customary exceptions for bankruptcy, fraudulent conveyance and equitable principles.

From and after the date of this Indenture, if any Issuer or any Guarantor creates any additional security interest upon any of its assets and property to secure any Credit Agreement Obligations or any Other Second-Lien Obligations (other than security interests granted solely to secure Hedging Obligations, Commodity Hedge Obligations or Cash Management Obligations), it shall concurrently grant a second-priority security interest (subject to Permitted Liens) upon such assets and property as security for the Notes and execute any and all further Security Documents, financing statements, agreements and instruments, but subject to the Intercreditor Agreement, that grant the Trustee a second-priority Lien upon such assets and property for the benefit of the Holders and take all such actions (including the filing and recording of financing statements, fixture filings, Mortgages and other documents) that may be required under any applicable law, or which the Trustee may reasonably request to create such second-priority Lien, all at the expense of the Issuers, including all reasonable fees and expenses of counsel incurred by the Trustee in connection therewith; provided that such Issuer or Guarantor shall not be required to grant a second-priority Lien upon such property as security for the Notes if (i) a second-priority security interest in such property cannot be granted or perfected

under applicable law or (ii) such grant requires the consent of any third party, which consent such Issuer or Guarantor is unable to obtain using commercially reasonable efforts.

In addition, the Issuers shall, with respect to each parcel of real property in the United States owned by any Issuer or Guarantor that secures the Credit Agreement Obligations, use commercially reasonable efforts to deliver to the Collateral Agent, for the benefit of or addressed to the Trustee or the Collateral Agent, as applicable, the following:

(a) a fully executed, acknowledged, and recorded Mortgage similar to that provided for the benefit of the Credit Agent except that such mortgage or deed of trust shall be subject to the terms of the Intercreditor Agreement;

(b) an opinion of local counsel in a form substantially similar to the opinion provided for the benefit of the Credit Agent, or otherwise reasonably acceptable to the Initial Purchasers and the Trustee;

(c) a fully-paid title insurance policy (including such endorsements as the Credit Agent obtained in its title insurance policy) with no exceptions other than (i) Permitted Liens and exceptions included under the title insurance policy in favor of the Credit Agent, (ii) the Credit Agent's existing Lien on such property and (iii) other changes reasonably acceptable to the Initial Purchasers;

(d) the most recent survey of each property together with either (i) an updated survey certification from the applicable surveyor stating that, based on a visual inspection of the property and the knowledge of the surveyor, there has been no change in the facts depicted in the survey or (ii) an affidavit from the Issuers stating that there has been no change, other than, in each case, changes reasonably acceptable to the Initial Purchasers, in the facts depicted in the survey; and

(e) such other related deliveries and deliverables as the Trustee and the Initial Purchasers shall reasonably require.

The Issuers shall provide each of the foregoing described in clauses (a) through (e) above at their own expense and shall pay all reasonable fees and expenses of counsel incurred by the Trustee in connection with each of the foregoing.

Each Note Guarantee will be limited in amount to an amount not to exceed the maximum amount that can be guaranteed by the applicable Guarantor without rendering the Note Guarantee, as it relates to such Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

SECTION 4.12. Limitation on Lines of Business. The Company shall not, and shall not permit any Restricted Subsidiary (other than a Receivables Subsidiary) to, engage in any business, other than a Permitted Business.

SECTION 4.13. Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries. The Company shall not sell or otherwise dispose of any shares of Capital Stock of a Restricted Subsidiary, and shall not permit any Restricted Subsidiary, directly or indirectly, to

issue or sell or otherwise dispose of any shares of its Capital Stock except: (a) to the Company or another Restricted Subsidiary; (b) if, immediately after giving effect to such issuance, sale or other disposition, neither the Company nor any of its Restricted Subsidiaries own any Capital Stock of such Restricted Subsidiary; (c) if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any Investment in such Person remaining after giving effect thereto would have been permitted to be made under Section 4.04 if made on the date of such issuance, sale or other disposition; (d) directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary; or (e) in the case of a Restricted Subsidiary other than a wholly-owned Restricted Subsidiary, the issuance by that Restricted Subsidiary of Capital Stock on a pro rata basis to the Company and its Restricted Subsidiaries, on the one hand, and minority shareholders of the Restricted Subsidiary, on the other hand (or on less than a pro rata basis to any minority shareholder if the minority holder does not acquire its pro rata amount), so long as the Company or another Restricted Subsidiary owns and controls at least the same percentage of the Voting Stock of, and economic interest in, such Restricted Subsidiary as prior to such issuance. The cash proceeds of any sale of Capital Stock permitted under clauses (b) and (c) shall be treated as Net Available Cash from an Asset Disposition and shall be applied in accordance with Section 4.06.

SECTION 4.14. Limitation on Liens. The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind on any asset now owned or hereafter acquired by the Company or its Restricted Subsidiaries, except Permitted Liens.

SECTION 4.15. Sale/Leaseback Transactions. The Company shall not, and shall not permit any of its Restricted Subsidiaries to, enter into any Sale/Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale/Leaseback transaction if: (a) the Company or that Restricted Subsidiary, as applicable, could have Incurred Indebtedness in an amount equal to the Attributable Debt relating to such Sale/Leaseback Transaction under Section 4.03 hereof; (b) the gross cash proceeds of the Sale/Leaseback Transaction are at least equal to the fair market value (in the case of gross cash proceeds in excess of $5.0 million as determined in good faith by the Board of Directors and set forth in the Officers' Certificate delivered to the Trustee), of the property that is the subject of that Sale/Leaseback Transaction; and (c) the transfer of assets in that Sale/Leaseback Transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, Section 4.06 hereof.

ARTICLE V

Successor Company

SECTION 5.01. When Company May Merge or Transfer Assets. (a) The Company and SCI LLC each shall not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(i) the resulting, surviving or transferee Person (the "Successor Company") shall be a corporation or, subject to the proviso below, a partnership or a limited liability company, in each case organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company (if not the Company or SCI LLC, as the case may be) shall expressly assume, by a supplemental indenture hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company or SCI LLC, as the case may be under the Notes and this Indenture; provided, however, that at all times, at least one Issuer must be a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia;

(ii) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Restricted Subsidiary as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction, the Successor Company would be able to Incur at least $1.00 of additional Indebtedness pursuant to Section 4.03(a) (without giving effect to the second proviso thereof); and

(iv) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this Indenture.

The Successor Company shall succeed to, and be substituted for, and may exercise every right and power of, the Company or SCI LLC, as the case may be, under this Indenture.

(b) The Company shall not permit any Guarantor to consolidate with or merge with or into, or convey, transfer or lease all or substantially all of its assets to any Person unless: (i) in the case of any Guarantor that is a Domestic Subsidiary, the resulting, surviving or transferee Person will be a corporation, partnership or limited liability company organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, and such Person (if not such Guarantor) shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of such Guarantor under its Note Guarantee; (ii) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been Incurred by such Person at the time of such transaction), no Default shall have occurred and be continuing; and (iii) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this Indenture; provided, however, that the foregoing shall not apply to any such consolidation or merger with or into, or conveyance, transfer or lease to, any Person if the resulting, surviving or transferee Person will not be a Subsidiary of the Company and the other terms of this Indenture, including Section 4.06 are complied with.

(c) Notwithstanding the foregoing, (i) any Restricted Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Company or SCI LLC; (ii) the Company may merge with an Affiliate incorporated or organized solely for the purpose of reincorporating or reorganizing the Company in another jurisdiction to realize tax or other benefits; (iii) nothing herein shall limit any conveyance, transfer or lease of assets between or among any of the Company, SCI LLC and the Guarantors; and (iv) the foregoing clause (a)(iii) of this Section 5.01 shall not prohibit (1) a merger between the Company and a Person that owns all of the Capital Stock of the Company created solely for the purpose of holding the Capital Stock of the Company or (2) a merger between SCI LLC and a Person that owns all of the Capital Stock of SCI LLC created solely for the purpose of holding the Capital Stock of SCI LLC; provided, however, that the other terms of Section 5.01(a) are complied with.

ARTICLE VI

Events of Defaults and Remedies

SECTION 6.01. Events of Default. An "Event of Default" occurs if:

(a) the Company, SCI LLC or any Guarantor defaults in any payment of interest on any Note or in any payment of Additional Interest with respect thereto, and such default continues for a period of 30 days;

(b) the Company, SCI LLC or any Guarantor (i) defaults in the payment of the principal of any Note when the same becomes due and payable at its Stated Maturity, upon required redemption or repurchase, upon declaration or otherwise, or (ii) fails to redeem or purchase Notes when required pursuant to this Indenture or the Notes;

(c) the Company, SCI LLC or any Guarantor fails to comply with Section 5.01;

(d) the Company, SCI LLC or any Guarantor fails to comply with Section 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.11, 4.12, 4.13, 4.14 or 4.15 (other than a failure to purchase Notes when required under Section 4.06 or 4.08) and such failure continues for 30 days after the notice specified below;

(e) the Company, SCI LLC or any Guarantor fails to comply with any of its agreements in the Notes or this Indenture, any Note Guarantee or any Security Document (other than those referred to in (a), (b), (c) or (d) above) and such failure continues for 60 days after the notice specified below;

(f) Indebtedness of the Company or any Restricted Subsidiary is not paid within any applicable grace period after final maturity or the acceleration by the holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds $25 million or its foreign currency equivalent at the time and such failure continues for 10 days after the notice specified below;

(g) the Company, SCI LLC or any other Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case;

(ii) consents to the entry of an order for relief against it in an involuntary case;

(iii) consents to the appointment of a Custodian of it or for any substantial part of its property; or

(iv) makes a general assignment for the benefit of its creditors;

(v) or takes any comparable action under any foreign laws relating to insolvency;

(h) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company, SCI LLC or any other Significant Subsidiary in an involuntary case;

(ii) appoints a Custodian of the Company, SCI LLC or any other Significant Subsidiary or for any substantial part of its property; or

(iii) orders the winding up or liquidation of the Company, SCI LLC or any other Significant Subsidiary;

or any similar relief is granted under any foreign laws and the order or decree remains unstayed and in effect for 60 days;

(i) with respect to any judgment or decree for the payment of money in excess of $25 million or its foreign currency equivalent against the Company or any Restricted Subsidiary (i) an enforcement proceeding is commenced thereon by any creditor if such judgment or decree is final and nonappealable and the Company or such Restricted Subsidiary, as applicable, fails to stay such proceeding within 10 days thereafter or (ii) the Company or such Restricted Subsidiary, as applicable, fails to pay such judgment or decree, which judgment or decree has remained outstanding for a period of 60 days following the entry of such judgment or decree without being paid, discharged, waived or stayed; or

(j) (i) except as permitted by this Indenture, any Note Guarantee of any Significant Subsidiary or any Security Document or any security interest granted thereby shall be held in any judicial proceeding to be unenforceable or invalid, or shall cease for any reason to be in full force and effect and such default continues for 10 days after written notice, or (ii) any Issuer or Guarantor that is a Significant Subsidiary, or any Person acting on behalf of such Significant Subsidiary, shall deny or disaffirm its obligations under any Note Guarantee or Security Document.

The foregoing shall constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

The term "Bankruptcy Law" means Title 11, United States Code, or any similar Federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

A Default under clause (d), (e), (f) or (j) above is not an Event of Default until the Trustee notifies the Issuers or the Holders of at least 25% in principal amount of the outstanding Notes notify the Issuers and the Trustee of the Default and the Issuers or the relevant Guarantor, as applicable, do not cure such Default within the time specified after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default".

The Issuers shall deliver to the Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officers' Certificate of any event which with the giving of notice or the lapse of time would become an Event of Default under clauses (c), (d), (e), (f), (i) or (j), its status and what action the Issuers are taking or propose to take with respect thereto.

SECTION 6.02. Acceleration. (a) If an Event of Default (other than an Event of Default specified in Section 6.01(g) or (h) with respect to the Company or SCI LLC) occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes, by notice to the Issuers, may declare the principal of and accrued but unpaid interest on all the Notes to be due and payable. Upon such a declaration, such principal and interest shall be due and payable immediately. If an Event of Default specified in Section 6.01(g) or (h) with respect to the Company or SCI LLC occurs, the principal of and interest on all the Notes shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. The Holders of a majority in principal amount of the Notes by notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of acceleration. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

(b) In the event of a declaration of acceleration of the Notes because an Event of Default has occurred and is continuing as a result of the acceleration of any Indebtedness described in Section 6.01(f), the declaration of acceleration of the Notes shall be automatically annulled if the holders of any such Indebtedness have rescinded the declaration of acceleration in respect of such Indebtedness within 30 days of the date of such acceleration and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except nonpayment of principal or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

SECTION 6.03. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of or interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

SECTION 6.04. Waiver of Past Defaults. The Holders of a majority in principal amount of the Notes by notice to the Trustee may waive on behalf of the Holders of all of the Notes an existing Default and its consequences except (a) a Default in the payment of the principal of or interest on a Note, (b) a Default arising from the failure to redeem or purchase any Note when required pursuant to the terms of this Indenture or (c) a Default in respect of a provision that under Section 9.02 cannot be amended without the consent of each Holder affected. When a Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

SECTION 6.05. Control by Majority. The Holders of a majority in principal amount of the Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Section 7.01, that the Trustee determines is unduly prejudicial to the rights of other Holders or would involve the Trustee in personal liability; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

SECTION 6.06. Limitation on Suits. (a) Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder may pursue any remedy with respect to this Indenture or the Notes unless:

(i) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;

(ii) the Holders of at least 25% in principal amount of the Notes make a written request to the Trustee to pursue the remedy;

(iii) such Holder or Holders offer to the Trustee reasonable security or indemnity against any loss, liability or expense;

(iv) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and

(v) the Holders of a majority in principal amount of the Notes do not give the Trustee a direction inconsistent with the request during such 60-day period.

(b) A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 6.07. Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of and interest, including Additional Interest, on the Notes held by such Holder, on or after the respective due dates expressed or provided for in the Notes, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08. Collection Suit by Trustee. If an Event of Default specified in Section 6.01(a) or (b) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Issuers or any other obligor on the Notes for the whole amount then due and owing (together with interest on overdue principal and (to the extent lawful) on any unpaid interest at the rate provided for in the Notes) and the amounts provided for in Section 7.07.

SECTION 6.09. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Issuers, any Subsidiary or Guarantor, their creditors or their property and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.07.

SECTION 6.10. Priorities. If the Trustee collects any money or property pursuant to this Article 6, it shall pay out the money or property in the following order:

FIRST: to the Trustee for amounts due under Section 7.07;

SECOND: to Holders for amounts due and unpaid on the Notes for principal and interest, ratably, and any Additional Interest, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, including any Additional Interest, respectively; and

THIRD: to the Issuers.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section. At least 15 days before such record date, the Trustee shall mail to each Holder and the Issuers a notice that states the record date, the payment date and amount to be paid.

SECTION 6.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit,

having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 or a suit by Holders of more than 10% in principal amount of the Notes.

SECTION 6.12. Waiver of Stay or Extension Laws. Neither the Issuers nor any Guarantor (to the extent it may lawfully do so) shall at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and each Issuer and each Guarantor (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VII

Trustee

SECTION 7.01. Duties of Trustee. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own wilful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(iv) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(e) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuers.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and to the provisions of the TIA.

SECTION 7.02. Rights of Trustee. (a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that the Trustee's conduct does not constitute wilful misconduct or negligence.

(e) The Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture, note or other paper or document unless requested in writing to do so by the Holders of not less than a majority in principal amount of the Notes at the time outstanding, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuers, personally or by agent or attorney.

SECTION 7.03. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuers or their respective Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar or co-paying agent may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

SECTION 7.04. Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture, any Note Guarantee or the Notes, it shall not be accountable for the Issuers' use of the proceeds from the Notes, and it shall not be responsible for any statement of the Issuers or any Guarantor in this Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee's certificate of authentication. The Trustee shall not be charged with knowledge of any Default or Event of Default under Sections 6.01(c), (d), (e), (f), (i) or (j) or of the identity of any Significant Subsidiary unless either (a) a Trust Officer shall have actual knowledge thereof or (b) the Trustee shall have received notice thereof in accordance with Section 12.02 hereof from the Issuers, any Guarantor or any Holder.

SECTION 7.05. Notice of Defaults. If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Holder notice of the Default within the earlier of 90 days after it occurs or 30 days after it is known to a trust officer. Except in the case of a Default in payment of principal of or interest on any Note (including payments pursuant to the mandatory redemption provisions of such Note, if any), the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of Holders.

SECTION 7.06. Reports by Trustee to Holders. As promptly as practicable after each May 15 beginning with May 15, 2003, the Trustee shall mail to each Holder a brief report dated as of such May 15 that complies with Section 313(a) of the TIA if and to the extent required thereby. The Trustee shall also comply with Section 313(b) of the TIA.

A copy of each report at the time of its mailing to Holders shall be filed with the Commission and each stock exchange (if any) on which the Notes are listed. The Issuers agree to notify promptly the Trustee whenever the Notes become listed on any stock exchange and of any delisting thereof.

SECTION 7.07. Compensation and Indemnity. The Issuers shall pay to the Trustee from time to time reasonable compensation for its services hereunder as the Issuers and the Trustee shall from time to time agree in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuers shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. Each of the Issuers and each Guarantor, jointly and severally shall indemnify the Trustee against any and all loss, liability or expense (including reasonable attorneys' fees) incurred by or in connection with the administration of this trust and the performance of its duties hereunder. The Trustee shall notify the Issuers of any claim for which it may seek indemnity promptly upon obtaining actual knowledge thereof;

provided, however, that any failure so to notify the Issuers shall not relieve the Issuers or any Guarantor of its indemnity obligations hereunder. The Issuers shall defend the claim and the Trustee shall provide reasonable cooperation at the Issuers' expense in the defense. The Trustee may have separate counsel and the Issuers and the Guarantors, as applicable, shall pay the fees and expenses of such counsel; provided, however, that the Issuers and the Guarantors shall not be required to pay such fees and expenses if it assumes the Trustee's defense and, in the reasonable judgment of the Trustee's outside counsel, there is no conflict of interest between the Issuers and the Guarantors, on the one hand, and the Trustee, on the other hand, in connection with such defense. The Issuers need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through its own wilful misconduct, negligence or bad faith.

To secure the Issuers' payment obligations in this Section, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest and Additional Interest, if any, on particular Notes.

The Issuers' payment obligations pursuant to this Section shall survive the satisfaction or discharge of this Indenture, any rejection or termination of this Indenture under any bankruptcy law or the resignation or removal of the Trustee. Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee incurs expenses after the occurrence of a Default specified in Section 6.01(g) or (h) with respect to the Issuers, the expenses are intended to constitute expenses of administration under the Bankruptcy Law.

SECTION 7.08. Replacement of Trustee. (a) The Trustee may resign at any time by so notifying the Issuers. The Holders of a majority in principal amount of the Notes may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. The Issuers shall remove the Trustee if:

(i) the Trustee fails to comply with Section 7.10;

(ii) the Trustee is adjudged bankrupt or insolvent;

(iii) a receiver or other public officer takes charge of the Trustee or its property; or

(iv) the Trustee otherwise becomes incapable of acting.

(b) If the Trustee resigns, is removed by the Issuers or by the Holders of a majority in principal amount of the Notes and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Issuers shall promptly appoint a successor Trustee.

(c) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to

Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Holders of 10% in principal amount of the Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee fails to comply with Section 7.10, unless the Trustee's duty to resign is stayed as provided in TIA Section 310(b), any Holder who has been a bona fide holder of a Note for at least six months may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) Notwithstanding the replacement of the Trustee pursuant to this Section, the Issuers' obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

SECTION 7.09. Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 7.10. Eligibility; Disqualification. The Trustee shall at all times satisfy the requirements of TIA Section 310(a). The Trustee shall have a combined capital and surplus of at least $100,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA Section 310(b), subject to its right to apply for a stay of its duty to resign under the penultimate paragraph of TIA Section 310(b); provided, however, that there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Issuers are outstanding if the requirements for such exclusion set forth in TIA Section 310(b)(1) are met.

SECTION 7.11. Preferential Collection of Claims Against the Issuers. The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated.

ARTICLE VIII

Discharge of Indenture; Defeasance

SECTION 8.01. Discharge of Liability on Notes; Defeasance.

(a) Subject to Section 8.01(c), when (i) all outstanding Notes (other than Notes replaced or paid pursuant to Section 2.08) have been canceled or delivered to the Trustee for cancelation or (ii) all outstanding Notes not previously delivered for cancelation have become due and payable, whether at maturity or as a result of the mailing of a notice of redemption pursuant to Article 3 hereof, and the Issuers irrevocably deposit with the Trustee funds in an amount sufficient or U.S. Government Obligations, the principal of and interest on which will be sufficient, or a combination thereof sufficient, in the written opinion of a nationally recognized firm of independent public accountants delivered to the Trustee (which delivery shall only be required if U.S. Government Obligations have been so deposited) to pay the principal of and interest on the outstanding Notes when due at maturity or upon redemption of, including interest thereon to maturity or such redemption date (other than Notes replaced or paid pursuant to Section 2.08) and Additional Interest, if any, and if in either case the Issuers pay all other sums payable hereunder by the Issuers, then this Indenture shall, subject to Section 8.01(c), cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture on demand of the Issuers accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Issuers.

(b) Subject to Sections 8.01(c) and 8.02, the Issuers at any time may terminate (i) all of their obligations under the Notes and this Indenture ("legal defeasance option") and (ii) their obligations under Sections 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.11, 4.12, 4.13, 4.14 or 4.15 and the operation of Section 5.01(a)(iii), 6.01(d), 6.01(e), 6.01(f), 6.01(g) (with respect to Significant Subsidiaries of the Company only), 6.01(h) (with respect to Significant Subsidiaries of the Company only) and 6.01(i) ("covenant defeasance option"). The Issuers may exercise their legal defeasance option notwithstanding their prior exercise of their covenant defeasance option. In the event that the Issuers terminate all of their obligations under the Notes and this Indenture by exercising their legal defeasance option, the obligations under the Note Guarantees shall each be terminated simultaneously with the termination of such obligations.

If the Issuers exercise their legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default. If the Issuers exercise their covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in Section 6.01(d), 6.01(e), 6.01(f), 6.01(g) (with respect to Significant Subsidiaries of the Company only), 6.01(h) (with respect to Significant Subsidiaries of the Company only) or 6.01(i) or because of the failure of the Company or SCI LLC to comply with Section 5.01(a)(iii).

Upon satisfaction of the conditions set forth herein and upon request of the Issuers, the Trustee shall acknowledge in writing the discharge of those obligations that the Issuers terminate.

(c) Notwithstanding the provisions of Sections 8.01(a) and 8.01(b), the Issuers' obligations in Sections 2.04, 2.05, 2.06, 2.07, 2.08, 2.09, 7.07, 7.08 and in this Article 8 shall

survive until the Notes have been paid in full. Thereafter, the Issuers' obligations in Sections 7.07, 8.04 and 8.05 shall survive.

SECTION 8.02. Conditions to Defeasance. (a) The Issuers may exercise their legal defeasance option or their covenant defeasance option only if:

(i) the Issuers irrevocably deposit in trust with the Trustee money in an amount sufficient or U.S. Government Obligations, the principal of and interest on which will be sufficient, or a combination thereof sufficient, to pay the principal, premium (if any) and interest on the Notes when due at maturity or redemption, as the case may be, including interest thereon to maturity or such redemption date and Additional Interest, if any;

(ii) the Issuers deliver to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the Notes to maturity or redemption, as the case may be;

(iii) 91 days pass after the deposit is made and during the 91-day period no Default specified in Section 6.01(g) or (h) with respect to the Issuers occurs which is continuing at the end of the period;

(iv) the deposit does not constitute a default under any other agreement binding on the Issuers;

(v) the Issuers deliver to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(vi) in the case of the legal defeasance option, the Issuers shall have delivered to the Trustee an Opinion of Counsel stating that (1) the Issuers has received from, or there has been published by, the Internal Revenue Service a ruling, or (2) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(vii) in the case of the covenant defeasance option, the Issuers shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

(viii) the Issuers deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Notes as contemplated by this Article 8 have been complied with.

(b) Before or after a deposit, the Issuers may make arrangements satisfactory to the Trustee for the redemption of Notes at a future date in accordance with Article 3.

SECTION 8.03. Application of Trust Money. The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article 8. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Notes.

SECTION 8.04. Repayment to the Issuers. The Trustee and the Paying Agent shall promptly turn over to the Issuers upon request any money or U.S. Government Obligations held by it as provided in this Article which, in the written opinion of nationally recognized firm of independent public accountants delivered to the Trustee (which delivery shall only be required if U.S. Government Obligations have been so deposited), are in excess of the amount thereof which would then be required to be deposited to effect an equivalent discharge or defeasance in accordance with this Article.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Issuers upon written request any money held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, Holders entitled to the money must look to the Issuers for payment as general creditors and the Trustee, and the Paying Agent shall have no further liability with respect to such monies.

SECTION 8.05. Indemnity for Government Obligations. The Issuers shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

SECTION 8.06. Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article 8 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuers' obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to this Article 8 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article 8; provided, however, that, if the Issuers have made any payment of interest on or principal of any Notes because of the reinstatement of its obligations, the Issuers shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE IX

Amendments

SECTION 9.01. Without Consent of Holders. (a) The Issuers, the Guarantors and the Trustee may amend or supplement this Indenture, the Notes, the Note Guarantees or the Security Documents without notice to or consent of any Holder:

(i) to cure any ambiguity, omission, defect or inconsistency;

(ii) to comply with Article 5;

(iii) to provide for uncertificated Notes in addition to or in place of certificated Notes; provided, however, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code;

(iv) to add additional Note Guarantees with respect to the Notes;

(v) to add to the covenants of the Issuers for the benefit of the Holders or to surrender any right or power herein conferred upon the Issuers;

(vi) to make any change that does not adversely affect the rights of any Holder;

(vii) to provide for the issuance of the Exchange Notes, Private Exchange Notes or Additional Notes, which shall have terms substantially identical in all material respects to the Original Notes (except that the transfer restrictions contained in the Original Notes shall be modified or eliminated, as appropriate), and which shall be treated, together with any outstanding Original Notes, as a single issue of securities;

(viii) to comply with any requirement of the Commission in connection with qualifying, or maintaining the qualification of, this Indenture under the TIA; or

(ix) if necessary, in connection with any addition or release of Collateral permitted under the terms of this Indenture or Security Documents.

In addition, without the consent of any Holder, any amendment, waiver or consent agreed to by the Credit Agent or the holders of Credit Agreement Obligations under any provision of any of the security documents granting the first-priority lien on any Collateral to secure the Credit Agreement Obligations shall automatically apply to the comparable provision of the Indenture and the comparable Security Document entered into in connection with the Notes. The Issuers shall also be entitled to other releases of the Collateral or the Note Guarantees as described in Sections 10.03 and 11.03 hereof. If the Issuers wish under other circumstances to obtain an amendment or waiver or seek a consent under any Security Document or Note Guarantee, the Issuers may mail written notice of their request to the Trustee and the Holders, specifying the amendment, waiver or consent, the reason it is being sought and any other information requested for the Holders to reasonably consider such matter. If the Issuers do

not receive written objections from Holders of at least 25% in aggregate principal amount of the Notes within 20 Business Days after such mailing, such amendment, waiver or consent shall be deemed granted. If the Issuers receive such objections, then they shall not be entitled to effect such amendment or waiver, and such consent shall not be effective, unless the Issuers obtain the consent of the Holders of a majority in outstanding principal amount of the Notes (including any Additional Notes) then outstanding voting as a single class (including consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes).

(b) After an amendment under this Section becomes effective, the Issuers shall mail to Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.01.

SECTION 9.02. With Consent of Holders. (a) The Issuers, the Guarantors and the Trustee may amend this Indenture, the Notes, the Note Guarantees or the Security Documents without notice to any Holder but with the written consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange for the Notes). However, without the consent of each Holder affected, an amendment may not:

(i) reduce the amount of Notes whose Holders must consent to an amendment;

(ii) reduce the rate of or extend the time for payment of interest or any Additional Interest on any Note;

(iii) reduce the principal of or extend the Stated Maturity of any Note;

(iv) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed in accordance with Article 3;

(v) make any Note payable in money other than that stated in the Note;

(vi) impair the right of any Holder to receive payment of principal of, and interest, including Additional Interest, on, such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Notes;

(vii) make any change in Section 6.04 or 6.07 or the second sentence of this Section 9.02; or

(viii) modify the Note Guarantees in any manner adverse to the Holders.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

After an amendment under this Section 9.02 becomes effective, the Issuers shall mail to Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.02.

SECTION 9.03. Compliance with Trust Indenture Act. Every amendment to this Indenture or the Notes shall comply with the TIA as then in effect.

SECTION 9.04. Revocation and Effect of Consents and Waivers. (a) A consent to an amendment or a waiver by a Holder of a Note shall bind the Holder and every subsequent Holder of that Note or portion of the Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent or waiver is not made on the Note. However, any such Holder or subsequent Holder may revoke the consent or waiver as to such Holder's Note or portion of the Note if the Trustee receives the notice of revocation before the date on which the Trustee receives an Officers' Certificate from the Issuers certifying that the requisite number of consents have been received. After an amendment or waiver becomes effective, it shall bind every Holder. An amendment or waiver becomes effective upon the (i) receipt by the Issuers or the Trustee of the requisite number of consents, (ii) satisfaction of conditions to effectiveness as set forth in this Indenture and any indenture supplemental hereto containing such amendment or waiver and (iii) execution of such amendment or waiver (or supplemental indenture) by the Issuers and the Trustee.

(b) The Issuers may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date.

SECTION 9.05. Notation on or Exchange of Notes. If an amendment changes the terms of a Note, the Trustee may require the Holder of the Note to deliver it to the Trustee. The Trustee may place an appropriate notation on the Note regarding the changed terms and return it to the Holder. Alternatively, if the Issuers or the Trustee so determines, the Issuers in exchange for the Note shall issue and the Trustee shall authenticate a new Note that reflects the changed terms. Failure to make the appropriate notation or to issue a new Note shall not affect the validity of such amendment.

SECTION 9.06. Trustee to Sign Amendments. The Trustee shall sign any amendment authorized pursuant to this Article 9 if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may but need not sign it. In signing such amendment the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and to receive, and (subject to Section 7.01) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture and that such amendment is the legal, valid and binding obligation of the Issuers and the Guarantors enforceable against them in accordance with its

terms, subject to customary exceptions, and complies with the provisions hereof (including Section 9.03).

SECTION 9.07. Payment for Consent. Neither the Issuers nor any Affiliate of the Issuers shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid to all Holders that so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

ARTICLE X

Collateral and Security

SECTION 10.01. Security Documents. The due and punctual payment of the principal of and interest and Additional Interest, if any, on the Notes when and as the same shall be due and payable, whether on an interest payment date, at maturity, by acceleration, repurchase, redemption or otherwise, and interest on the overdue principal of and interest and Additional Interest, if any, on the Notes and performance of all other obligations of the Issuers to the Holders or the Trustee under this Indenture and the Notes, according to the terms hereunder or thereunder, are secured as provided in the Security Documents which the Issuers and the Guarantors have entered into simultaneously with the execution of this Indenture, subject to the terms of the Intercreditor Agreement. Each Holder, by its acceptance thereof, consents and agrees to the terms of the Security Documents (including the provisions providing for foreclosure and release of Collateral) as the same may be in effect or may be amended from time to time in accordance with its terms and authorizes and directs the Collateral Agent to enter into the Security Documents and to perform its obligations and exercise its rights thereunder in accordance therewith. The Issuers shall deliver to the Trustee (if it is not itself then the Collateral Agent) copies of all documents delivered to the Collateral Agent pursuant to the Security Documents, and will do or cause to be done all such acts and things as may be required by the next sentence of this Section 10.01, to assure and confirm to the Trustee and the Collateral Agent the security interest in the Collateral contemplated hereby, by the Security Documents or any part thereof, as from time to time constituted, so as to render the same available for the security and benefit of this Indenture and of the Notes secured hereby, according to the intent and purposes herein expressed. The Issuers shall take, and shall cause their Restricted Subsidiaries to take, any and all actions reasonably required to cause the Security Documents to create and maintain, as security for the Obligations of the Issuers and the Guarantors hereunder, a valid and enforceable perfected second-priority Lien and security interest in and on all the Collateral, in favor of the Collateral Agent for the benefit of the Holders, second in priority (subject to Permitted Liens) to any and all security interests at any time granted in the Collateral to secure Credit Agreement Obligations.

SECTION 10.02. Recording and Opinions. (a) The Issuers will furnish to the Collateral Agent and the Trustee on May 15 in each year beginning with May 15, 2003, an

Opinion of Counsel, which may be rendered by internal counsel to the Issuers, dated as of such date, either:

(i) (A) stating that, in the opinion of such counsel, action has been taken with respect to the recording, registering, filing, re-recording, re-registering and re-filing of all supplemental indentures, financing statements, continuation statements or other instruments of further assurance as is necessary to maintain and perfect the Lien of the Security Documents and reciting with respect to the security interests in the Collateral the details of such action or referring to prior Opinions of Counsel in which such details are given, and (B) stating that, in the opinion of such counsel, based on relevant laws as in effect on the date of such Opinion of Counsel, all financing statements and continuation statements have been executed and filed that are necessary as of such date and during the succeeding 12 months fully to preserve, perfect and protect, to the extent such protection and preservation are possible by filing, the rights of the Holders and the Collateral Agent and the Trustee hereunder and under the Security Documents with respect to the security interests in the Collateral; or

(ii) stating that, in the opinion of such counsel, no such action is necessary to maintain and perfect such Lien and assignment.

(b) The Issuers will otherwise comply with the provisions of TIA Section 314(b).

SECTION 10.03. Release of Collateral. (a) Subject to subsections (b), (c) and (d) of this Section 10.03, Collateral may be released from the Lien and security interest created by the Security Documents at any time or from time to time in accordance with the provisions of the Security Documents, the Intercreditor Agreement, or as provided hereby. Whether prior to or after the Discharge of Credit Agreement Obligations, upon the request of the Issuers pursuant to an Officers' Certificate certifying that all conditions precedent hereunder have been met and without the consent of any Holder, the Issuers and the Guarantors will be entitled to releases of assets included in the Collateral from the Liens securing the Notes under any one or more of the following circumstances:

(i) if all other Liens on that asset securing Credit Agreement Obligations or any Other Second-Lien Obligations then secured by that asset (including all commitments thereunder) are released; provided, that after giving effect to the release, obligations secured by the first-priority Liens on the remaining Collateral remain outstanding;

(ii) to enable the Issuers or any Guarantor to consummate any sale, lease, conveyance or other disposition of any assets or rights permitted or not prohibited under Section 4.06 hereof;

(iii) if the Issuers provide substitute collateral with at least an equivalent fair value, as determined in good faith by the Board of Directors;

(iv) in respect of assets subject to a permitted purchase money lien;

(v) if all of the stock of any Subsidiary of the Company that is pledged to the Collateral Agent is released or if any Subsidiary that is a Note Guarantor is released from its Note Guarantee, such Subsidiary's assets will also be released;

(vi) in respect of assets included in the Collateral with a fair value, as determined in good faith by the Board of Directors, of up to $2.0 million in any calendar year, subject to a cumulative carryover for any amount not used in any prior calendar year; or

(vii) pursuant to an amendment, waiver or supplement in accordance with Article 9 hereof.

Upon receipt of such Officers' Certificate, the Collateral Agent shall execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release of any Collateral permitted to be released pursuant to this Indenture or the Security Documents.

(b) Except as otherwise provided in the Intercreditor Agreement, no Collateral may be released from the Lien and security interest created by the Security Documents pursuant to the provisions of the Security Documents unless the Officers' Certificate required by this Section 10.03 has been delivered to the Collateral Agent.

(c) At any time when a Default or Event of Default has occurred and is continuing and the maturity of the Notes has been accelerated (whether by declaration or otherwise) and the Trustee has delivered a notice of acceleration to the Collateral Agent, no release of Collateral pursuant to the provisions of the Security Documents will be effective as against the Holders, except as otherwise provided in the Intercreditor Agreement.

(d) The release of any Collateral from the terms of this Indenture and the Security Documents shall not be deemed to impair the security under this Indenture in contravention of the provisions hereof if and to the extent the Collateral is released pursuant to the terms of the Security Documents and this Indenture. To the extent applicable, the Issuers will cause TIA Section 313(b), relating to reports, and TIA Section 314(d), relating to the release of property or securities from the Lien and security interest of the Security Documents and relating to the substitution therefor of any property or securities to be subjected to the Lien and security interest of the Security Documents, to be complied with. Any certificate or opinion required by TIA Section 314(d) may be made by an Officer of the Issuers except in cases where TIA Section 314(d) requires that such certificate or opinion be made by an independent Person, which Person will be an independent engineer, appraiser or other expert selected or approved by the Trustee and the Collateral Agent in the exercise of reasonable care.

SECTION 10.04. Certificates and Opinions of Counsel. To the extent applicable, the Issuers will furnish to the Trustee and the Collateral Agent, prior to each proposed release of Collateral pursuant to the Security Documents:

(a) all documents required by TIA Section 314(d); and

(b) an Opinion of Counsel, which may be rendered by internal counsel to the Issuers, to the effect that such accompanying documents constitute all documents required by TIA Section 314(d).

The Trustee may, to the extent permitted by Sections 7.01 and 7.02 hereof, accept as conclusive evidence of compliance with the foregoing provisions the appropriate statements contained in such documents and such Opinion of Counsel.

SECTION 10.05. Certificates of the Trustee. In the event that the Issuers wish to release Collateral in accordance with the Security Documents at a time when the Trustee is not itself also the Collateral Agent and have delivered the certificates and documents required by the Security Documents and Sections 10.03 and 10.04 hereof, the Trustee will determine whether it has received all documentation required by TIA Section 314(d) in connection with such release and, based on such determination and the Opinion of Counsel delivered pursuant to Section 10.04(b), will deliver a certificate to the Collateral Agent setting forth such determination.

SECTION 10.06. Authorization of Actions to Be Taken by the Trustee Under the Security Documents. Subject to the provisions of Section 7.01 and 7.02 hereof and the Intercreditor Agreement, the Trustee may, in its sole discretion and without the consent of the Holders, direct, on behalf of the Holders, the Collateral Agent to, take all actions it deems necessary or appropriate in order to:

(a) enforce any of the terms of the Security Documents; and

(b) collect and receive any and all amounts payable in respect of the Obligations of the Issuers hereunder.

Subject to Section 3 of the Intercreditor Agreement, the Trustee will have power to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral by any acts that may be unlawful or in violation of the Security Documents or this Indenture, and such suits and proceedings as the Trustee may deem expedient to preserve or protect its interests and the interests of the Holders in the Collateral (including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Holders or of the Trustee).

SECTION 10.07. Authorization of Receipt of Funds by the Trustee Under the Security Documents. The Trustee is authorized to receive any funds for the benefit of the Holders distributed under the Security Documents, and to make further distributions of such funds to the Holders according to the provisions of this Indenture.

SECTION 10.08. Termination of Security Interest. The Trustee will, at the request of the Issuers, deliver a certificate to the Collateral Agent stating that such Obligations have been paid in full, and instruct the Collateral Agent to release the Liens pursuant to this Indenture and the Security Documents upon (1) payment in full of the principal of, accrued and unpaid interest and Additional Interest, if any, on the Notes and all other Obligations under this

Indenture, the Note Guarantees and the Security Documents that are due and payable at or prior to the time such principal, accrued and unpaid interest and Additional Interest, if any, are paid, (2) a satisfaction and discharge of this Indenture as described in Article 8 or (3) a legal defeasance or covenant defeasance as described in Article 8. Upon receipt of such instruction, the Collateral Agent shall execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release of all such Liens.

SECTION 10.09. Collateral Agent. (a) The Trustee shall act as Collateral Agent and shall be authorized to appoint co-Collateral Agents as necessary in its sole discretion. Except as otherwise explicitly provided herein or in the Security Documents, neither the Collateral Agent nor any of its respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Collateral Agent nor any of its officers, directors, employees or agents shall be responsible for any act or failure to act hereunder, except for its own willful misconduct, negligence or bad faith.

(b) The Trustee, as Collateral Agent, is authorized and directed to (i) enter into the Security Documents, (ii) enter into the Intercreditor Agreement, (iii) bind the Holders on the terms as set forth in the Security Documents and the Intercreditor Agreement and (iv) perform and observe its obligations under the Security Documents and the Intercreditor Agreement.

(c) If the Issuers (i) incur Indebtedness constituting Credit Agreement Obligations at any time when no Intercreditor Agreement is in effect or at any time when Indebtedness constituting Credit Agreement Obligations entitled to the benefit of an existing Intercreditor Agreement is concurrently retired, and (ii) deliver to the Collateral Agent an Officers' Certificate so stating and requesting the Collateral Agent to enter into an Intercreditor Agreement in favor of a designated agent or representative for the holders of the Indebtedness so incurred, the Collateral Agent shall (and is hereby authorized and directed to) enter into such Intercreditor Agreement, bind the Holders on the terms set forth therein, and perform and observe its obligations thereunder.

(d) If (i) the Issuers at any time incur any Indebtedness constituting Other Second-Lien Obligations, (ii) the indenture or agreement governing such Indebtedness provides that, notwithstanding the date, manner or order of grant, attachment or perfection of any Liens granted to the Collateral Agent under the Security Documents (the "Liens Securing Note Obligations") or granted to the holders of Other Second-Lien Obligations or any agent or representative for the holders of Other Second-Lien Obligations (the "Liens Securing Other Second-Lien Obligations"), the Liens Securing Note Obligations and the Liens Securing Other Second-Lien Obligations shall be of equal dignity, priority and rank, (iii) the Issuers deliver to the Collateral Agent an Officer's Certificate so stating and requesting that the Collateral Agent assign or transfer the Liens Securing Note Obligations to a Common Collateral Agent identified therein and (iv) the Issuers deliver to the Collateral Agent and the Common Collateral Agent an Opinion of Counsel stating that, in the opinion of such counsel, the Common Collateral Agent is empowered and obligated (on substantially the terms applicable to the Collateral Agent pursuant

to the Indenture Documents) to hold the Liens Securing Note Obligations and all Liens Securing Other-Second Lien Obligations and all proceeds of all such Liens for the equal and ratable benefit of the holders of all Obligations secured thereby and further confirming as to all such Liens each of the matters referred to in Section 10.02(a)(i), giving effect to the assignment or transfer requested in such Officer's Certificate, then (A) the Liens Securing Note Obligations shall be of equal dignity, priority and rank with all such Liens Securing Other Second-Lien Obligations and (B) the Collateral Agent shall assign or transfer the Liens Securing Note Obligations to the Common Collateral Agent as requested in such Officer's Certificate.

SECTION 10.10. Designations. For purposes of the provisions hereof and the Intercreditor Agreement requiring the Issuers to designate Indebtedness for the purposes of the term "Credit Agreement Obligations", "First-Lien Credit Facilities", "Other Second-Lien Obligations" or any other such designations hereunder or under the Intercreditor Agreement, any such designation shall be sufficient if the relevant designation is set forth in writing, signed on behalf of the Issuers by an Officer and delivered to the Trustee, the Collateral Agent and the Credit Agent. For all purposes hereof and the Intercreditor Agreement, the Issuers hereby designate the Credit Facilities provided pursuant to the Credit Agreement as the "First-Lien Credit Facility" and any Obligations in respect of the Credit Agreement as "Credit Agreement Obligations".

ARTICLE XI

Note Guarantees

SECTION 11.01. Note Guarantees. (a) Each Guarantor hereby jointly and severally irrevocably and unconditionally Guarantees, as a primary obligor and not merely as a surety, to each Holder and to the Trustee and its successors and assigns the full and punctual payment when due, whether at Stated Maturity, by acceleration, by redemption or otherwise, of all obligations of the Issuers under this Indenture (including obligations to the Trustee) and the Notes, whether for payment of principal of, interest on or Additional Interest, if any, in respect of the Notes and all other monetary obligations of the Issuers under this Indenture and the Notes, whether for fees, expenses, indemnification or otherwise (all the foregoing being hereinafter collectively called the "Guaranteed Obligations"). Each Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from each such Guarantor, and that each such Guarantor shall remain bound under this Article 11 notwithstanding any extension or renewal of any Guaranteed Obligation.

(b) Each Guarantor waives presentation to, demand of payment from and protest to the Issuers of any of the Guaranteed Obligations and also waives notice of protest for nonpayment. Each Guarantor waives notice of any default under the Notes or the Guaranteed Obligations. The obligations of each Guarantor hereunder shall not be affected by (i) the failure of any Holder or the Trustee to assert any claim or demand or to enforce any right or remedy against the Issuers or any other Person under this Indenture, the Notes or any other agreement or otherwise; (ii) any extension or renewal of any thereof; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Notes or any other

agreement; (iv) the release of any security held by any Holder or the Trustee for the Guaranteed Obligations or any of them; (v) the failure of any Holder or Trustee to exercise any right or remedy against any other Guarantor; or (vi) any change in the ownership of such Guarantor, except as provided in Section 11.03.

(c) Each Guarantor hereby waives any right to which it may be entitled to have its obligations hereunder divided among the Guarantors, such that such Guarantor's obligations would be less than the full amount claimed. Each Guarantor hereby waives any right to which it may be entitled to have the assets of the Issuers first be used and depleted as payment of the Issuers' or such Guarantor's obligations hereunder prior to any amounts being claimed from or paid by such Guarantor hereunder. Each Guarantor hereby waives any right to which it may be entitled to require that the Issuers be sued prior to an action being initiated against such Guarantor.

(d) Each Guarantor further agrees that its Note Guarantee herein constitutes a guarantee of payment when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder or the Trustee to any security held for payment of the Guaranteed Obligations.

(e) Except as expressly set forth in Sections 8.01(b), 11.02, 11.03 and 11.07, the obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than payment of the Guaranteed Obligations in full), including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder or the Trustee to assert any claim or demand or to enforce any remedy under this Indenture, the Notes or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Guaranteed Obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of any Guarantor or would otherwise operate as a discharge of any Guarantor as a matter of law or equity.

(f) Each Guarantor agrees that its Note Guarantee shall remain in full force and effect until payment in full of all the Guaranteed Obligations. Each Guarantor further agrees that its Note Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Guaranteed Obligation is rescinded or must otherwise be restored by any Holder or the Trustee upon the bankruptcy or reorganization of the Issuers or otherwise.

(g) In furtherance of the foregoing and not in limitation of any other right which any Holder or the Trustee has at law or in equity against any Guarantor by virtue hereof, upon the failure of the Issuers to pay the Guaranteed Obligation when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, each Guarantor hereby promises to and shall, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the Holders or the Trustee an amount equal to the sum of (i) the unpaid

amount of such Guaranteed Obligations and (ii) accrued and unpaid interest on such Guaranteed Obligations then due and owing (but only to the extent not prohibited by law).

(h) Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any Guaranteed Obligations guaranteed hereby until payment in full of all Guaranteed Obligations. Each Guarantor further agrees that, as between it, on the one hand, and the Holders and the Trustee, on the other hand, (i) the maturity of the Guaranteed Obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of any Note Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Guaranteed Obligations guaranteed hereby, and (ii) in the event of any declaration of acceleration of such Guaranteed Obligations as provided in Article 6, such Guaranteed Obligations (whether or not due and payable) shall forthwith become due and payable by such Guarantor for the purposes of this Section 11.01.

(i) Each Guarantor also agrees to pay any and all costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Trustee or any Holder in enforcing any rights under this Section 11.01.

(j) Upon request of the Trustee, each Guarantor shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

SECTION 11.02. Limitation on Liability. Any term or provision of this Indenture to the contrary notwithstanding, the maximum aggregate amount of the Guaranteed Obligations guaranteed hereunder by any Guarantor shall not exceed the maximum amount that can be hereby guaranteed without rendering this Indenture, as it relates to such Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

SECTION 11.03. Releases of Note Guarantees. A Note Guarantee shall be released without any action required on the part of the Trustee or any Holder: (a) if the Credit Agent releases the Guarantee of Credit Agreement Obligations made by such Guarantor, unless such Guarantor remains a guarantor of the Senior Subordinated Notes; (b) if (i) all of the capital stock of, or other equity interests in, or all or substantially all of the assets of such Guarantor is sold or otherwise disposed of (including by way of merger or consolidation) to a Person other than the Company or any of the Domestic Subsidiaries or (ii) such Guarantor ceases to be a Restricted Subsidiary, and the Issuers otherwise comply, to the extent applicable, with Sections 4.06 and 5.01 hereof; (c) if the Issuers designate such Guarantor as an Unrestricted Subsidiary; or (d) upon the Issuers' request if the fair market value of the assets of the applicable Guarantor (as determined in good faith by the Board of Directors of the Company), together with the fair market value of the assets of other Guarantors whose Note Guarantee was released in the same calendar year, do not exceed $2.0 million (subject to cumulative carryover for amounts not used in any prior calendar year).

Upon delivery by the Issuers to the Trustee of an Officers' Certificate and an Opinion of Counsel to the effect that such release was made by the Issuers in accordance with the provisions of this Indenture, the Trustee will execute any documents reasonably required in

order to evidence the release of any Guarantor from its obligations under its Subsidiary Guarantee.

Any Guarantor not released from its obligations under its Subsidiary Guarantee will remain liable for the full amount of principal of and interest on the Notes and for the other obligations of any Guarantor under this Indenture as provided in this Article 11.

SECTION 11.04. Successors and Assigns. This Article 11 shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred upon that party in this Indenture and in the Notes shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of this Indenture.

SECTION 11.05. No Waiver. Neither a failure nor a delay on the part of either the Trustee or the Holders in exercising any right, power or privilege under this Article 11 shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Trustee and the Holders herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Article 11 at law, in equity, by statute or otherwise.

SECTION 11.06. Modification. No modification, amendment or waiver of any provision of this Article 11, nor the consent to any departure by any Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Guarantor in any case shall entitle such Guarantor to any other or further notice or demand in the same, similar or other circumstances.

SECTION 11.07. Execution of Supplemental Indenture for Future Guarantors.

Each Subsidiary which is required to become a Guarantor pursuant to Section 4.11 shall promptly execute and deliver to the Trustee a supplemental indenture in the form of Exhibit C hereto pursuant to which such Subsidiary shall become a Guarantor under this Article 11 and shall guarantee the Guaranteed Obligations. Concurrently with the execution and delivery of such supplemental indenture, the Issuers shall deliver to the Trustee an Opinion of Counsel and an Officers' Certificate to the effect that such supplemental indenture has been duly authorized, executed and delivered by such Subsidiary and that, subject to the application of bankruptcy, insolvency, moratorium, fraudulent conveyance or transfer and other similar laws relating to creditors' rights generally and to the principles of equity, whether considered in a proceeding at law or in equity, the Note Guarantee of such Guarantor is a legal, valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms and or to such other matters as the Trustee may reasonably request.

SECTION 11.08. Non-Impairment. The failure to endorse a Note Guarantee on any Note shall not affect or impair the validity thereof.

ARTICLE XII

Miscellaneous

SECTION 12.01. Trust Indenture Act Controls. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by, or with another provision (an "incorporated provision") included in this Indenture by operation of, TIA Sections 310 to 318, inclusive, such imposed duties or incorporated provision shall control.

SECTION 12.02. Notices. Any notice or communication shall be in writing and delivered in person or mailed by first-class mail addressed as follows:

if to the Issuers:

c/o ON Semiconductor Corporation
5005 E. McDowell Road
Phoenix, AZ 85008

Attention of: President

with a copy to:

c/o ON Semiconductor Corporation
5005 E. McDowell Road
Phoenix, AZ 85008

Attention of: General Counsel

if to the Trustee:

Wells Fargo Bank Minnesota, National Association
Corporate Trust Services
213 Court Street, Suite 902
Middletown, CT 06457

Attention of: Robert L. Reynolds
Corporate Trust Services

The Issuers or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Holder shall be mailed, first class mail, to the Holder at the Holder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 12.03. Communication by Holders with Other Holders. Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Issuers, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 12.04. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Issuers to the Trustee to take or refrain from taking any action under this Indenture (other than a request to authenticate the Initial Notes in accordance with this Indenture), the Issuers shall furnish to the Trustee:

(a) an Officers' Certificate in form reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel in form reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 12.05. Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture (other than pursuant to Section 4.09) shall include:

(a) a statement that the individual making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with.

In giving such Opinion of Counsel, counsel may rely as to factual matters on an Officers' Certificate or on certificates of public officials.

SECTION 12.06. When Notes Disregarded. In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuers, any Guarantor or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers or any Guarantor shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which the Trustee knows are so owned shall be so disregarded. Subject to the foregoing,

only Notes outstanding at the time shall be considered in any such determination. Notwithstanding the foregoing, Notes that are to be acquired by the Issuers, any Guarantor or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers or any Guarantor pursuant to an exchange offer, tender offer or other agreement shall not be deemed to be owned by such entity until legal title to such Notes passes to such entity.

SECTION 12.07. Rules by Trustee, Paying Agent and Registrar. The Trustee may make reasonable rules for action by or a meeting of Holders. The Registrar and the Paying Agent may make reasonable rules for their functions.

SECTION 12.08. Legal Holidays. A "Legal Holiday" is a Saturday, a Sunday or other day on which banking institutions are not required by law or regulation to be open in the State of New York. If a payment date is a Legal Holiday, payment shall be made on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record date shall not be affected.

SECTION 12.09. GOVERNING LAW. THIS INDENTURE AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

SECTION 12.10. No Recourse Against Others. A director, officer, employee, stockholder or member, as such, of the Issuers or any of the Guarantors, shall not have any liability for any obligations of the Issuers or any of the Guarantors under the Notes or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Notes.

SECTION 12.11. Successors. All agreements of each of the Issuers and each Guarantor in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 12.12. Multiple Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SECTION 12.13. Table of Contents; Headings. The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

SECTION 12.14. Tax Treatment of the Notes. The Issuers agree, and by acceptance of a beneficial ownership interest in the Notes, each beneficial holder of the Notes shall be deemed to have agreed, for United States federal income tax purposes, (i) to treat the Notes as debt instruments that are subject to Section 1.1275-4(b) of the United States Treasury

Regulations (the "Contingent Debt Regulations") and (ii) to be bound by the Issuer's determination of the "comparable yield" and "projected payment schedule," within the meaning of the Contingent Debt Regulations, with respect to the Notes.

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

ON SEMICONDUCTOR CORPORATION,
SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,
SCG (MALAYSIA SMP) HOLDING CORPORATION,
SCG (CZECH) HOLDING CORPORATION,
SCG (CHINA) HOLDING CORPORATION,
SEMICONDUCTOR COMPONENTS INDUSTRIES
PUERTO RICO, INC.
SCG INTERNATIONAL DEVELOPMENT LLC
SEMICONDUCTOR COMPONENTS INDUSTRIES
OF RHODE ISLAND, INC.
SEMICONDUCTOR COMPONENTS INDUSTRIES
INTERNATIONAL OF RHODE ISLAND, INC.

by /s/ John T. Kurtzweil

Name: John T. Kurtzweil
Title: Chief Financial Officer

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION,
as Trustee

by /s/ Joseph P. O'Donnell

Name: Joseph P. O'Donnell
Title: Corporate Trust Officer

PROVISIONS RELATING TO ORIGINAL NOTES, ADDITIONAL NOTES, PRIVATE EXCHANGE NOTES AND EXCHANGE NOTES

1. Definitions

1.1 Definitions

For the purposes of this Appendix A the following terms shall have the meanings indicated below:

"Applicable Procedures" means, with respect to any transfer or transaction involving a Regulation S Global Note or beneficial interest therein, the rules and procedures of the Depositary for such Global Note, Euroclear and Clearstream, in each case to the extent applicable to such transaction and as in effect from time to time.

"Clearstream" means Clearstream Banking, S.A., or any successor securities clearing agency.

"Definitive Note" means a certificated Initial Note, Private Exchange Note or Exchange Note (bearing the Restricted Notes Legend if the transfer of such Note is restricted by applicable law) that does not include the Global Notes Legend.

"Depositary" means The Depository Trust Company, its nominees and their respective successors.

"Euroclear" means the Euroclear Clearance System or any successor securities clearing agency.

"Exchange Offer" means an offer by the Issuers, pursuant to a Registration Rights Agreement, to certain Holders of Initial Notes, to issue and deliver to such Holders, in exchange for their Initial Notes, a like aggregate principal amount of Exchange Notes registered under the Securities Act.

"Global Notes Legend" means the legend set forth under that caption in Exhibit A to this Indenture.

"Initial Purchasers" means Credit Suisse First Boston Corporation, Morgan Stanley & Co. Incorporated, J. P. Morgan Securities Inc. and Salomon Smith Barney Inc.

"Notes Custodian" means the custodian with respect to a Global Note (as appointed by the Depositary) or any successor person thereto, who shall initially be the Trustee.

"Private Exchange" means an offer by the Issuers, pursuant to a Registration Rights Agreement, to issue and deliver to certain purchasers, in exchange for the Initial Notes held by such purchasers as part of their initial distribution, a like aggregate principal amount of Private Exchange Notes.

"Private Exchange Notes" means the Notes of the Issuers issued in exchange for Initial Notes pursuant to this Indenture in connection with a Private Exchange pursuant to a Registration Rights Agreement.

"Purchase Agreement" means (a) the Purchase Agreement dated May 1, 2002, among the Issuers, the Guarantors and the Initial Purchasers and (b) any other similar Purchase Agreement relating to Additional Notes.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Registration Rights Agreement" means (a) the Registration Rights Agreement dated May 6, 2002, among the Issuers, the Guarantors and the Initial Purchasers and (b) any other similar Registration Rights Agreement relating to Additional Notes.

"Regulation S" means Regulation S under the Securities Act.

"Regulation S Notes" means all Initial Notes offered and sold outside the United States in reliance on Regulation S.

"Restricted Period", with respect to any Notes, means the period of 40 consecutive days beginning on and including the later of (a) the day on which such Notes are first offered to persons other than distributors (as defined in Regulation S under the Securities Act) in reliance on Regulation S and (b) the Issue Date with respect to such Notes, which commencement date shall be notified by the Issuers to the Trustee.

"Restricted Notes Legend" means the legend set forth in Section 2.3(e)(i) herein.

"Rule 144A" means Rule 144A under the Securities Act.

"Rule 144A Notes" means all Initial Notes offered and sold to QIBs in reliance on Rule 144A.

"Securities Act" means the Securities Act of 1933.

"Shelf Registration Statement" means a registration statement filed by the Issuers in connection with the offer and sale of Initial Notes pursuant to a Registration Rights Agreement.

"Transfer Restricted Notes" means Definitive Notes and any other Notes that bear or are required to bear the Restricted Notes Legend.

1.2 Other Definitions

Term:	Defined in Section:
"Agent Members"	2.1(c)
"Global Note"	2.1(b)
"Regulation S Global Note"	2.1(b)
"Rule 144A Global Note"	2.1(b)

2. The Notes

2.1 Form and Dating

(a) The Original Notes issued on the date hereof are being (i) offered and sold by the Issuers pursuant to a Purchase Agreement and (ii) resold, initially only to (1) QIBs in reliance on Rule 144A and (2) Persons other than U.S. Persons (as defined in Regulation S) in reliance on Regulation S. Such Original Notes may thereafter be transferred to, among others, QIBs and purchasers in reliance on Regulation S. Additional Notes offered after the date hereof may be offered and sold by the Company from time to time pursuant to one or more Purchase Agreements in accordance with applicable law.

(b) Global Notes. Rule 144A Notes shall be issued initially in the form of one or more permanent global Notes in definitive, fully registered form (collectively, the "Rule 144A Global Note") and Regulation S Notes shall be issued initially in the form of one or more global Notes (collectively, the "Regulation S Global Note"), in each case without interest coupons and bearing the Global Notes Legend and Restricted Notes Legend, which shall be deposited on behalf of the purchasers of the Notes represented thereby with the Notes Custodian, and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Issuers and authenticated by the Trustee as provided in this Indenture. Beneficial ownership interests in the Regulation S Global Note shall not be exchangeable for interests in the Rule 144A Global Note or any other Note without a Restricted Notes Legend until the expiration of the Restricted Period. The Rule 144A Global Note and the Regulation S Global Note are each referred to herein as a "Global Note" and are collectively referred to herein as "Global Notes"; provided that the term "Global Note" when used in Sections 2.1(b), 2.1(c), 2.3(g)(i), 2.3(h)(i) and 2.4 of this Appendix shall also include any Note in global form issued in connection with an Exchange Offer or Private Exchange. The aggregate principal amount of the Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee and on the schedules thereto as hereinafter provided.

(c) Book-Entry Provisions. This Section 2.1(c) shall apply only to a Global Note deposited with or on behalf of the Depositary.

The Issuers shall execute and the Trustee shall, in accordance with this Section 2.1(c) and Section 2.2 of this Appendix and pursuant to an order of the Issuers signed by two Officers of each Issuer, authenticate and deliver initially one or more Global Notes that (i) shall be registered in the name of the Depositary for such Global Note or Global Notes or the nominee of such Depositary and (ii) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instructions or held by the Trustee as Notes Custodian.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depositary or by the Trustee as Notes Custodian or under such Global Note, and the Depositary may be treated by the Issuers, the Trustee and any agent of the Issuers or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuers, the Trustee or any agent of the Issuers or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of such Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Note.

(d) Definitive Notes. Except as provided in Section 2.3 or 2.4 of this Appendix, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes.

2.2 Authentication. The Trustee shall authenticate and make available for delivery upon a written order of the Issuers signed by two Officers of each Issuer (a) Original Notes for original issue on the date hereof in an aggregate principal amount of $300,000,000, (b) subject to the terms of this Indenture, Additional Notes in an unlimited aggregate principal amount and (c) the (i) Exchange Notes for issue only in an Exchange Offer and (ii) Private Exchange Notes for issue only in a Private Exchange, in the case of each of (i) and (ii) pursuant to a Registration Rights Agreement and for a like principal amount of Initial Notes exchanged pursuant thereto. Such order shall specify the amount of the Notes to be authenticated, the date on which the original issue of Notes is to be authenticated and whether the Notes are to be Original Notes, Additional Notes, Exchange Notes or Private Exchange Notes. The aggregate principal amount of Notes outstanding at any time is unlimited.

2.3 Transfer and Exchange. (a) Transfer and Exchange of Definitive Notes. When Definitive Notes are presented to the Registrar with a request:

(i) to register the transfer of such Definitive Notes; or

(ii) to exchange such Definitive Notes for an equal principal amount of Definitive Notes of other authorized denominations,

the Registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Definitive Notes surrendered for transfer or exchange:

(1) shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Issuers and the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing; and

(2) in the case of Transfer Restricted Notes, are accompanied by the following additional information and documents, as applicable:

(A) if such Definitive Notes are being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect (in the form set forth on the reverse side of the Initial Note); or

(B) if such Definitive Notes are being transferred to the Issuers, a certification to that effect (in the form set forth on the reverse side of the Initial Note); or

(C) if such Definitive Notes are being transferred pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act or in reliance upon another exemption from the registration requirements of the Securities Act, (x) a certification to that effect (in the form set forth on the reverse side of the Initial Note) and (y) if the Issuers so request, an opinion of counsel or other evidence reasonably satisfactory to it as to the compliance with the restrictions set forth in the legend set forth in Section 2.3(e)(i) of this Appendix.

(b) Restrictions on Transfer of a Definitive Note for a Beneficial Interest in a Global Note. A Definitive Note may not be exchanged for a beneficial interest in a Global Note except upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a Definitive Note, duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Issuers and the Registrar, together with:

(i) certification (in the form set forth on the reverse side of the Initial Note) that such Definitive Note is being transferred (1) to a QIB in accordance with Rule 144A or (2) outside the United States in an offshore transaction within the meaning of Regulation S and in compliance with Rule 904 under the Securities Act; and

(ii) written instructions directing the Trustee to make, or to direct the Notes Custodian to make, an adjustment on its books and records with respect to such Global Note to reflect an increase in the aggregate principal amount of the Notes represented by the Global Note, such instructions to contain information regarding the Depositary account to be credited with such increase, then the Trustee shall cancel such Definitive Note and cause, or direct the Notes Custodian to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Notes Custodian, the aggregate principal amount of Notes represented by the Global Note to be increased by the aggregate principal amount of the Definitive Note to be exchanged and shall credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in the Global Note equal to the principal amount of the Definitive Note so canceled. If no Global Notes are then outstanding and the Global Note has not been previously exchanged for certificated securities pursuant to Section 2.4 of this Appendix, the Issuers shall issue and the Trustee shall authenticate, upon written order of the Issuers in the form of an Officers' Certificate, a new Global Note in the appropriate principal amount.

(c) Transfer and Exchange of Global Notes. (i) The transfer and exchange of Global Notes or beneficial interests therein shall be effected through the Depositary, in

accordance with this Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depositary therefor. A transferor of a beneficial interest in a Global Note shall deliver a written order given in accordance with the Depositary's procedures containing information regarding the participant account of the Depositary to be credited with a beneficial interest in such Global Note or another Global Note and such account shall be credited in accordance with such order with a beneficial interest in the applicable Global Note and the account of the Person making the transfer shall be debited by an amount equal to the beneficial interest in the Global Note being transferred. Transfers by an owner of a beneficial interest in the Rule 144A Global Note to a transferee who takes delivery of such interest through the Regulation S Global Note, whether before or after the expiration of the Restricted Period, shall be made only upon receipt by the Trustee of a certification in the form provided on the reverse of the Initial Notes from the transferor to the effect that such transfer is being made in accordance with Regulation S or (if available) Rule 144 under the Securities Act and that, if such transfer is being made prior to the expiration of the Restricted Period, the interest transferred shall be held immediately thereafter through Euroclear or Clearstream.

(ii) If the proposed transfer is a transfer of a beneficial interest in one Global Note to a beneficial interest in another Global Note, the Registrar shall reflect on its books and records the date and an increase in the principal amount of the Global Note to which such interest is being transferred in an amount equal to the principal amount of the interest to be so transferred, and the Registrar shall reflect on its books and records the date and a corresponding decrease in the principal amount of Global Note from which such interest is being transferred.

(iii) Notwithstanding any other provisions of this Appendix (other than the provisions set forth in Section 2.4 of this Appendix), a Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(iv) In the event that a Global Note is exchanged for Definitive Notes pursuant to Section 2.4 of this Appendix prior to the consummation of an Exchange Offer or the effectiveness of a Shelf Registration Statement with respect to such Notes, such Notes may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 2.3 (including the certification requirements set forth on the reverse of the Initial Notes intended to ensure that such transfers comply with Rule 144A, Regulation S or such other applicable exemption from registration under the Securities Act, as the case may be) and such other procedures as may from time to time be adopted by the Issuers.

(d) Restrictions on Transfer of Regulation S Global Note. (i) Prior to the expiration of the Restricted Period, interests in the Regulation S Global Note may only be held through Euroclear or Clearstream. During the Restricted Period, beneficial ownership interests in the Regulation S Global Note may only be sold, pledged or transferred through Euroclear or Clearstream in accordance with the Applicable Procedures and only (1) so long as such security is eligible for resale pursuant to Rule 144A, to a person whom the selling holder reasonably

believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A, (2) in an offshore transaction in accordance with Regulation S, (3) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if applicable) under the Securities Act or (4) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. Prior to the expiration of the Restricted Period, transfers by an owner of a beneficial interest in the Regulation S Global Note to a transferee who takes delivery of such interest through the Rule 144A Global Note shall be made only in accordance with Applicable Procedures and upon receipt by the Trustee of a written certification from the transferor of the beneficial interest in the form provided on the reverse of the Initial Note to the effect that such transfer is being made to a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A. Such written certification shall no longer be required after the expiration of the Restricted Period.

(ii) Upon the expiration of the Restricted Period, beneficial ownership interests in the Regulation S Global Note shall be transferable in accordance with applicable law and the other terms of this Indenture.

(e) Legend.

(i) Except as permitted by the following paragraphs (ii), (iii) or (iv), each Note certificate evidencing the Global Notes and the Definitive Notes (and all Notes issued in exchange therefor or in substitution thereof) shall bear a legend in substantially the following form (each defined term in the legend being defined as such for purposes of the legend only):

"THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN

EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE."

(ii) Upon any sale or transfer of a Transfer Restricted Note that is a Definitive Note, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Note for a Definitive Note that does not bear the legends set forth above and rescind any restriction on the transfer of such Transfer Restricted Note if the Holder certifies in writing to the Registrar that its request for such exchange was made in reliance on Rule 144 (such certification to be in the form set forth on the reverse of the Initial Note).

(iii) After a transfer of any Original or Additional Notes or Private Exchange Notes during the period of the effectiveness of a Shelf Registration Statement with respect to such Original or Additional Notes or Private Exchange Notes, as the case may be, all requirements pertaining to the Restricted Notes Legend on such Original or Additional Notes or such Private Exchange Notes shall cease to apply and the requirements that any such Original or Additional Notes or such Private Exchange Notes be issued in global form shall continue to apply.

(iv) Upon the consummation of an Exchange Offer with respect to the Original or Additional Notes pursuant to which Holders of such Original or Additional Notes are offered Exchange Notes in exchange for their Original or Additional Notes, all requirements pertaining to Original or Additional Notes that Original or Additional Notes be issued in global form shall continue to apply, and Exchange Notes in global form without the Restricted Notes Legend shall be available to Holders that exchange such Original or Additional Notes in such Exchange Offer.

(v) Upon the consummation of a Private Exchange with respect to the Original or Additional Notes pursuant to which Holders of such Original or Additional Notes are offered Private Exchange Notes in exchange for their Original or Additional Notes, all requirements pertaining to such Original or Additional Notes that Original or Additional Notes be issued in global form shall continue to apply, and Private Exchange Notes in global form with the Restricted Notes Legend shall be available to Holders that exchange such Original or Additional Notes in such Private Exchange.

(vi) Upon a sale or transfer after the expiration of the Restricted Period of any Initial Note acquired pursuant to Regulation S, all requirements that such Initial Note bear the Restricted Notes Legend shall cease to apply and the requirements requiring any such Initial Note be issued in global form shall continue to apply.

(vii) Any Additional Notes sold in a registered offering shall not be required to bear the Restricted Notes Legend.

(f) Cancelation or Adjustment of Global Note. At such time as all beneficial interests in a Global Note have either been exchanged for Definitive Notes, transferred, redeemed, repurchased or canceled, such Global Note shall be returned by the Depositary to the Trustee for cancelation or retained and canceled by the Trustee. At any time prior to such cancelation, if any beneficial interest in a Global Note is exchanged for Definitive Notes, transferred in exchange for an interest in another Global Note, redeemed, repurchased or canceled, the principal amount of Notes represented by such Global Note shall be reduced and an adjustment shall be made on the books and records of the Trustee (if it is then the Notes Custodian for such Global Note) with respect to such Global Note, by the Trustee or the Notes Custodian, to reflect such reduction.

(g) Obligations with Respect to Transfers and Exchanges of Notes.

(i) To permit registrations of transfers and exchanges, the Issuers shall execute and the Trustee shall authenticate, Definitive Notes and Global Notes at the Registrar's request.

(ii) No service charge shall be made for any registration of transfer or exchange, but the Issuers may require payment of a sum sufficient to cover any transfer tax, assessments, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charge payable upon exchanges pursuant to Sections 2.07, 3.06, 4.06, 4.08 and 9.05 of this Indenture).

(iii) Prior to the due presentation for registration of transfer of any Note, the Issuers, the Trustee, the Paying Agent or the Registrar may deem and treat the person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Issuers, the Trustee, the Paying Agent or the Registrar shall be affected by notice to the contrary.

(iv) All Notes issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Notes surrendered upon such transfer or exchange.

(h) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Note, a member of, or a participant in the Depositary or any other Person with respect to the accuracy of the records of the Depositary or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption or repurchase) or the payment of any amount, under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders under the Notes shall be given or made only to the registered Holders (which shall be the Depositary or its nominee in the case of a Global Note). The rights of

beneficial owners in any Global Note shall be exercised only through the Depositary subject to the applicable rules and procedures of the Depositary. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depositary participants, members or beneficial owners in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

2.4 Definitive Notes

(a) A Global Note deposited with the Depositary or with the Trustee as Notes Custodian pursuant to Section 2.1 or issued in connection with an Exchange Offer or Private Exchange shall be transferred to the beneficial owners thereof in the form of Definitive Notes in an aggregate principal amount equal to the principal amount of such Global Note, in exchange for such Global Note, only if such transfer complies with Section 2.3 and (i) the Depositary notifies the Issuers that it is unwilling or unable to continue as a Depositary for such Global Note or if at any time the Depositary ceases to be a "clearing agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuers within 90 days of such notice or after the Issuers become aware of such cessation, or (ii) an Event of Default has occurred and is continuing or (iii) the Issuers, in their sole discretion, notifies the Trustee in writing that it elects to cause the issuance of certificated Notes under this Indenture.

(b) Any Global Note that is transferable to the beneficial owners thereof pursuant to this Section 2.4 shall be surrendered by the Depositary to the Trustee, to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Note, an equal aggregate principal amount of Definitive Notes of authorized denominations. Any portion of a Global Note transferred pursuant to this Section shall be executed, authenticated and delivered only in denominations of $1,000 and any integral multiple thereof and registered in such names as the Depositary shall direct. Any certificated Initial Note in the form of a Definitive Note delivered in exchange for an interest in the Global Note shall, except as otherwise provided by Section 2.3(e), bear the Restricted Notes Legend.

(c) Subject to the provisions of Section 2.4(b), the registered Holder of a Global Note may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Notes.

(d) In the event of the occurrence of any of the events specified in Section 2.4(a)(i), (ii) or (iii), the Issuers shall promptly make available to the Trustee a reasonable supply of Definitive Notes in fully registered form without interest coupons.

EXHIBIT A

[FORM OF FACE OF INITIAL NOTE AND PRIVATE EXCHANGE NOTE]

[Global Notes Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO DTC, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[Restricted Notes Legend]

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES

ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

No._____ $_____

12% Senior Secured Note due 2008

CUSIP No. _____
ISIN No._____

ON Semiconductor Corporation, a Delaware corporation, and Semiconductor Components Industries, LLC, a Delaware limited liability company, promise to pay to [Cede & Co.], or registered assigns, the principal sum [of Dollars] [listed on the Schedule of Increases or Decreases in Global Note attached hereto](1) on May 15, 2008.

Interest Payment Dates: May 15 and November 15.

Record Dates: May 1 and November 1.

- ----------

(1) Use the Schedule of Increases and Decreases language if Note is in Global Form.

Additional provisions of this Note are set forth on the other side of this Note.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed.

ON SEMICONDUCTOR CORPORATION,

by

Name:
Title:

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

by

Name:
Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,

as Trustee, certifies that this is one of the Notes referred to in the Indenture.

By:_____
Authorized Signatory

- ----------

*/ If the Note is to be issued in global form, add the Global Notes Legend and the attachment from Exhibit A captioned "TO BE ATTACHED TO GLOBAL NOTES - SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE".

[FORM OF REVERSE SIDE OF INITIAL NOTE AND PRIVATE EXCHANGE NOTE]

12% Senior Secured Note due 2008

1. Interest

(a) ON Semiconductor Corporation, a Delaware corporation (the "Company"), and Semiconductor Components Industries, LLC ("SCI LLC" and together with the Company, and their successors and assigns under the Indenture hereinafter referred to, being herein called the "Issuers"), promise to pay interest on the principal amount of this Note at the rate per annum shown above; provided that commencing on February 6, 2003, each Note shall accrue interest at a rate of 13% per annum unless prior thereto the Issuers have issued common stock or Qualified Preferred Stock generating at least $100 million in gross cash proceeds and have used the net cash proceeds thereof to repay indebtedness under the Credit Agreement or under any other credit facilities secured by a first-priority lien on the Collateral and have permanently reduced the related loan commitment equal to the amount prepaid. Such increase in interest rate, if any, shall remain effective until such time as the Issuers have completed such issuance of common stock or Qualified Preferred Stock and repayment, unless such issuance and repayment of common stock or Qualified Preferred Stock occurs after August 6, 2003, in which case such increase in interest rate will remain effective. The Issuers shall pay interest semiannually on May 15 and November 15 of each year, commencing on November 15, 2002. Interest on the Notes shall accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from May 6, 2002 until the principal hereof is due. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months. "Qualified Preferred Stock" means any preferred stock that (i) is not Disqualified Stock, (ii) does not entitle the holder to receive cash dividends prior to November 1, 2009 (prior to such date, dividends may accrue or be paid in kind), (iii) is convertible into common stock and (iv) is issued to one or more financial sponsors, such as Texas Pacific Group or any other private equity firm or similar entity.

(b) Additional Interest. The Holder of this Note is entitled to the benefits of a Registration Rights Agreement, dated as of May 6, 2002, among the Issuers, SCG (Malaysia SMP) Holding Corporation, SCG (Czech) Holding Corporation, SCG (China) Holding Corporation, Semiconductor Components Industries Puerto Rico, Inc., SCG International Development LLC, Semiconductor Components Industries of Rhode Island, Inc. and Semiconductor Components Industries International of Rhode Island, Inc. (collectively, the "Guarantors") and the Initial Purchasers named therein (the "Registration Rights Agreement"). Capitalized terms used in this paragraph (b) but not defined herein have the meanings assigned to them in the Registration Rights Agreement. The Registration Rights Agreement shall provide that (i) if the Issuers or the Guarantors fail to file an Exchange Offer Registration Statement with the Commission on or prior to 150 days after the Issue Date; (ii) if the Exchange Offer Registration Statement is not declared effective by the Commission within 270 days after the Issue Date; (iii) if the Exchange Offer is not consummated within 300 days after the Issue Date; (iv) if obligated to file the Shelf Registration Statement and the Issuers and the Guarantors fail to file the same on or prior to 60 days after such filing obligation arises or the Shelf Registration Statement is not declared effective on or prior to 270 days after the Issue Date, or (v) if the

Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, is declared effective within 270 days after the Issue Date (or in the case of a Shelf Registration Statement to be filed in response to any change in law or applicable interpretations thereof, within 60 days after the publication of the change in law or interpretation) but shall thereafter cease to be effective (at any time that the Issuers and the Guarantors are obligated to maintain the effectiveness thereof) without being succeeded within 30 days by an additional Registration Statement filed and declared effective (each such event referred to in clauses (i) through (v), a "Registration Default"), the Issuers and the Guarantors will be obligated to pay to each Holder of Transfer Restricted Securities affected thereby additional interest ("Additional Interest") at a rate of 0.50% per annum (the "Additional Interest Rate") for the first 90-day period immediately following the occurrence of such Registration Default. The Additional Interest Rate shall increase by an additional 0.50% per annum with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum Additional Interest Rate of 2.0% per annum. Any amounts of Additional Interest due will be payable in cash on the regular interest payment dates with respect to the notes. Each obligation to pay Additional Interest rate shall be deemed to commence accruing on the date of the applicable Registration Default and to cease accruing when all Registration Defaults have been cured.

The Trustee shall have no responsibility with respect to the determination of the amount of any such Additional Interest. For purposes of the foregoing, "Transfer Restricted Notes" means (i) each Initial Note until the date on which such Initial Note has been exchanged for a freely transferable Exchange Note in the Exchange Offer, (ii) each Initial Note or Private Exchange Note until the date on which such Initial Note or Private Exchange Note has been effectively registered under the Securities Act and is eligible to be disposed of in accordance with a Shelf Registration Statement or (iii) each Initial Note or Private Exchange Note until the date on which such Initial Note or Private Exchange Note is distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act.

2. Method of Payment

The Issuers shall pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the May 1 or November 1 next preceding the interest payment date even if Notes are canceled after the record date and on or before the interest payment date. Holders must surrender Notes to a Paying Agent to collect principal payments. The Issuers shall pay principal, premium, Additional Interest, if any, and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Notes represented by a Global Note (including principal, premium, interest, including Additional Interest, if any) shall be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Issuers will make all payments in respect of a certificated Note (including principal, premium and interest) by mailing a check to the registered address of each Holder thereof; provided, however, that payments on the Notes may also be made, in the case of a Holder of at least $1,000,000 aggregate principal amount of Notes, by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

Initially, WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association (the "Trustee"), will act as Paying Agent and Registrar. The Issuers may appoint and change any Paying Agent, Registrar or co-registrar without notice. The Issuers or any of their domestically incorporated Wholly-Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Issuers issued the Notes under an Indenture dated as of May 6, 2002 (the "Indenture"), among the Issuers, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the date of the Indenture (the "TIA"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all terms and provisions of the Indenture, and Holders are referred to the Indenture and the TIA for a statement of such terms and provisions.

The Notes are senior secured obligations of the Issuers. This Note is one of the [Original] [Additional] [Private Exchange] Notes referred to in the Indenture. The Notes include the Original Notes, the Additional Notes and any Exchange Notes and Private Exchange Notes issued in exchange for Initial Notes pursuant to the Indenture. The Original Notes, the Additional Notes and any Exchange Notes and Private Exchange Notes are treated as a single class of securities under the Indenture. The Indenture imposes certain limitations on the ability of the Issuers and its Restricted Subsidiaries to, among other things, make certain Investments and other Restricted Payments, pay dividends and other distributions, incur Indebtedness, enter into consensual restrictions upon the payment of certain dividends and distributions by such Restricted Subsidiaries, issue or sell shares of capital stock of such Restricted Subsidiaries, enter into or permit certain transactions with Affiliates and make asset dispositions. The Indenture also imposes limitations on the ability of the Issuers and each Guarantor to consolidate or merge with or into any other Person or convey, transfer or lease all or substantially all of the property of the Issuers.

To guarantee the due and punctual payment of the principal and interest, if any, on the Notes and all other amounts payable by the Issuers under the Indenture and the Notes when and as the same shall be due and payable, whether at maturity, by acceleration or otherwise, according to the terms of the Notes and the Indenture, the Guarantors have, jointly and severally, unconditionally guaranteed the Guaranteed Obligations on a senior subordinated basis pursuant to the terms of the Indenture.

The Notes are secured on a second-priority basis by the Lien created by the Security Documents pursuant to, and subject to the terms of, the Indenture and the Intercreditor Agreement.

5. Optional Redemption

Except as provided in paragraph 5 hereof, the Notes shall not be redeemable at the option of the Issuers prior to May 15, 2006. On or after such date, the Notes shall be redeemable at the option of the Issuers, in whole or in part, on one or more occasions, on not less than 30 nor more than 60 days prior notice, at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest, including Additional Interest, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on May 15 of the years set forth below:

YEAR	REDEMPTION PRICE
2006	106.0%
2007	103.0%

In addition, prior to May 15, 2005, the Issuers may, on one or more occasions, redeem up to a maximum of 35% of the original aggregate principal amount of the Notes (calculated giving effect to any issuance of Additional Notes) at a redemption price equal to 112.0% of the principal amount thereof, plus accrued and unpaid interest, including Additional Interest, if any, to the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) with the Net Cash Proceeds of one or more Equity Offerings by the Company; provided, however, that after giving effect to any such redemption, (a) at least 65% of the original aggregate principal amount of the Notes (calculated giving effect to any issuance of Additional Notes) remains outstanding and (b) such redemption is made within 90 days of the date of closing of the applicable Equity Offering upon not less than 30 nor more than 60 days notice mailed to each Holder of Notes being redeemed and otherwise in accordance with the procedures set forth in the Indenture.

At any time on or prior to May 15, 2006, the Notes may also be redeemed as a whole at the option of the Issuers upon the occurrence of a Change of Control, upon not less than 30 nor more than 60 days' prior notice but in no event more than 90 days after the occurrence of such Change of Control, mailed by first-class mail to each Holder's registered address, at a redemption price equal to 100% of the principal amount of Notes to be redeemed plus the Applicable Premium as of, and accrued and unpaid interest, including Additional Interest, if any, to the date of the redemption (the "Change of Control Redemption Date"), except that installments of interest which are due and payable on dates falling on or prior to the applicable redemption date will be payable to the persons who were the Holders of record at the close of business on the relevant record dates.

"Applicable Premium" means, with respect to the notes at any Change of Control Redemption Date, the greater of:

(a) 1.0% of the principal amount of such Notes; and

(b) the excess of

(i) The present value at such time of (A) the redemption price of such Notes at May 15, 2006, plus (B) all accrued and unpaid interest required to be paid on such notes from the date of redemption through May 15, 2006, computed using a discount rate equal to the Treasury Rate plus 0.5% per annum, over

(ii) the principal amount of such Notes.

"Treasury Rate" means the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Release H.15 (519) which has become publicly available at least two Business Days prior to the Change of Control Redemption Date (or, if such Statistical Release is no longer published, any publicly available source or similar market data)) closest to the period from the Change of Control Redemption Date to May 15, 2006; provided, however, that if the period from the Change of Control Redemption Date to May 15, 2006, is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of one year) from the weekly average yields of U.S. Treasury securities for which such yields are given, except that, if the period from the Change of Control Redemption Date to May 15, 2006, is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

6. Sinking Fund

The Notes are not subject to any sinking fund.

7. Notice of Redemption

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at his or her registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000. If money sufficient to pay the redemption price of and accrued and unpaid interest, including Additional Interest, if any, on all Notes (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Notes (or such portions thereof) called for redemption.

8. Repurchase of Notes at the Option of Holders upon Change of Control

Upon a Change of Control, any Holder of Notes will have the right, subject to certain conditions specified in the Indenture, to cause the Issuers to repurchase all or any part of the Notes of such Holder at a purchase price equal to 101% of the principal amount of the Notes to be repurchased plus accrued and unpaid interest, including Additional Interest, if any, to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date that is on or prior to the date of purchase) as provided in, and subject to the terms of, the Indenture.

In accordance with Section 4.06 of the Indenture, the Issuers will be required to offer to purchase Notes upon the occurrence of certain events.

9. Denominations; Transfer; Exchange

The Notes are in registered form without coupons in denominations of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Notes in accordance with the Indenture. Upon any transfer or exchange, the Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or to transfer or exchange any Notes for a period of 15 days prior to a selection of Notes to be redeemed or 15 days before an interest payment date.

10. Persons Deemed Owners

Except as provided in paragraph 2 hereof, the registered Holder of this Note may be treated as the owner of it for all purposes.

11. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Issuers at their written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Issuers and not to the Trustee for payment.

12. Discharge and Defeasance

Subject to certain conditions, the Issuers at any time may terminate some of or all their obligations under the Notes and the Indenture if the Issuers deposit with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Notes to redemption or maturity, as the case may be.

13. Amendment, Supplement and Waiver

Subject to certain exceptions set forth in the Indenture, (a) the Indenture, the Notes, the Note Guarantees or the Security Documents may be amended without prior notice to any Holder but with the written consent of the Holders of at least a majority in aggregate principal amount of the outstanding Notes and (b) any default may be waived with the written consent of the Holders of at least a majority in principal amount of the outstanding Notes. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Issuers and the Trustee may amend or supplement the Indenture, the Notes, the Note Guarantees or the Security Documents (i) to cure any ambiguity, omission, defect or inconsistency; (ii) to comply with Article 5; (iii) to provide for uncertificated Notes in addition to or in place of certificated Notes; provided, however, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code; (iv) to add additional Note Guarantees with

respect to the Notes; (v) to add to the covenants of the Issuers for the benefit of the Holders or to surrender any right or power herein conferred upon the Issuers; (vi) to make any change that does not adversely affect the rights of any Holder; (vii) to provide for the issuance of the Exchange Notes, Private Exchange Notes or Additional Notes, which shall have terms substantially identical in all material respects to the Original Notes (except that the transfer restrictions contained in the Original Notes shall be modified or eliminated, as appropriate), and which shall be treated, together with any outstanding Original Notes, as a single issue of securities; (viii) to comply with any requirement of the Commission in connection with qualifying, or maintaining the qualification of, this Indenture under the TIA; or (ix) if necessary, in connection with any addition or release of Collateral permitted under the terms of this Indenture or Security Documents.

14. Defaults and Remedies

If an Event of Default occurs (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company or SCI LLC) and is continuing, the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes may declare the principal of and accrued but unpaid interest on all the Notes to be due and payable. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company or SCI LLC occurs, the principal of and interest on all the Notes shall become immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Under certain circumstances, the Holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

If an Event of Default occurs and is continuing, the Trustee shall be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee reasonable indemnity or security against any loss, liability or expense and certain other conditions are complied with. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless (i) such Holder has previously given the Trustee notice that an Event of Default is continuing, (ii) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee in writing to pursue the remedy, (iii) such Holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense, (iv) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity and (v) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period. Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

15. Trustee Dealings with the Issuers

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Issuers or their Affiliates and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not Trustee.

16. No Recourse Against Others

A director, officer, employee, stockholder or member, as such, of the Issuers or any of the Guarantors, shall not have any liability for any obligations of the Issuers or any of the Guarantors under the Notes or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Notes.

17. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Note.

18. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

19. Governing Law

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

20. CUSIP and ISIN Numbers

The Issuers may have caused CUSIP and ISIN numbers to be printed on the Notes and directed the Trustee to use such CUSIP and ISIN numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of any such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

21. Designated Senior Indebtedness

For purposes of the indenture that governs the Senior Subordinated Notes, the Notes shall constitute Designated Senior Indebtedness (as such term is defined in such indenture).

22. Tax Treatment of the Notes

Pursuant to Section 12.14 of the Indenture, the Issuers agree, and by acceptance of a beneficial ownership interest in the Notes, each beneficial holder of the Notes shall be deemed to have agreed, for United States federal income tax purposes, (i) to treat the Notes as debt instruments that are subject to Section 1.1275-4(b) of the United States Treasury Regulations (the "Contingent Debt Regulations") and (ii) to be bound by the Issuer's determination of the "comparable yield" and "projected payment schedule," within the meaning of the Contingent Debt Regulations, with respect to the Notes.

THE ISSUERS WILL FURNISH TO ANY HOLDER OF NOTES UPON WRITTEN REQUEST AND WITHOUT CHARGE TO THE HOLDER A COPY OF THE INDENTURE WHICH HAS IN IT THE TEXT OF THIS NOTE.

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Note on the books of the Issuers. The agent may substitute another to act for him.

_____

Date: _____ Your Signature: _____

_____

Sign exactly as your name appears on the other side of this Note. Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee.

CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR REGISTRATION OF TRANSFER
RESTRICTED NOTES

This certificate relates to $_____ principal amount of Notes held in (check applicable space) ____ book-entry or _____ definitive form by the undersigned.

The undersigned (check one box below):

- - has requested the Trustee by written order to deliver in exchange for its beneficial interest in the Global Note held by the Depositary a Note or Notes in definitive, registered form of authorized denominations and an aggregate principal amount equal to its beneficial interest in such Global Note (or the portion thereof indicated above);

- - has requested the Trustee by written order to exchange or register the transfer of a Note or Notes.

In connection with any transfer of any of the Notes evidenced by this certificate occurring prior to the expiration of the period referred to in Rule 144(k) under the Securities Act, the undersigned confirms that such Notes are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

(1) - to the Registrar for registration in the name of the Holder, without transfer; or

(2) - pursuant to an effective registration statement under the Securities Act of 1933; or

(3) - inside the United States to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or

(4) - outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933 and such Note shall be held immediately after the transfer through Euroclear or Clearstream until the expiration of the Restricted Period (as defined in the Indenture); or

(5) - pursuant to another available exemption from registration provided by Rule 144 under the Securities Act of 1933.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any Person other than the registered Holder

thereof; provided, however, that if box (4) or (5) is checked, the Trustee may require, prior to registering any such transfer of the Notes, such legal opinions, certifications and other information as the Issuers have reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

_____
Your Signature

Signature Guarantee:

Date: _____ _____

Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee

Signature of Signature Guarantee

_____

TO BE COMPLETED BY PURCHASER IF (3) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Issuers as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____ _____

NOTICE: To be executed by an executive officer

[TO BE ATTACHED TO GLOBAL NOTES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The initial principal amount of this Global Note is $[ ]. The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee or Notes Custodian

OPTION OF HOLDER TO ELECT PURCHASE

IF YOU WANT TO ELECT TO HAVE THIS NOTE PURCHASED BY THE ISSUERS PURSUANT TO SECTION 4.06 (ASSET DISPOSITION) OR 4.08 (CHANGE OF CONTROL) OF THE INDENTURE, CHECK THE BOX:

ASSET DISPOSITION - CHANGE OF CONTROL -

IF YOU WANT TO ELECT TO HAVE ONLY PART OF THIS NOTE PURCHASED BY THE ISSUERS PURSUANT TO SECTION 4.06 OR 4.08 OF THE INDENTURE, STATE THE AMOUNT ($1,000 OR AN INTEGRAL MULTIPLE THEREOF):

$

DATE: _____ YOUR SIGNATURE: _____
(SIGN EXACTLY AS YOUR NAME APPEARS ON THE OTHER SIDE OF THE NOTE)

SIGNATURE GUARANTEE:_____
SIGNATURE MUST BE GUARANTEED BY A PARTICIPANT IN A RECOGNIZED SIGNATURE GUARANTY MEDALLION PROGRAM OR OTHER SIGNATURE GUARANTOR ACCEPTABLE TO THE TRUSTEE

EXHIBIT B

[FORM OF FACE OF EXCHANGE NOTE]
[Global Notes Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO DTC, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

No._____ $_____

12% Senior Secured Note due 2008

CUSIP No. _____
ISIN No._____

ON Semiconductor Corporation, a Delaware corporation, and Semiconductor Components Industries, LLC, a Delaware limited liability company, promise to pay to [Cede & Co.], or registered assigns, the principal sum [of Dollars] [listed on the Schedule of Increases or Decreases in Global Note attached hereto](2) on May 15, 2008.

Interest Payment Dates: May 15 and November 15.

Record Dates: May 1 and November 1.

_____

2 Use the Schedule of Increases and Decreases language if Note is in Global Form.

Additional provisions of this Note are set forth on the other side of this Note.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed.

ON SEMICONDUCTOR CORPORATION,

by

Name:
Title:

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

by

Name:
Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,

as Trustee, certifies that this is one of the Notes referred to in the Indenture.

By

Authorized Signatory

- ---

*/ If the Note is to be issued in global form, add the Global Notes Legend and the attachment from Exhibit A captioned "TO BE ATTACHED TO GLOBAL NOTES - SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE".

[FORM OF REVERSE SIDE OF EXCHANGE NOTE]

12% Senior Secured Note due 2008

1. Interest

ON Semiconductor Corporation, a Delaware corporation (the "Company"), and Semiconductor Components Industries, LLC ("SCI LLC" and together with the Company, and their successors and assigns under the Indenture hereinafter referred to, being herein called the "Issuers"), promise to pay interest on the principal amount of this Note at the rate per annum shown above; provided that commencing on February 6, 2003, each Note shall accrue interest at a rate of 13% per annum unless prior thereto the Issuers have issued common stock or Qualified Preferred Stock generating at least $100 million in gross cash proceeds and have used the net cash proceeds thereof to repay indebtedness under the Credit Agreement or under any other credit facilities secured by a first-priority lien on the Collateral and have permanently reduced the related loan commitment equal to the amount prepaid. Such increase in interest rate, if any, shall remain effective until such time as the Issuers have completed such issuance of common stock or Qualified Preferred Stock and repayment, unless such issuance and repayment of common stock or Qualified Preferred Stock occurs after August 6, 2003, in which case such increase in interest rate will remain effective. The Issuers shall pay interest semiannually on May 15 and November 15 of each year, commencing on November 15, 2002. Interest on the Notes shall accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from May 6, 2002 until the principal hereof is due. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months. "Qualified Preferred Stock" means any preferred stock that (i) is not Disqualified Stock, (ii) does not entitle the holder to receive cash dividends prior to November 1, 2009 (prior to such date, dividends may accrue or be paid in kind), (iii) is convertible into common stock and (iv) is issued to one or more financial sponsors, such as Texas Pacific Group or any other private equity firm or similar entity.

2. Method of Payment

The Issuers shall pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the May 1 or November 1 next preceding the interest payment date even if Notes are canceled after the record date and on or before the interest payment date. Holders must surrender Notes to a Paying Agent to collect principal payments. The Issuers shall pay principal, premium, Additional Interest, if any, and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Notes represented by a Global Note (including principal, premium, interest, including Additional Interest, if any) shall be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Issuers will make all payments in respect of a certificated Note (including principal, premium and interest) by mailing a check to the registered address of each Holder thereof; provided, however, that payments on the Notes may also be made, in the case of a Holder of at least $1,000,000 aggregate principal amount of Notes, by wire transfer to a U.S.

dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

Initially, WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association (the "Trustee"), will act as Paying Agent and Registrar. The Issuers may appoint and change any Paying Agent, Registrar or co-registrar without notice. The Issuers or any of their domestically incorporated Wholly-Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Issuers issued the Notes under an Indenture dated as of May 6, 2002 (the "Indenture"), among the Issuers, SCG (Malaysia SMP) Holding Corporation, SCG (Czech) Holding Corporation, SCG (China) Holding Corporation, Semiconductor Components Industries Puerto Rico, Inc., SCG International Development LLC, Semiconductor Components Industries of Rhode Island, Inc. and Semiconductor Components Industries International of Rhode Island, Inc. (collectively, the "Guarantors") and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the date of the Indenture (the "TIA"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all terms and provisions of the Indenture, and Holders are referred to the Indenture and the TIA for a statement of such terms and provisions.

The Notes are senior secured obligations of the Issuers. This Note is one of the [Exchange] [Additional] Notes referred to in the Indenture. The Notes include the Original Notes, the Additional Notes and any Exchange Notes and Private Exchange Notes issued in exchange for Initial Notes pursuant to the Indenture. The Original Notes, the Additional Notes and any Exchange Notes and Private Exchange Notes are treated as a single class of securities under the Indenture. The Indenture imposes certain limitations on the ability of the Issuers and its Restricted Subsidiaries to, among other things, make certain Investments and other Restricted Payments, pay dividends and other distributions, incur Indebtedness, enter into consensual restrictions upon the payment of certain dividends and distributions by such Restricted Subsidiaries, issue or sell shares of capital stock of such Restricted Subsidiaries, enter into or permit certain transactions with Affiliates and make asset dispositions. The Indenture also imposes limitations on the ability of the Issuers and each Guarantor to consolidate or merge with or into any other Person or convey, transfer or lease all or substantially all of the property of the Issuers.

To guarantee the due and punctual payment of the principal and interest, if any, on the Notes and all other amounts payable by the Issuers under the Indenture and the Notes when and as the same shall be due and payable, whether at maturity, by acceleration or otherwise, according to the terms of the Notes and the Indenture, the Guarantors have, jointly

and severally, unconditionally guaranteed the Guaranteed Obligations on a senior subordinated basis pursuant to the terms of the Indenture.

The Notes are secured on a second-priority basis by the Lien created by the Security Documents pursuant to, and subject to the terms of, the Indenture and the Intercreditor Agreement.

5. Optional Redemption

Except as provided in paragraph 5 hereof, the Notes shall not be redeemable at the option of the Issuers prior to May 15, 2006. On or after such date, the Notes shall be redeemable at the option of the Issuers, in whole or in part, on one or more occasions, on not less than 30 nor more than 60 days prior notice, at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest, including Additional Interest, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on May 15 of the years set forth below:

YEAR	REDEMPTION PRICE
2006	106.0%
2007	103.0%

In addition, prior to May 15, 2005, the Issuers may, on one or more occasions, redeem up to a maximum of 35% of the original aggregate principal amount of the Notes (calculated giving effect to any issuance of Additional Notes) at a redemption price equal to 112.0% of the principal amount thereof, plus accrued and unpaid interest, including Additional Interest, if any, to the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) with the Net Cash Proceeds of one or more Equity Offerings by the Company; provided, however, that after giving effect to any such redemption, (a) at least 65% of the original aggregate principal amount of the Notes (calculated giving effect to any issuance of Additional Notes) remains outstanding and (b) such redemption is made within 90 days of the date of closing of the applicable Equity Offering upon not less than 30 nor more than 60 days notice mailed to each Holder of Notes being redeemed and otherwise in accordance with the procedures set forth in the Indenture.

At any time on or prior to May 15, 2006, the Notes may also be redeemed as a whole at the option of the Issuers upon the occurrence of a Change of Control, upon not less than 30 nor more than 60 days' prior notice but in no event more than 90 days after the occurrence of such Change of Control, mailed by first-class mail to each Holder's registered address, at a redemption price equal to 100% of the principal amount of Notes to be redeemed plus the Applicable Premium as of, and accrued and unpaid interest, including Additional Interest, if any, to the date of the redemption (the "Change of Control Redemption Date"), except that installments of interest which are due and payable on dates falling on or prior to the applicable redemption date will be payable to the persons who were the Holders of record at the close of business on the relevant record dates.

"Applicable Premium" means, with respect to the notes at any Change of Control Redemption Date, the greater of:

(a) 1.0% of the principal amount of such Notes; and

(b) the excess of

(i) The present value at such time of (A) the redemption price of such Notes at May 15, 2006, plus (B) all accrued and unpaid interest required to be paid on such notes from the date of redemption through May 15, 2006, computed using a discount rate equal to the Treasury Rate plus 0.5% per annum, over

(ii) the principal amount of such Notes.

"Treasury Rate" means the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Release H.15 (519) which has become publicly available at least two Business Days prior to the Change of Control Redemption Date (or, if such Statistical Release is no longer published, any publicly available source or similar market data)) closest to the period from the Change of Control Redemption Date to May 15, 2006; provided, however, that if the period from the Change of Control Redemption Date to May 15, 2006, is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of one year) from the weekly average yields of U.S. Treasury securities for which such yields are given, except that, if the period from the Change of Control Redemption Date to May 15, 2006, is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

6. Sinking Fund

The Notes are not subject to any sinking fund.

7. Notice of Redemption

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at his or her registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000. If money sufficient to pay the redemption price of and accrued and unpaid interest, including Additional Interest, if any, on all Notes (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Notes (or such portions thereof) called for redemption.

8. Repurchase of Notes at the Option of Holders upon Change of Control

Upon a Change of Control, any Holder of Notes will have the right, subject to certain conditions specified in the Indenture, to cause the Issuers to repurchase all or any part of

the Notes of such Holder at a purchase price equal to 101% of the principal amount of the Notes to be repurchased plus accrued and unpaid interest, including Additional Interest, if any, to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date that is on or prior to the date of purchase) as provided in, and subject to the terms of, the Indenture.

In accordance with Section 4.06 of the Indenture, the Issuers will be required to offer to purchase Notes upon the occurrence of certain events.

9. Denominations; Transfer; Exchange

The Notes are in registered form without coupons in denominations of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Notes in accordance with the Indenture. Upon any transfer or exchange, the Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or to transfer or exchange any Notes for a period of 15 days prior to a selection of Notes to be redeemed or 15 days before an interest payment date.

10. Persons Deemed Owners

Except as provided in paragraph 2 hereof, the registered Holder of this Note may be treated as the owner of it for all purposes.

11. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Issuers at their written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Issuers and not to the Trustee for payment.

12. Discharge and Defeasance

Subject to certain conditions, the Issuers at any time may terminate some of or all their obligations under the Notes and the Indenture if the Issuers deposit with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Notes to redemption or maturity, as the case may be.

13. Amendment, Supplement and Waiver

Subject to certain exceptions set forth in the Indenture, (a) the Indenture, the Notes, the Note Guarantees or the Security Documents may be amended without prior notice to any Holder but with the written consent of the Holders of at least a majority in aggregate principal amount of the outstanding Notes and (b) any default may be waived with the written consent of the Holders of at least a majority in principal amount of the outstanding Notes. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the

Issuers and the Trustee may amend or supplement the Indenture, the Notes, the Note Guarantees or the Security Documents (i) to cure any ambiguity, omission, defect or inconsistency; (ii) to comply with Article 5; (iii) to provide for uncertificated Notes in addition to or in place of certificated Notes; provided, however, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code; (iv) to add additional Note Guarantees with respect to the Notes; (v) to add to the covenants of the Issuers for the benefit of the Holders or to surrender any right or power herein conferred upon the Issuers; (vi) to make any change that does not adversely affect the rights of any Holder; (vii) to provide for the issuance of the Exchange Notes, Private Exchange Notes or Additional Notes, which shall have terms substantially identical in all material respects to the Original Notes (except that the transfer restrictions contained in the Original Notes shall be modified or eliminated, as appropriate), and which shall be treated, together with any outstanding Original Notes, as a single issue of securities; (viii) to comply with any requirement of the Commission in connection with qualifying, or maintaining the qualification of, this Indenture under the TIA; or (ix) if necessary, in connection with any addition or release of Collateral permitted under the terms of this Indenture or Security Documents.

14. Defaults and Remedies

If an Event of Default occurs (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company or SCI LLC) and is continuing, the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes may declare the principal of and accrued but unpaid interest on all the Notes to be due and payable. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company or SCI LLC occurs, the principal of and interest on all the Notes shall become immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Under certain circumstances, the Holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

If an Event of Default occurs and is continuing, the Trustee shall be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee reasonable indemnity or security against any loss, liability or expense and certain other conditions are complied with. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless (i) such Holder has previously given the Trustee notice that an Event of Default is continuing, (ii) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee in writing to pursue the remedy, (iii) such Holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense, (iv) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity and (v) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period. Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

15. Trustee Dealings with the Issuers

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Issuers or their Affiliates and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not Trustee.

16. No Recourse Against Others

A director, officer, employee, stockholder or member, as such, of the Issuers or any of the Guarantors, shall not have any liability for any obligations of the Issuers or any of the Guarantors under the Notes or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Notes.

17. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Note.

18. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

19. Governing Law

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

20. CUSIP and ISIN Numbers

The Issuers may have caused CUSIP and ISIN numbers to be printed on the Notes and directed the Trustee to use such CUSIP and ISIN numbers in notices of redemption as a

convenience to Holders. No representation is made as to the accuracy of any such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

21. Designated Senior Indebtedness

For purposes of the indenture that governs the Senior Subordinated Notes, the Notes shall constitute Designated Senior Indebtedness (as such term is defined in such indenture).

22. Tax Treatment of the Notes

Pursuant to Section 12.14 of the Indenture, the Issuers agree, and by acceptance of a beneficial ownership interest in the Notes, each beneficial holder of the Notes shall be deemed to have agreed, for United States federal income tax purposes, (i) to treat the Notes as debt instruments that are subject to Section 1.1275-4(b) of the United States Treasury Regulations (the "Contingent Debt Regulations") and (ii) to be bound by the Issuer's determination of the "comparable yield" and "projected payment schedule," within the meaning of the Contingent Debt Regulations, with respect to the Notes.

THE ISSUERS WILL FURNISH TO ANY HOLDER OF NOTES UPON WRITTEN REQUEST AND WITHOUT CHARGE TO THE HOLDER A COPY OF THE INDENTURE WHICH HAS IN IT THE TEXT OF THIS NOTE.

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Note on the books of the Issuers. The agent may substitute another to act for him.

_____

Date: _____ Your Signature: _____

_____

Sign exactly as your name appears on the other side of this Note. Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee.

[TO BE ATTACHED TO GLOBAL NOTES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The initial principal amount of this Global Note is $[ ]. The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee or Notes Custodian

OPTION OF HOLDER TO ELECT PURCHASE

IF YOU WANT TO ELECT TO HAVE THIS NOTE PURCHASED BY THE ISSUERS PURSUANT TO SECTION 4.06 (ASSET DISPOSITION) OR 4.08 (CHANGE OF CONTROL) OF THE INDENTURE, CHECK THE BOX:

ASSET DISPOSITION - CHANGE OF CONTROL -

IF YOU WANT TO ELECT TO HAVE ONLY PART OF THIS NOTE PURCHASED BY THE ISSUERS PURSUANT TO SECTION 4.06 OR 4.08 OF THE INDENTURE, STATE THE AMOUNT ($1,000 OR AN INTEGRAL MULTIPLE THEREOF):

$

DATE: _____ YOUR SIGNATURE: _____
(SIGN EXACTLY AS YOUR NAME APPEARS ON THE OTHER SIDE OF THE NOTE)

SIGNATURE GUARANTEE:_____
SIGNATURE MUST BE GUARANTEED BY A PARTICIPANT IN A RECOGNIZED SIGNATURE GUARANTY MEDALLION PROGRAM OR OTHER SIGNATURE GUARANTOR ACCEPTABLE TO THE TRUSTEE.

EXHIBIT C

FORM OF SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this "Supplemental Indenture") dated as of , among [GUARANTOR] (the "New Guarantor"), a subsidiary of ON Semiconductor Corporation, a Delaware corporation (the "Company"), the Company, Semiconductor Components Industries, LLC ("SCI LLC" and, together with the Company and their successors and assigns, the "Issuers") (or their successors), SCG (Malaysia SMP) Holding Corporation, SCG (Czech) Holding Corporation, SCG (China) Holding Corporation, Semiconductor Components Industries Puerto Rico, Inc., SCG International Development LLC, Semiconductor Components Industries of Rhode Island, Inc., Semiconductor Components Industries International of Rhode Island, Inc. and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the "Trustee").

W I T N E S S E T H :

WHEREAS the Issuers and SCG (Malaysia SMP) Holding Corporation, SCG (Czech) Holding Corporation, SCG (China) Holding Corporation, Semiconductor Components Industries Puerto Rico, Inc., SCG International Development LLC, Semiconductor Components Industries of Rhode Island, Inc. and Semiconductor Components Industries International of Rhode Island, Inc. (collectively, the "Existing Guarantors") have heretofore executed and delivered to the Trustee an Indenture (the "Indenture") dated as of May 6, 2002, providing for the issuance of an unlimited aggregate principal amount of 12% Senior Secured Notes due 2008 (the "Notes");

WHEREAS Section 4.11 of the Indenture provides that under certain circumstances the Issuers are required to cause the New Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantor shall unconditionally guarantee all the Issuers' obligations under the Notes pursuant to a Note Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee, the Issuers and the Existing Guarantors are authorized to execute and deliver this Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Issuers, the Existing Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all the Existing Guarantors, to unconditionally guarantee the Issuers' obligations

under the Notes on the terms and subject to the conditions set forth in Article 11 of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes.

2. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

3. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

4. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Effect of Headings. The Section headings herein are for convenience only and shall not effect the construction thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

[NEW GUARANTOR],

by

Name:
Title:

ON SEMICONDUCTOR CORPORATION,

by

Name:
Title:

SEMICONDUCTOR COMPONENTS INDUSTRIES LLC,

by

    Name:
    Title:

SCG (MALAYSIA SMP) HOLDING CORPORATION,

by

    Name:
    Title:

SCG (CZECH) HOLDING CORPORATION,

by

    Name:
    Title:

SCG (CHINA) HOLDING CORPORATION,

by

    Name:
    Title:

SEMICONDUCTOR COMPONENTS INDUSTRIES PUERTO RICO, INC.,

by

    Name:
    Title:

SCG INTERNATIONAL DEVELOPMENT LLC,

by

Name:
Title:

SEMICONDUCTOR COMPONENTS INDUSTRIES OF RHODE ISLAND, INC.,

by

Name:
Title:

SEMICONDUCTOR COMPONENTS INDUSTRIES INTERNATIONAL OF RHODE ISLAND, INC.,

by

Name:
Title:

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Trustee,

by

Name:
Title:

Exhibit 4.5

$300,000,000

ON SEMICONDUCTOR CORPORATION
SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC

12% SENIOR SECURED NOTES DUE 2008

REGISTRATION RIGHTS AGREEMENT

May 6, 2002

Credit Suisse First Boston Corporation
Morgan Stanley & Co. Incorporated
Salomon Smith Barney Inc.
J.P. Morgan Securities Inc.
c/o Credit Suisse First Boston Corporation
Eleven Madison Avenue
New York, New York 10010-3629

Dear Sirs:

ON Semiconductor Corporation, a Delaware corporation (the "HOLDING COMPANY"), and Semiconductor Components Industries, LLC, a Delaware limited liability Company ("SCI LLC" and, together with the Holding Company, the "ISSUERS") propose to issue and sell to Credit Suisse First Boston Corporation and Morgan Stanley & Co. Incorporated, Salomon Smith Barney Inc. and J.P. Morgan Securities Inc. (collectively, the "INITIAL PURCHASERS"), upon the terms set forth in a purchase agreement of dated May 1, 2002 (the "PURCHASE AGREEMENT"), $300,000,000 aggregate principal amount of its 12% Senior Secured Notes (the "INITIAL SECURITIES") to be jointly and severally guaranteed on a senior secured basis (the "GUARANTIES") by SCG (Malaysia SMP) Holding Corporation, SCG (Czech) Holding Corporation, SCG (China) Holding Corporation, Semiconductor Components Industries Puerto Rico, Inc., SCG International Development LLC, Semiconductor Components Industries of Rhode Island, Inc. and Semiconductor Components Industries International of Rhode Island, Inc. (the "GUARANTORS" and, collectively with the Issuers, the "COMPANY"). The Initial Securities will be issued pursuant to an Indenture, dated as of the date hereof (the "INDENTURE"), among the Issuers, the Guarantors and Wells Fargo Bank Minnesota, National Association, a national banking association, as trustee (the "TRUSTEE"). As an inducement to the Initial Purchasers to enter into the Purchase Agreement, the Company agrees with the Initial Purchasers, for the benefit of the Initial Purchasers and the holders of the Securities (as defined below) (collectively the "HOLDERS"), as follows:

1. Registered Exchange Offer. Unless not permitted by applicable law (after the Company has complied with the ultimate paragraph of this Section 1), the Company shall prepare and, not later than 150 days (such 150th day being a "FILING DEADLINE") after the date on which the Initial Purchasers purchase the Initial Securities pursuant to the Purchase Agreement (the "CLOSING DATE"), file with the Securities and Exchange Commission (the "COMMISSION") a registration statement (the "EXCHANGE OFFER REGISTRATION STATEMENT") on an appropriate form under the Securities Act of 1933, as amended (the "SECURITIES ACT"), with respect to a proposed offer (the "REGISTERED EXCHANGE OFFER") to the Holders of Transfer Restricted Securities (as defined in Section 6 hereof), who are not prohibited by any law or policy of the Commission from participating in the Registered Exchange Offer, to issue and deliver to such Holders, in exchange for the Initial Securities, a like aggregate principal amount of debt securities of the Company issued under the Indenture, identical in all material respects to the Initial Securities and registered under the Securities Act (the "EXCHANGE SECURITIES"). The Company shall use its reasonable best efforts to (i) cause such Exchange Offer Registration Statement to be declared effective under the Securities Act within 270 days after the Closing Date (such 270th day being an "EFFECTIVENESS DEADLINE") and (ii) keep the Exchange Offer Registration Statement effective for not less than 30 days (or longer, if required by applicable law) after the date notice of the Registered Exchange Offer is mailed to the Holders (such period being called the "EXCHANGE OFFER REGISTRATION PERIOD").

If the Company commences the Registered Exchange Offer, the Company (i) will be entitled to consummate the Registered Exchange Offer 30 days after such commencement (provided that the Company has accepted all the Initial Securities theretofore validly tendered in accordance with the terms of the

Registered Exchange Offer) and (ii) will be required to consummate the Registered Exchange Offer no later than 300 days after the Closing date (such 300th day being the "CONSUMMATION DEADLINE").

Following the declaration of the effectiveness of the Exchange Offer Registration Statement, the Company shall as promptly as is practicable commence the Registered Exchange Offer, it being the objective of such Registered Exchange Offer to enable each Holder of Transfer Restricted Securities electing to exchange the Initial Securities for Exchange Securities (assuming that such Holder is not an affiliate of the Company within the meaning of the Securities Act, acquires the Exchange Securities in the ordinary course of such Holder's business and has no arrangements with any person to participate in the distribution of the Exchange Securities and is not prohibited by any law or policy of the Commission from participating in the Registered Exchange Offer) to trade such Exchange Securities from and after their receipt without any limitations or restrictions under the Securities Act and without material restrictions under the securities laws of the several states of the United States.

The Company acknowledges that, pursuant to current interpretations by the Commission's staff of Section 5 of the Securities Act, in the absence of an applicable exemption therefrom, (i) each Holder that is a broker-dealer electing to exchange Initial Securities, acquired for its own account as a result of market making activities or other trading activities, for Exchange Securities (an "EXCHANGING DEALER"), is required to deliver a prospectus containing the information set forth in (a) Annex A hereto on the cover, (b) Annex B hereto in the "Exchange Offer Procedures" section and the "Purpose of the Exchange Offer" section, and (c) Annex C hereto in the "Plan of Distribution" section of such prospectus in connection with a sale of any such Exchange Securities received by such Exchanging Dealer pursuant to the Registered Exchange Offer and (ii) an Initial Purchaser that elects to sell Securities (as defined below) acquired in exchange for Initial Securities constituting any portion of an unsold allotment, is required to deliver a prospectus containing the information required by Items 507 or 508 of Regulation S-K under the Securities Act, as applicable, in connection with such sale.

The Company shall use its reasonable best efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the prospectus contained therein, in order to permit such prospectus to be lawfully delivered by all persons subject to the prospectus delivery requirements of the Securities Act for such period of time as such persons must comply with such requirements in order to resell the Exchange Securities; provided, however, that (i) in the case where such prospectus and any amendment or supplement thereto must be delivered by an Exchanging Dealer or an Initial Purchaser, such period shall be the lesser of 180 days and the date on which all Exchanging Dealers and the Initial Purchasers have sold all Exchange Securities held by them (unless such period is extended pursuant to Section 3(j) below) and (ii) the Company shall make such prospectus and any amendment or supplement thereto available to any broker-dealer for use in connection with any resale of any Exchange Securities for a period of not less than 180-days after the consummation of the Registered Exchange Offer.

If, upon consummation of the Registered Exchange Offer, any Initial Purchaser holds Initial Securities acquired by it as part of its initial distribution, the Company, simultaneously with the delivery of the Exchange Securities pursuant to the Registered Exchange Offer, shall issue and deliver to such Initial Purchaser upon the written request of such Initial Purchaser, in exchange (the "PRIVATE EXCHANGE") for the Initial Securities held by such Initial Purchaser, a like principal amount of debt securities of the Company issued under the Indenture and identical in all material respects to the Initial Securities (the "PRIVATE EXCHANGE SECURITIES"). The Initial Securities, the Exchange Securities and the Private Exchange Securities are herein collectively called the "SECURITIES".

In connection with the Registered Exchange Offer, the Company shall:

(a) mail to each Holder a copy of the prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(b) keep the Registered Exchange Offer open for not less than 30 days (or longer, if required by applicable law) after the date notice thereof is mailed to the Holders (it being understood that the Company may extend a Registered Exchange Offer or Private Exchange beyond the time at which it is scheduled to expire (either at the end of the originally scheduled offer period or at the end of a subsequently scheduled extension of such period), by issuing a press release announcing such extension and otherwise complying with applicable law);

(c) utilize the services of a depositary for the Registered Exchange Offer with an address in the Borough of Manhattan, The City of New York, which may be the Trustee or an affiliate of the Trustee;

(d) permit Holders to withdraw tendered Securities at any time prior to the close of business, New York time, on the last business day on which the Registered Exchange Offer shall remain open (except that, in the case where the Registered Exchange Offer or Private Exchange is extended beyond the time at which it is scheduled to expire (either at the end of the originally scheduled offer period or at the end of a subsequently scheduled extension of such period), those Securities that are validly tendered and not withdrawn pursuant to such Registered Exchange Offer or Private Exchange, as the case may be, as of such time may be accepted for exchange and may not subsequently be withdrawn by the tendering Holders); and

(e) otherwise comply with all applicable laws.

As soon as practicable after the close of the Registered Exchange Offer or the Private Exchange, as the case may be, the Company shall:

(x) accept for exchange all the Securities validly tendered and not withdrawn pursuant to the Registered Exchange Offer and the Private Exchange;

(y) deliver to the Trustee for cancellation all the Initial Securities so accepted for exchange; and

(z) cause the Trustee to authenticate and deliver promptly to each Holder of the Initial Securities, Exchange Securities or Private Exchange Securities, as the case may be, equal in principal amount to the Initial Securities of such Holder so accepted for exchange.

Notwithstanding the foregoing, it is understood that, in the case where the Registered Exchange Offer or Private Exchange is extended beyond the time at which it is scheduled to expire (either at the end of the originally scheduled offer period or at the end of a subsequently scheduled extension of such period), those Securities that are validly tendered and not withdrawn pursuant to such Registered Exchange Offer or Private Exchange, as the case may be, as of such time may be accepted for exchange and may not subsequently be withdrawn by the tendering Holders.

The Indenture will provide that the Exchange Securities will not be subject to the transfer restrictions set forth in the Indenture and that all the Securities will vote and consent together on all matters as one class and that none of the Securities will have the right to vote or consent as a class separate from one another on any matter.

Interest on each Exchange Security and Private Exchange Security issued pursuant to the Registered Exchange Offer and in the Private Exchange will accrue from the last interest payment date on which interest was paid on the Initial Securities surrendered in exchange therefor or, if no interest has been paid on the Initial Securities, from the date of original issue of the Initial Securities.

Each Holder participating in the Registered Exchange Offer shall be required to represent to the Company that, at the time such Holder's tendered Securities are accepted for exchange, (i) any Exchange Securities received by such Holder will be acquired in the ordinary course of business, (ii) such Holder will have no arrangements or understanding with any person to participate in the distribution of the Securities or the Exchange Securities within the meaning of the Securities Act, (iii) such Holder is not an "affiliate," as defined in Rule 405 of the Securities Act, of the Company or if it is an affiliate, such Holder will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable, (iv) if such Holder is not a broker-dealer, that it is not engaged in, and does not intend to engage in, the distribution of the Exchange Securities and (v) if such Holder is a broker-dealer, that it will receive Exchange Securities for its own account in exchange for Initial Securities that were acquired as a result of market-making activities or other trading activities and that it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities.

Notwithstanding any other provisions hereof, the Company will ensure that (i) any Exchange Offer Registration Statement and any amendment thereto and any prospectus forming part thereof and any supplement thereto complies in all material respects with the Securities Act and the rules and regulations thereunder, (ii) any Exchange Offer Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any prospectus forming part of any Exchange Offer Registration Statement, and any supplement to such prospectus, does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

If following the date hereof there has been announced a change in Commission policy with respect to exchange offers that in the reasonable opinion of counsel to the Company raises a substantial question as to whether the Registered Exchange Offer is permitted by applicable federal law, the Company will seek a no-action letter or other favorable decision from the Commission allowing the Company to consummate the Registered Exchange Offer. The Company will pursue the issuance of such a decision to the Commission staff level. In connection with the foregoing, the Company will take all such other commercially reasonable actions as may be requested by the Commission in connection with the issuance of such decision, including without limitation (i) participating in telephonic conferences with the Commission, (ii) delivering to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that the Registered Exchange Offer should be permitted and (iii) diligently pursuing a resolution (which need not be favorable) by the Commission staff.

2. Shelf Registration. If, (i) because of any change in law or in applicable interpretations thereof by the staff of the Commission, the Company is not permitted to effect a Registered Exchange Offer, as contemplated by Section 1 hereof, (ii) the Registered Exchange Offer is not consummated by the 300th day after the Closing Date, (iii) any Initial Purchaser so requests with respect to the Initial Securities (or the Private Exchange Securities) not eligible to be exchanged for Exchange Securities in the Registered Exchange Offer and held by it following consummation of the Registered Exchange Offer or (iv) any Holder (other than an Exchanging Dealer) is not eligible to participate in the Registered Exchange Offer or, in the case of any Holder (other than an Exchanging Dealer) that participates in the Registered Exchange Offer, such Holder does not receive freely tradeable Exchange Securities on the date of the exchange and any such Holder so requests, the Company shall take the following actions (the date on which any of the conditions described in the foregoing clauses (i) through (iv) occur, including in the case of clauses (iii) or (iv) the receipt of the required notice, being a "TRIGGER DATE"):

(a) The Company shall promptly (but in no event more than 60 days after the Trigger Date (such 60th day being a "FILING DEADLINE")) file with the Commission and there after use its reasonable best efforts to cause to be declared effective no later than 270 days after the Trigger Date (such 270th day being an "EFFECTIVENESS DEADLINE") a registration statement (the "SHELF REGISTRATION STATEMENT" and, together with the Exchange Offer Registration Statement, a "REGISTRATION STATEMENT") on an appropriate form under the Securities Act relating to the offer and sale of the Transfer Restricted Securities by the Holders thereof from time to time in accordance with the methods of distribution set forth in the Shelf Registration Statement and Rule 415 under the Securities Act (hereinafter, the "SHELF REGISTRATION"); provided, however, that no Holder (other than an Initial Purchaser) shall be entitled to have the Securities held by it covered by such Shelf Registration Statement unless such Holder agrees in writing to be bound by all the provisions of this Agreement applicable to such Holder.

(b) The Company shall use its reasonable best efforts to keep the Shelf Registration Statement continuously effective in order to permit the prospectus included therein to be lawfully delivered by the Holders of the relevant Securities, for a period of two years (or for such longer period if extended pursuant to Section 3(j) below) after the Closing Date or such shorter period that will terminate when all the Securities covered by the Shelf Registration Statement (i) have been sold pursuant thereto or (ii) are no longer restricted securities (as defined in Rule 144 under the Securities Act, or any successor rule thereof).

(c) Notwithstanding any other provisions of this Agreement to the contrary, the Company shall cause the Shelf Registration Statement and the related prospectus and any amendment or supplement thereto, as of the effective date of the Shelf Registration Statement, amendment or supplement, (i) to comply in all material respects with the applicable requirements of the Securities Act and the rules and regulations of the Commission and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3. Registration Procedures. In connection with any Shelf Registration contemplated by Section 2 hereof and, to the extent applicable, any Registered Exchange Offer contemplated by Section 1 hereof, the following provisions shall apply:

(a) The Company shall (i) furnish to each Initial Purchaser, prior to the filing thereof with the Commission, a copy of the Registration Statement and each amendment thereof and each supplement, if any, to the prospectus included therein and, in the event that an

Initial Purchaser (with respect to any portion of an unsold allotment from the original offering) is participating in the Registered Exchange Offer or the Shelf Registration Statement, the Company shall use its reasonable best efforts to reflect in each such document, when so filed with the Commission, such

comments as such Initial Purchaser reasonably may propose; (ii) include the information set forth in Annex A hereto on the cover, in Annex B hereto in the "Exchange Offer Procedures" section and the "Purpose of the Exchange Offer" section and in Annex C hereto in the "Plan of Distribution" section of the prospectus forming a part of the Exchange Offer Registration Statement and include the information set forth in Annex D hereto in the Letter of Transmittal delivered pursuant to the Registered Exchange Offer; (iii) if requested by an Initial Purchaser, include the information required by Items 507 or 508 of Regulation S-K under the Securities Act, as applicable, in the prospectus forming a part of the Exchange Offer Registration Statement; (iv) include within the prospectus contained in the Exchange Offer Registration Statement a section entitled "Plan of Distribution," reasonably acceptable to the Initial Purchasers, which shall contain a summary statement of the positions taken or policies made by the staff of the Commission with respect to the potential "underwriter" status of any broker-dealer that is the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT")) of Exchange Securities received by such broker-dealer in the Registered Exchange Offer (a "PARTICIPATING BROKER-DEALER"), whether such positions or policies have been publicly disseminated by the staff of the Commission or such positions or policies, in the reasonable judgment of the Initial Purchasers based upon advice of counsel (which may be in-house counsel), represent the prevailing views of the staff of the Commission; and (v) in the case of a Shelf Registration Statement, include the names of the Holders who propose to sell Securities pursuant to the Shelf Registration Statement as selling security holders.

(b) The Company shall give written notice to the Initial Purchasers, the Holders of the Securities and any Participating Broker-Dealer from whom the Company has received prior written notice that it will be a Participating Broker-Dealer in the Registered Exchange Offer (which notice pursuant to clauses (ii)-(v) hereof shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made):

(i) when the Registration Statement or any amendment thereto has been filed with the Commission and when the Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to the Registration Statement or the prospectus included therein or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the happening of any event that requires the Company to make changes in the Registration Statement or the prospectus in order that the Registration Statement or the prospectus do not contain an untrue statement of a material fact nor omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus, in light of the circumstances under which they were made) not misleading.

(c) The Company shall make every reasonable effort to obtain the withdrawal at the earliest possible time, of any order suspending the effectiveness of the Registration Statement.

(d) The Company shall furnish to each Holder of Securities included within the coverage of the Shelf Registration, without charge, at least one copy of the Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all exhibits thereto (including those, if any, incorporated by reference).

(e) The Company shall deliver to each Exchanging Dealer and each Initial Purchaser, and to any other Holder who so requests, without charge, at least one copy of the Exchange Offer Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if any Initial Purchaser or any such Holder requests, all exhibits thereto (including those incorporated by reference).

(f) The Company shall, during the Shelf Registration Period, deliver to each Holder of Securities included within the coverage of the Shelf Registration, without charge, as many copies of the prospectus (including each preliminary prospectus) included in the Shelf Registration Statement and any amendment or supplement thereto as such person may reasonably request. The Company consents, subject to the provisions of this Agreement, to the use of the prospectus or any amendment or supplement thereto by each of the selling Holders of the Securities in connection with the offering and sale of the Securities covered by the prospectus, or any amendment or supplement thereto, included in the Shelf Registration Statement.

(g) The Company shall deliver to each Initial Purchaser, any Exchanging Dealer, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer, without charge, as many copies of the final prospectus included in the Exchange Offer Registration Statement and any amendment or supplement thereto as such persons may reasonably request. The Company consents, subject to the provisions of this Agreement, to the use of the prospectus or any amendment or supplement thereto by any Initial Purchaser, if necessary, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer in connection with the offering and sale of the Exchange Securities covered by the prospectus, or any amendment or supplement thereto, included in such Exchange Offer Registration Statement.

(h) Prior to any public offering of the Securities pursuant to any Registration Statement the Company shall register or qualify or cooperate with the Holders of the Securities included therein and their respective counsel in connection with the registration or qualification of the Securities for offer and sale under the securities or "blue sky" laws of such states of the United States as any Holder of the Securities reasonably requests in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Securities covered by such Registration Statement; provided, however, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified or (ii) take any action which would subject it to general service of process or to taxation in any jurisdiction where it is not then so subject.

(i) The Company shall cooperate with the Holders of the Securities to facilitate the timely preparation and delivery of certificates representing the Securities to be sold pursuant to any Registration Statement free of any restrictive legends and in such denominations and registered in such names as the Holders may request a reasonable period of time prior to sales of the Securities pursuant to such Registration Statement.

(j) Upon the occurrence of any event contemplated by paragraphs (ii) through (v) of Section 3(b) above during the period for which the Company is required to maintain an effective Registration Statement, the Company shall promptly prepare and file a post-effective amendment to the Registration Statement or a supplement to the related prospectus and any other required document so that, as thereafter delivered to Holders of the Securities or purchasers of Securities, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Initial Purchasers, the Holders of the Securities and any known Participating Broker-Dealer in accordance with paragraphs (ii) through (v) of Section 3(b) above to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Initial Purchasers, the Holders of the Securities and any such Participating Broker-Dealers shall suspend use of such prospectus, and the period of effectiveness of the Shelf Registration Statement provided for in Section 2(b) above and the Exchange Offer Registration Statement provided for in Section 1 above shall each be extended by the number of days from and including the date of the giving of such notice to and including the date when the Initial Purchasers, the Holders of the Securities and any known Participating Broker-Dealer shall have received such amended or supplemented prospectus pursuant to this Section 3(j).

(k) Not later than the effective date of the applicable Registration Statement, the Company will provide a CUSIP number for the Initial Securities, the Exchange Securities or the Private Exchange Securities, as the case may be, and provide the applicable trustee with printed certificates for the Initial Securities, the Exchange Securities or the Private Exchange Securities, as the case may be, in a form eligible for deposit with The Depository Trust Company.

(l) The Company will comply with all rules and regulations of the Commission to the extent and so long as they are applicable to the Registered Exchange Offer or the Shelf Registration and will make generally available to its security holders (or otherwise provide in

accordance with Section 11(a) of the Securities Act) an earnings statement satisfying the provisions of Section 11(a) of the Securities Act, no later than 45 days after the end of a 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Registration Statement, which statement shall cover such 12-month period.

(m) The Company shall cause the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, in a timely manner and containing such changes, if any, as shall be necessary for such qualification. In the event that such qualification would require the appointment of a new trustee under the Indenture, the Company shall appoint a new trustee thereunder pursuant to the applicable provisions of the Indenture.

(n) The Company may require each Holder of Securities to be sold pursuant to the Shelf Registration Statement to furnish to the Company such information regarding the Holder and the distribution of the Securities as the Company may from time to time reasonably require for inclusion in the Shelf Registration Statement, and the Company may exclude from such registration the Securities of any Holder that unreasonably fails to furnish such information within a reasonable time after receiving such request.

(o) The Company shall enter into such customary agreements (including, if requested, an underwriting agreement in customary form) and take all such other action, if any, as any Holder of the Securities shall reasonably request in order to facilitate the disposition of the Securities pursuant to any Shelf Registration.

(p) In the case of any Shelf Registration, the Company shall (i) make reasonably available for inspection by the Holders of the Securities, any underwriter participating in any disposition pursuant to the Shelf Registration Statement and any attorney, accountant or other agent retained by the Holders of the Securities or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Company and (ii) cause the Company's officers, directors, employees, accountants and auditors to supply all relevant information reasonably requested by the Holders of the Securities or any such underwriter, attorney, accountant or agent in connection with the Shelf Registration Statement, in each case, as shall be reasonably necessary to enable such persons, to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act; provided, however, that the foregoing inspection and information gathering shall be coordinated on behalf of the Initial Purchasers by you and on behalf of the other parties, by one counsel designated by and on behalf of such other parties as described in Section 4 hereof.

(q) In the case of any Shelf Registration, the Company, if requested by any Holder of Securities covered thereby, shall cause (i) its counsel (who may be in-house counsel) to deliver an opinion and updates thereof relating to the Securities in customary form addressed to such Holders and the managing underwriters, if any, thereof and dated, in the case of the initial opinion, the effective date of such Shelf Registration Statement (it being agreed that the matters to be covered by such opinion shall include, without limitation, the due incorporation and good standing of the Company and its subsidiaries; the qualification of the Company and its subsidiaries to transact business as foreign corporations; the due authorization, execution and delivery of the relevant agreement of the type referred to in Section 3(o) hereof; the due authorization, execution, authentication and issuance, and the validity and enforceability, of the applicable Securities; the absence of material legal or governmental proceedings involving the Company and its subsidiaries; the absence of governmental approvals required to be obtained in connection with the Shelf Registration Statement, the offering and sale of the applicable Securities, or any agreement of the type referred to in Section 3(o) hereof; the compliance as to form of such Shelf Registration Statement and any documents incorporated by reference therein and of the Indenture with the requirements of the Securities Act and the Trust Indenture Act, respectively; and, as of the date of the opinion and as of the effective date of the Shelf Registration Statement or most recent post-effective amendment thereto, as the case may be, the absence from such Shelf Registration Statement and the prospectus included therein, as then amended or supplemented, and from any documents incorporated by reference therein of an untrue statement of a material fact or the omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any such documents, in the light of the circumstances existing at the time that such documents were filed with the Commission under the Exchange Act); (ii) its officers to execute and deliver all customary documents and certificates and updates thereof requested by any underwriters of the applicable Securities and (iii) its independent public accountants and the independent public accountants with respect to the financial information relating to Semiconductor Components Group of Motorola, Inc. provided in the Shelf

Registration Statement to provide to the selling Holders of the applicable Securities and any underwriter therefor a comfort letter in customary form and covering matters of the type customarily covered in comfort letters in connection with primary underwritten offerings, subject to receipt of appropriate documentation as contemplated, and only if permitted, by Statement of Auditing Standards No. 72.

(r) In the case of the Registered Exchange Offer, if requested by any Initial Purchaser or any known Participating Broker-Dealer, the Company shall cause (i) its counsel (who may be in-house counsel) to deliver to such Initial Purchaser or such Participating Broker-Dealer a signed opinion in the form set forth in Section 6(c) of the Purchase Agreement with such changes as are customary in connection with the preparation of a Registration Statement and (ii) its independent public accountants and the independent public accountants with respect to the financial information relating to Semiconductor Components Group of Motorola, Inc. provided in the Registration Statement to deliver to such Initial Purchaser or such Participating Broker-Dealer a comfort letter, in customary form, meeting the requirements as to the substance thereof as set forth in Section 6(a) of the Purchase Agreement, with appropriate date changes.

(s) If Securities are to be accepted for exchange pursuant to a Registered Exchange Offer or a Private Exchange, upon delivery of such Securities by Holders to the Company (or to such other Person as directed by the Company) in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be, the Company shall mark, or caused to be marked, on the Initial Securities so exchanged that such Initial Securities are being canceled in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be; in no event shall the Initial Securities be marked as paid or otherwise satisfied.

(t) In the event that any broker-dealer registered under the Exchange Act shall underwrite any Securities or participate as a member of an underwriting syndicate or selling group or "assist in the distribution" (within the meaning of the Conduct Rules (the "RULES") of the National Association of Securities Dealers, Inc. ("NASD ")) thereof, whether as a Holder of such Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, the Company will assist such broker-dealer in complying with the requirements of such Rules, including, without limitation, by (i) if such Rules, including Rule 2720, shall so require, engaging a "qualified independent underwriter" (as defined in Rule 2720) to participate in the preparation of the Registration Statement relating to such Securities, to exercise usual standards of due diligence in respect thereto and, if any portion of the offering contemplated by such Registration Statement is an underwritten offering or is made through a placement or sales agent, to recommend the yield of such Securities, (ii) indemnifying any such qualified independent underwriter to the extent of the indemnification of underwriters provided in Section 5 hereof and (iii) providing such information to such broker-dealer as may be required in order for such broker-dealer to comply with the requirements of the Rules.

(u) The Company shall use its reasonable best efforts to take all other steps necessary to effect the registration of the Securities covered by a Registration Statement contemplated hereby.

4. Registration Expenses.

(a) All expenses incident to the Company's performance of and compliance with this Agreement will be borne by the Company, regardless of whether a Registration Statement is ever filed or becomes effective, including without limitation;

(i) all registration and filing fees and expenses;

(ii) all fees and expenses of compliance with federal securities and state "blue sky" or securities laws;

(iii) all expenses of printing (including printing certificates for the Securities to be issued in the Registered Exchange Offer and the Private Exchange and printing of Prospectuses), messenger and delivery services and telephone;

(iv) all fees and disbursements of counsel for the Company;

(v) all application and filing fees in connection with listing the Exchange Securities on a national securities exchange or automated quotation system pursuant to the requirements hereof; and

(vi) all fees and disbursements of independent certified public accountants of the Company (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will bear its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any person, including special experts, retained by the Company.

(b) In connection with any Registration Statement required by this Agreement, the Company will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities who are tendering Initial Securities in the Registered Exchange Offer and/or selling or reselling Securities pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, for the reasonable, documented fees and disbursements of not more than one counsel chosen by the Initial Purchasers unless another firm shall be chosen by the Holders of a majority in principal amount of the Transfer Restricted Securities for whose benefit such Registration Statement is being prepared.

5. Indemnification.

(a) The Company agrees to indemnify and hold harmless each Holder of the Securities, any Participating Broker-Dealer and each person, if any, who controls such Holder or such Participating Broker-Dealer within the meaning of the Securities Act or the Exchange Act (each Holder, any Participating Broker-Dealer and such controlling persons are referred to collectively as the "INDEMNIFIED PARTIES") from and against any losses, claims, damages or liabilities, joint or several, or any actions in respect thereof (including, but not limited to, any losses, claims, damages, liabilities or actions relating to purchases and sales of the Securities) to which each Indemnified Party may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse, as incurred, the Indemnified Parties for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action in respect thereof; provided, however, that (i) the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration in reliance upon and in conformity with written information pertaining to such Holder and furnished to the Company by or on behalf of such Holder specifically for inclusion therein and (ii) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus relating to a Shelf Registration Statement, the indemnity agreement contained in this subsection (a) shall not inure to the benefit of any Holder or Participating Broker-Dealer from whom the person asserting any such losses, claims, damages or liabilities purchased the Securities concerned, to the extent that a prospectus relating to such Securities was required to be delivered by such Holder or Participating Broker-Dealer under the Securities Act in connection with such purchase and any such loss, claim, damage or liability of such Holder or Participating Broker-Dealer results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Securities to such person, a copy of the final prospectus if the Company had previously furnished copies thereof to such Holder or Participating Broker-Dealer; provided further, however, that this indemnity agreement will be in addition to any liability which the Company may otherwise have to such Indemnified Party. The Company shall also indemnify underwriters, their officers and directors and each person who controls such underwriters within the meaning of the Securities Act or the Exchange Act to the same extent as provided above with respect to the indemnification of the Holders of the Securities if requested by such Holders.

(b) Each Holder of the Securities, severally and not jointly, will indemnify and hold harmless the Company and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act from and against any losses, claims, damages or liabilities or any actions in respect thereof, to which the Company or any such controlling person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or

in any amendment or supplement there to or in any preliminary prospectus relating to a Shelf Registration, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or omission or alleged untrue statement or omission was made in reliance upon and in conformity with written information pertaining to such Holder and furnished to the Company by or on behalf of such Holder specifically for inclusion therein; and, subject to the limitation set forth immediately preceding this clause, shall reimburse, as incurred, the Company for any documented legal or other expenses reasonably incurred by the Company or any such controlling person in connection with investigating or defending any loss, claim, damage, liability or action in respect thereof. This indemnity agreement will be in addition to any liability which such Holder may otherwise have to the Company or any of its controlling persons.

(c) Promptly after receipt by an indemnified party under this Section 5 of notice of the commencement of any action or proceeding (including a governmental investigation), such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 5, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof the indemnifying party will not be liable to such indemnified party under this Section 5 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof and as provided in the following sentence. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the contrary; (ii) the indemnifying party has failed within a reasonable time to retain counsel reasonably satisfactory to the indemnified party; (iii) the indemnified party shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the indemnifying party; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action, and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 5 is unavailable or insufficient to hold harmless an indemnified party under subsections (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to in subsection (a) or (b) above in such proportion as is appropriate to reflect the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof) as well as any other relevant equitable considerations. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or such Holder or such other indemnified party, as the case may be, on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding any other provision of this Section 5(d), the Holders of the Securities shall not be required to contribute any amount in excess of the amount by which the net proceeds received by such Holders from the sale of the Securities pursuant to a Registration Statement exceeds the amount of damages which such Holders have otherwise been required to pay

by reason of such untrue or alleged untrue statement or omission or

alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), each person, if any, who controls such indemnified party within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such indemnified party and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as the Company.

(e) The agreements contained in this Section 5 shall survive the sale of the Securities pursuant to a Registration Statement and shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of any indemnified party.

6. Additional Interest Under Certain Circumstances.

(a) Additional interest (the "ADDITIONAL INTEREST") with respect to the Securities shall be assessed as follows if any of the following events occur (each such event in clauses (i) through (iv) below being herein called a "REGISTRATION DEFAULT"):

(i) any Registration Statement required by this Agreement is not filed with the Commission on or prior to the applicable Filing Deadline;

(ii) any Registration Statement required by this Agreement is not declared effective by the Commission on or prior to the applicable Effectiveness Deadline;

(iii) the Registered Exchange Offer has not been consummated on or prior to the Consummation Deadline; or

(iv) any Registration Statement is declared effective within 270 days after the Closing Date (or in the case of Shelf Registration Statement to be filed in response to any change in law or applicable interpretations thereof, within 60 days after the publication of the change in law or interpretation) but shall thereafter cease to be effective (at any time that the Company is obligated to maintain the effectiveness thereof) without being succeeded within 30 days by an additional Registration Statement filed and declared effective.

Each of the foregoing will constitute a Registration Default whatever the reason for any such event and whether it is voluntary or involuntary or is beyond the control of the Company or pursuant to operation of law or as a result of any action or inaction by the Commission.

Additional Interest shall accrue on the Securities over and above the interest set forth in the title of the Securities from and including the date on which any such Registration Default shall occur to but excluding the date on which all such Registration Defaults have been cured, at a rate of 0.50% per annum (the "ADDITIONAL INTEREST RATE") for the first 90-day period immediately following the occurrence of such Registration Default. The Additional Interest Rate shall increase by an additional 0.50% per annum with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum Additional Interest Rate of 2.0% per annum.

(b) Any amounts of Additional Interest due pursuant to Section 6(a) will be payable in cash on the regular interest payment dates with respect to the Securities. The amount of Additional Interest will be determined by multiplying the applicable Additional Interest Rate by the principal amount of the Securities and further multiplied by a fraction, the numerator of which is the number of days such Additional Interest Rate was applicable during such period (determined on the basis of a 360-day year comprised of twelve 30-day months), and the denominator of which is 360.

(c) "TRANSFER RESTRICTED SECURITIES" means each Security until (i) the date on which such Security has been exchanged by a person other than a broker-dealer for a freely transferable Exchange Security in the Registered Exchange Offer, (ii) following the exchange by a broker-dealer in the Registered Exchange Offer of an Initial Security for an Exchange Note, the date on which such Exchange Note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (iii) the date on which such Security has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iv) the date on which such Security is distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act.

7. Rules 144 and 144A. The Company shall use its best efforts to file the reports required to be filed by it under the Securities Act and the Exchange Act in a timely manner and, if at any time the Company is not required to file such reports, it will, upon the request of any Holder of Securities, make publicly available other information so long as necessary to permit sales of their securities pursuant to Rules 144 and 144A. The Company covenants that it will take such further action as any Holder of Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell Securities without registration under the Securities Act within the limitation of the exemptions provided by Rules 144 and 144A (including the requirements of Rule 144A(d)(4)). The Company will provide a copy of this Agreement to prospective purchasers of Initial Securities identified to the Company by the Initial Purchasers upon request. Upon the request of any Holder of Initial Securities, the Company shall deliver to such Holder a written statement as to whether it has complied with such requirements. Notwithstanding the foregoing, nothing in this Section 7 shall be deemed to require the Company to register any of its securities pursuant to the Exchange Act.

8. Underwritten Registrations. If any of the Transfer Restricted Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will administer the offering ("MANAGING UNDERWRITERS") will be selected by the Holders of a majority in aggregate principal amount of such Transfer Restricted Securities to be included in such offering.

No person may participate in any underwritten registration hereunder unless such person (i) agrees to sell such person's Transfer Restricted Securities on the basis reasonably provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

9. Miscellaneous.

(a) Remedies. The Company acknowledges and agrees that any failure by the Company to comply with its obligations under Section 1 and 2 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's obligations under Sections 1 and 2 hereof. The Company further agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company will not on or after the date of this Agreement enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's securities under any agreement in effect on the date hereof.

(c) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, except by the Company and the written consent of the Holders of a majority in principal amount of the Securities affected by such amendment, modification, supplement, waiver or consents. Without the consent of the Holder of each Security, however, no modification may change the provisions relating to the payment of Additional Interest.

(d) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, first-class mail, facsimile transmission, or air courier which guarantees overnight delivery:

(1) if to a Holder of the Securities, at the most current address given by such Holder to the Company.

(2) if to the Initial Purchasers;

Credit Suisse First Boston Corporation
Eleven Madison Avenue
New York, NY 10010-3629
Fax No.: (212) 325-8278
Attention: Transactions Advisory Group

(3) if to the Company, at its address as follows:

ON Semiconductor Corporation
5005 East McDowell Road
Phoenix, Arizona 85005
Fax No.: (602) 244-5601
Attention: General Counsel

with a copy to:

Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006-1470
Fax No.: (212) 225-3999
Attention: Steven H. Shalen, Esq.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; three business days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged by recipient's facsimile machine operator, if sent by facsimile transmission; and on the day delivered, if sent by overnight air courier guaranteeing next day delivery.

(e) Third Party Beneficiaries. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect their rights or the rights of Holders hereunder.

(f) Successors and Assigns. This Agreement shall be binding upon the Company and its successors and assigns.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

(j) Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or imp aired thereby.

(k) Securities Held by the Company. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securities is required hereunder, Securities held by the Company or its affiliates (other than subsequent Holders of Securities if such subsequent Holders are deemed to be affiliates solely by reason of their holdings of such Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Holding Company a counterpart hereof, whereupon this instrument, along with all counterparts, will

become a binding agreement among the several Initial Purchasers, the Issuers and the Guarantors in accordance with its terms.

Very truly yours,

By: ON SEMICONDUCTOR CORPORATION,

by /s/ George H. Cave

Name: George H. Cave
Title: Secretary

By: SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

by /s/ George H. Cave

Name: George H. Cave
Title: Secretary

By: SCG (MALAYSIA SMP) HOLDING CORPORATION,

by /s/ George H. Cave

Name: George H. Cave
Title: Secretary

By: SCG (CZECH) HOLDING CORPORATION,

by /s/ George H. Cave

Name: George H. Cave
Title: Secretary

By: SCG (CHINA) HOLDING CORPORATION,

by /s/ George H. Cave

Name: George H. Cave
Title: Secretary

By: SEMICONDUCTOR COMPONENTS INDUSTRIES PUERTO RICO, INC.,

by /s/ George H. Cave

Name: George H. Cave
Title: Secretary

By: SCG INTERNATIONAL DEVELOPMENT, LLC,

by /s/ George H. Cave

Name: George H. Cave
Title: Secretary

By: SEMICONDUCTOR COMPONENTS INDUSTRIES OF RHODE ISLAND, INC.,

by /s/ Judith A. Boyle

Name: Judith A. Boyle
Title: Secretary

By: SEMICONDUCTOR COMPONENTS INDUSTRIES INTERNATIONAL OF RHODE ISLAND, INC.,

by /s/ Judith A. Boyle

Name: Judith A. Boyle
Title: Secretary

The foregoing Registration Rights Agreement is hereby confirmed and accepted as of the date first above written.

CREDIT SUISSE FIRST BOSTON CORPORATION
MORGAN STANLEY & CO. INCORPORATED
SALOMON SMITH BARNEY INC.
J.P. MORGAN SECURITIES INC.

By: CREDIT SUISSE FIRST BOSTON CORPORATION,

by /s/ Ted Iantuono

Name: Ted Iantuono
Title: Director

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Securities received in exchange for Initial Securities where such Initial Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the Expiration Date (as defined herein), it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

Each broker-dealer that receives Exchange Securities for its own account in exchange for Initial Securities, where such Initial Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. See "Plan of Distribution."

PLAN OF DISTRIBUTION

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Securities received in exchange for Initial Securities where such Initial Securities were acquired as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the Expiration Date, it will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until , 2002, all dealers effecting transactions in the Exchange Securities may be required to deliver a prospectus.(1)

The Company will not receive any proceeds from any sale of Exchange Securities by broker-dealers. Exchange Securities received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Securities or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such Exchange Securities. Any broker-dealer that resells Exchange Securities that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such Exchange Securities may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of Exchange Securities and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date the Company will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Company has agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the Holders of the Securities) other than commissions or concessions of any brokers or dealers and will indemnify the Holders of the Securities (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

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(1) In addition, the legend required by Item 502(e) of Regulation S-K will appear on the inside front cover page of the Exchange Offer prospectus below the Table of Contents.

[ ] CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: _____

Address: _____

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Securities. If the undersigned is a broker-dealer that will receive Exchange Securities for its own account in exchange for Initial Securities that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Securities; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

ON SEMICONDUCTOR 2002 EXECUTIVE INCENTIVE PLAN

1. PURPOSES.

The purposes of the ON Semiconductor 2002 Executive Incentive Plan ("Plan") are to motivate the Company's Covered Employees (as defined below) to improve stockholder value by linking a portion of their cash compensation to the Company's financial performance, reward Covered Employees for improving the Company's financial performance, and help attract and retain such Covered Employees. The Plan is designed to ensure that the bonus paid hereunder to the Covered Employees of the Company is deductible without limit under Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations and interpretations promulgated thereunder (the "Code").

2. DEFINITIONS.

The use of singular or plural defined terms in the Plan shall have the same meaning as in this Article 2.

A. "Award" means any cash incentive payment made under the Plan.

B. "Code" means the Internal Revenue Code of 1986, as amended.

C. "Committee" means the Compensation Committee of ON's Board of Directors, or such other committee designated by that Board of Directors, which is authorized to administer the Plan under Section 3 hereof. The Committee shall consist of at least two individuals who qualify as outside directors of the Company under Code Section 162(m). The Committee shall have the sole discretion and authority to administer and interpret the Plan in accordance with Code Section 162(m).

D. "Company" means ON and any corporation or other business entity of which ON (i) directly or indirectly has an ownership interest of 50% or more, or (ii) has a right to elect or appoint 50% or more of the board of directors or other governing body.

E. "Covered Employee" means any employee of the Company who is a "covered employee" as within the meaning of Section 162(m)(3) of the Code.

F. "ON" means ON Semiconductor Corporation.

G. "Participant" means a Covered Employee who is designated by the Committee to participate in the Plan for a fiscal year (or performance period) pursuant to Article 4 of this Plan.

H. "Plan" means the ON Semiconductor 2002 Executive Incentive Plan.

3. ADMINISTRATION.

A. The Plan shall be administered by the Committee. The Committee shall have the authority to:

(i) interpret and determine all questions of policy and expediency pertaining to the Plan;

(ii) adopt such rules, regulations, agreements and instruments as it deems necessary for its proper administration;

(iii) select Covered Employees to receive Awards;

(iv) determine the terms of Awards including, without limitation, the duration of any performance period;

(v) determine amounts subject to Awards (within the limits prescribed in the Plan);

(vi) determine whether Awards will be granted in replacement of or as alternatives to any other incentive or compensation plan of the Company or an acquired business unit;

(vii) accelerate the payment of Awards only as permitted under Section 162 (m) of the Code;

(viii) correct any defect, supply any omission, or reconcile any inconsistency in the Plan, any Award or any Award notice;

(ix) take any and all other actions it deems necessary or advisable for the proper administration of the Plan;

(x) adopt such Plan procedures, regulations, subplans and the like as it deems are necessary to enable Covered Employees to receive Awards; and

(xi) amend the Plan at any time and from time to time, provided however that no amendment to the Plan shall be effective unless approved by the Company's stockholders, to the extent such stockholder approval is required under Section 162(m) of the Code.

B. The Committee may delegate its authority to grant and administer Awards to a separate committee; however, only to the extent permitted under Section 162(m) of the Code.

4. ELIGIBILITY.

Participation in the Plan is limited in any fiscal year (or performance period) to each employee that the Committee concludes will likely be a Covered Employee for such fiscal year (or performance period). If an employee is designated in its discretion by the Committee to be a Participant under the Plan, but it is later determined that the Participant is in fact not a Covered Employee under the Code, such employee shall remain a Covered Employee for purposes of the Plan and shall remain a Participant in the Plan for such fiscal year (or performance period).

5. PERFORMANCE GOALS.

A. The Committee shall establish performance goals in writing applicable to a particular fiscal year (or performance period) prior to its start, provided, however, that such goals may be established after the start of the fiscal year (or performance period) but while the outcome of the performance goal is substantially uncertain in accordance with the timing and method of establishing performance goals, as permitted under Code Section 162(m).

B. Each performance goal shall identify one or more business criteria of the Company and/or any business unit that are to be monitored during the fiscal year (or performance period), such as:

- Net income
- Earnings per share
- Return on investment or assets
- Operating income
- Strategic positioning programs
- Return on equity
- New product releases
- Operating margin
- Gross profit
- Stockholder return
- Revenue
- Revenue growth
- New product development
- Market share
- Return on net assets
- Cash flow
- Earnings before interest, taxes, depreciation and amortization (EBITDA)

C. The Committee shall determine the target level of performance that must be achieved with respect to each criterion that is identified in a performance goal in order for a performance goal to be treated as attained.

D. The Committee may base performance goals on one or more of the foregoing business criteria. In the event performance goals are based on more than one business criteria, the Committee may determine, in its discretion, to make Awards based on alternative criteria, weighting of criteria, or other relevant basis on which the Committee shall establish and determine.

6. AWARDS.

A. Awards may be made on the basis of Company and/or business unit performance goals and formulas determined by the Committee. During any fiscal year of the Company, no Participant shall receive an Award of more $5,000,000.

B. The Committee, in its discretion, may reduce or eliminate a Participant's Award at any time before it is paid, whether or not calculated on the basis of pre-established performance goals or formulas.

C. The payment of an Award requires that the Participant be on the Company's payroll as of the last day of the fiscal year (or performance period) and on the Company's payroll as of the date the Award is paid. The Committee may make exceptions to this requirement in the case of retirement, death or disability, as determined by the Committee in its sole discretion.

D. The Company shall withhold all applicable federal, state, local and foreign taxes required by law to be paid or withheld relating to the receipt or payment of any Award.

E. At the discretion of the Committee, payment of an Award or any portion thereof may be deferred until a time established by the Committee. Deferrals shall be unfunded and shall be made in accordance with guidelines established by the Committee to ensure that such deferrals comply with applicable requirements of the Code and its regulations. Deferrals shall be initiated by the delivery of a written, irrevocable election by the Participant to the Committee or its nominee. Such election shall be made prior to the date specified by the Committee. The Committee may also credit earnings on cash payments that are deferred and set the rates of such interest.

7. GENERAL.

A. The Plan shall become effective as of January 1, 2002, subject to stockholder approval of the Plan at the Company's 2002 Annual Shareholders Meeting. The Plan shall terminate on December 31, 2006. No Award may be made under the Plan after the date the Plan terminates, but Awards made prior to that date may extend beyond that date.

B. Any rights of a Participant under the Plan shall not be assignable by such Participant, by operation of law or otherwise, except by will or the laws of descent and distribution. No Participant may create a lien on any funds or rights to which he or she may have an interest under the Plan, or which is held by the Company for the account of the Participant under the Plan.

C. Participation in the Plan shall not give any Covered Employee any right to remain in the employ of the Company. Further, the adoption of this Plan shall not be deemed to give any Covered Employee or other individual the right to be selected as a Participant or to be granted an Award.

D. To the extent any person acquires a right to receive payments from the Company under this Plan; such rights shall be no greater than the rights of an unsecured creditor of the Company.

E. The Plan shall be governed by and construed in accordance with the laws of the State of Arizona.

F. The Committee may suspend or terminate the Plan at any time with or without prior notice. In addition, the Committee may from time to time and with or without prior notice, amend or modify the Plan in any manner, but may not without stockholder approval adopt any amendment that would require the vote of stockholders of the Company pursuant to 162(m) of the Code.

EMPLOYEE INCENTIVE PLAN
JANUARY 2002

1. PURPOSES

The purposes of the Employee Incentive Plan of ON Semiconductor Corporation are to motivate employees of the Company (as defined below) to improve stockholder value by linking a portion of their cash compensation to the Company's financial performance, reward employees for improving the Company's financial performance, and help attract and retain key employees.

2. DEFINITIONS

A. "Award" means any cash incentive payment made under the Plan.

B. "Committee" means the Compensation Committee of the Board of Directors of ON Semiconductor Corporation, or such other committee designated by the Board of Directors, which is authorized to administer the Plan (as defined below) under Section 3 hereof.

C. "Company" means ON Semiconductor Corporation and any corporation or other business entity of which ON Semiconductor Corporation (i) directly or indirectly has an ownership interest of 50% or more, or (ii) has a right to elect or appoint 50% or more of the board of directors or other governing body.

D. "EBITDA" means the Company's earnings before interest, taxes, depreciation, and amortization.

E. "Participant" means any employee to whom an Award is granted under the Plan.

F. "Plan" means this Plan, which shall be known as the Employee Incentive Plan and/or the ONcentive Plan.

G. "Performance Period" means one or more periods of time, which may be of varying and overlapping duration, as the Committee may select, over which the attainment of one or more performance goals will be measured for the purpose of determining a Participant's right to, and the payment of, compensation under the Plan.

H. "Deferred Compensation Plan" means the ON Semiconductor Executive Deferred Compensation Plan, as amended and restated on March 8, 2000, and as thereafter amended from time to time.

3. ADMINISTRATION

A. The Plan shall be administered by the Committee. The Committee shall have the authority to:

(i) interpret and determine all questions of policy and expediency pertaining to the Plan;

(ii) adopt such rules, regulations, agreements and instruments, as it deems necessary for its proper administration;

(iii) select employees to be Participants in the Plan;

(iv) determine Participants that receive Awards;

(v) determine performance goals and levels of performance for the Plan;

(vi) determine any formula necessary to calculate the amount of Awards under the Plan;

(vii) determine the terms of Awards including, without limitation, the duration of any Performance Period;

(viii) determine amounts subject to Awards (within the limits prescribed in the Plan);

(ix) determine whether Awards will be granted in replacement of or as alternatives to any other incentive or compensation plan of the Company or an acquired business unit;

(x) grant waivers of Plan or Award conditions;

(xi) accelerate the payment of Awards;

(xii) correct any defect, supply any omission, or reconcile any inconsistency in the Plan, any Award or any Award notice;

(xiii) take any and all other actions it deems necessary or advisable for the proper administration of the Plan;

(xiv) adopt such Plan procedures, regulations, subplans and the like as it deems are necessary to enable Participants to receive Awards; and

(xv) amend the Plan at any time and from time to time.

B. The Committee may delegate its authority to grant and administer Awards to a separate committee.

4. ELIGIBILITY

Each regular full-time or part-time employee of the Company working twenty (20) hours or more per week is eligible to participate in the Plan; provided, however such employee shall not be eligible to participant in the Plan, if the employee is eligible to participate in any other bonus incentive plan of the Company. Any employee of the Company who is designated as an on-call, intern, co-op, part-time working less than 20 hours per week, or any individual designated as a contractor, consultant, hired through a temporary staffing agency, or similar arrangement is not eligible to participate in the Plan. From among the above eligible employees, the Committee shall select individuals to be Participants in the Plan.

5. PERFORMANCE GOALS

A. The Company will grant an Award in the event certain performance goals are met for a Performance Period as determined by the Committee. The performance goals shall be determined by the Committee in its sole and absolute discretion. It is the Committee's initial determination to base the performance goals on EBITDA, however, the Committee, in its sole and absolute discretion, may select any other performance goal at any time in the future. The target goal for each Performance Period will be communicated to the Participants in a timely manner by the Company near the beginning of each Performance Period.

B. The Committee shall determine level(s) of performance that must be achieved before there is an Award.

C. Based on the Company's recommendation, the Committee shall establish the formula necessary to determine the amount, if any, of each Participant's Award.

6. AWARDS

A. Awards may be made on the basis of Company and/or business unit performance goals and formulas as determined by the Committee; provided, however that for the first and second Performance Period of the Plan the Committee has determined that EBITDA shall be the performance goals. Should the EBITDA goals for the first Performance Period of the Plan be met, Awards will be paid by the Company as soon as is reasonably practicably after the close of the accounting books and records of the Company for the period ended June 28, 2002. Should the EBITDA goals for the second Performance Period of the Plan be met, Awards shall be paid by the Company as soon as is reasonably practicable after the close of the accounting books and records of the Company for the period ended December 31, 2002. Subject to the terms of the Plan, the Company will pay Awards to Participants as soon as is reasonably practicable after the close of the accounting books and records of the Company for the relevant Performance Period.

B. The Committee, in its sole and absolute discretion, may increase, reduce or eliminate a Participant's Award at any time before it is paid, whether or not calculated on the basis of pre-established performance goals or formulas.

C. The payment of an Award requires that the Participant be on the Company's payroll as of the last day of each Performance Period and on the Company's payroll as of the date the Award is paid. The Committee may make exceptions to this requirement in its sole and absolute discretion.

D. The Company shall withhold all applicable federal, state, local and foreign taxes required by law to be paid or withheld relating to the receipt or payment of any Award.

E. Those Participants who are also participants in the Deferred Compensation Plan may defer payment of an Award or any portion thereof under this Plan pursuant to the Deferred Compensation Plan.

7. GENERAL

A. The Plan shall become effective as of January 1, 2002.

B. Any rights of a Participant under the Plan shall not be assignable by such Participant, by operation of law or otherwise, except by will or the laws of descent and distribution. No Participant may create a lien on any funds or rights to which he or she may have an interest under the Plan, or which is held by the Company for the account of the Participant under the Plan.

C. Participation in the Plan shall not give any employee any right to remain an employ of the Company. Further, the adoption of this Plan shall not be deemed to give any employee or other individual the right to be selected as a Participant or to be granted an Award.

D. To the extent any person acquires a right to receive payments from the Company under this Plan; such rights shall be no greater than the rights of an unsecured creditor of the Company.

E. The Plan shall be governed by and construed in accordance with the laws of the State of Arizona.

F. The Committee may suspend or terminate the Plan at any time with or without prior notice, and with or without reason. In addition, the Committee may from time to time, with or without prior notice, and with or without reason, amend or modify the Plan in any manner.

AMENDMENT dated as of April 17, 2002 to the Credit Agreement dated as of August 4, 1999, as amended and restated as of April 3, 2000, as amended (the "Credit Agreement"), among ON SEMICONDUCTOR CORPORATION (formerly known as SCG HOLDING CORPORATION, "Holdings"), SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC (the "Borrower"), the LENDERS party thereto, JPMORGAN CHASE BANK (formerly known as THE CHASE MANHATTAN BANK), as administrative agent, collateral agent and syndication agent, and CREDIT LYONNAIS NEW YORK BRANCH, CREDIT SUISSE FIRST BOSTON and LEHMAN COMMERCIAL PAPER INC., as co-documentation agents.

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

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

C. The undersigned Lenders are willing so to amend the Credit Agreement pursuant to the terms and subject to the conditions set forth herein.

D. Capitalized terms used but not defined herein have the meanings assigned to them in the Credit Agreement, as amended hereby.

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

SECTION 1. Amendments to Section 1.01 (Defined Terms). Section 1.01 of the Credit Agreement is hereby amended as follows:

(a) by substituting the text "directors so nominated; (f) the occurrence of a "Change of Control", as defined in the Subordinated Debt Documents; or (g) the occurrence of a "Change of Control" as defined in the Second Lien Documents" for the text "directors so nominated; or (f) the occurrence of a "Change of Control", as defined in the Subordinated Debt Documents" at the end of the definition of the term "Change in Control".

(b) by substituting the text "Subrogation and Contribution Agreement, the Security Documents and the Intercreditor Agreement" for the text "Subrogation and Contribution Agreement and the Security Documents" in the definition of the term "Loan Documents".

(c) to add each of the following defined terms in the appropriate alphabetical order:

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

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

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

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

"Second Lien Note Indenture" means the indenture pursuant to which the Second Lien Notes are issued.

"Second Lien Notes" means the senior secured second lien notes to be co-issued by the Borrower and Holdings pursuant to the Second Lien Note Indenture in an initial principal amount not less than $250,000,000 and an aggregate principal amount of not more than $500,000,000.

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

SECTION 2. Amendment to Section 2.10 (Amortization of Term Loans). Section 2.10(f) of the Credit Agreement is hereby amended by the deleting the first sentence thereof in its entirety and substituting the following therefor:

> (f) Any prepayment of a Term Borrowing of any Class shall be applied to reduce the subsequent scheduled repayments of the Term Borrowing of such Class to be made pursuant to this Section ratably, provided that any prepayment made pursuant to Sections 2.11(c)(i) and 2.11(c)(ii) shall be applied to reduce the scheduled repayments of the Term Borrowings of such Class to be made pursuant to this Section in reverse chronological order.

SECTION 3. Amendment to Section 2.11 (Prepayment of Loans). Section 2.11(c) of the Credit Agreement is hereby amended by adding the following at the end thereof:

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

SECTION 4. Amendment to Article III (Representations and Warranties). Article III of the Credit Agreement is hereby amended by adding the following at the end thereof:

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

SECTION 5. Amendments to Section 5.01 (Financial Statements and Other Information). Section 5.01 of the Credit Agreement is hereby amended by deleting clause (h) in its entirety and substituting the following therefor:

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

SECTION 6. SECTION 6. Amendment to Section 6.01 (Indebtedness; Certain Equity Securities). Section 6.01 of the Credit Agreement is hereby amended as follows:

(a) Clause (xi) of Section 6.01(a) is amended by deleting the text "and" following the semicolon.

(b) Clause (xii) of Section 6.01(a) is amended by substituting a semicolon for the period at the end thereof.

(c) Section 6.01(a) is further amended by inserting the following new clauses (xiii) and (xiv) after clause (xii):

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

(d) Section 6.01 is further amended by adding the text "and (a)(xiii)" after the text "under clause (a)(v)" in Section 6.01(b).

SECTION 7. Amendments to Section 6.02 (Liens). Section 6.02 of the Credit Agreement is hereby amended as follows:

(a) Clause (viii) of Section 6.02(a) is amended by deleting the text "and" following the semicolon.

(b) Clause (ix) of Section 6.02(a) is amended by substituting the text ";" for the period at the end of such clause.

(c) The following additional clauses are added at the end of Section 6.02(a):

> (x) Liens granted under the Second Lien Security Documents; provided that (A) such Liens secure only obligations in respect of the Second Lien Notes, (B) such Liens do not apply to any asset other than

Collateral that is subject to a prior Lien granted under a Security Document and (C) all such Liens and Second Lien Security Documents shall be subject to the terms of the Intercreditor Agreement; and

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

(d) Section 6.02 is further amended by substituting the text "Pledge Agreement and the Second Lien Documents and Permitted Encumbrances" for the text "Pledge Agreement and Permitted Encumbrances" in Section 6.02(b).

SECTION 8. Amendment to Section 6.05 (Asset Sales). Clause (a) of Section 6.05 of the Credit Agreement is hereby amended to add, after the words "in the ordinary course of business", the words ", Restructuring Liquidation Sales".

SECTION 9. SECTION 9. Amendment to Section 6.08 (Restricted Payments; Certain Payments of Indebtedness). Section 6.08(b) of the Credit Agreement is hereby amended by deleting clause (v) thereof in its entirety and substituting the following therefor:

(v) payments on account of the redemption of Second Lien Notes with not more than 25% of the aggregate net proceeds of one or more issuances of equity securities of Holdings, provided that (A) after giving effect to such redemption, no Default or Event of Default shall have occurred and be continuing, (B) not more than 35% of the original aggregate principal amount of the Second Lien Notes is redeemed and (C) any such redemption shall be made within 90 days of such equity issuance and otherwise in compliance with the provisions of the Second Lien Note Indenture.

SECTION 10. Amendments to Section 6.11 (Amendments of Material Documents). Section 6.11(a) of the Credit Agreement is hereby amended by substituting a comma for the word "or" at the end of clause (iii) thereof and adding the following at the end thereof: "or (v) except for amendments to the Second Lien Security Documents permitted by the Intercreditor Agreement, any Second Lien Document."

SECTION 11. Amendment to Section 6.12 (Interest Expense Coverage Ratio). Section 6.12 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

SECTION 6.12. Interest Expense Coverage Ratio. (a) The Borrower will not permit the ratio of (i) Consolidated EBITDA (plus, without duplication, any Supplemental Interest deducted in calculating Consolidated EBITDA) to (ii) Consolidated Cash Interest Expense (excluding any Supplemental Interest otherwise included therein) (the "Interest Expense Coverage Ratio"), in each case for any period of four consecutive fiscal quarters ending on any date during any period set forth below, to be less than the ratio set forth below opposite such period:

Period	Ratio
January 1, 2004 to and including December 31, 2004	2.00 to 1.00
January 1, 2005 to and including July 1, 2005	2.25 to 1.00
July 2, 2005 to and including December 31, 2005	2.50 to 1.00
January 1, 2006 to and including June 30, 2006	2.75 to 1.00
July 1, 2006 and thereafter	3.00 to 1.00

(b) For purposes of calculating the Interest Expense Coverage Ratio under clause (a) of this Section 6.12, Consolidated EBITDA for the period of four consecutive fiscal quarters of Holdings (i) ended March 31, 2004 shall be deemed to be equal to Consolidated EBITDA for the fiscal quarter then ended multiplied by 4, (ii) ended June 30, 2004 shall be deemed to be equal to Consolidated EBITDA for the two consecutive fiscal quarters then ended multiplied by 2 and (iii) ended September 30, 2004 shall be deemed to be equal to Consolidated EBITDA for the three consecutive fiscal quarters then ended multiplied by 4/3.

SECTION 12. Amendment to Section 6.13 (Leverage Ratio). Section 6.13 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

> SECTION 6.13. Leverage Ratio. (a) The Borrower will not permit the Leverage Ratio as of the end of any fiscal quarter during any period set forth below to exceed the ratio set forth opposite such period:

Period	Ratio
January 1, 2004 to and including July 2, 2004	5.00 to 1.00
July 3, 2004 to and including December 31, 2004	4.75 to 1.00
January 1, 2005 to and including July 1, 2005	4.50 to 1.00
July 2, 2005 to and including December 31, 2005	4.25 to 1.00
January 1, 2006 to and including June 30, 2006	4.00 to 1.00
July 1, 2006 and thereafter	3.75 to 1.00

(b) For purposes of calculating the Leverage Ratio under clause (a) of this Section 6.13, Consolidated EBITDA for the period of four consecutive fiscal quarters of Holdings (i) ended March 31, 2004 shall be deemed to be equal to Consolidated EBITDA for the fiscal quarter then ended multiplied by 4, (ii) ended June 30, 2004 shall be deemed to be equal to Consolidated EBITDA for the two consecutive fiscal quarters then ended multiplied by 2 and (iii) ended September 30, 2004 shall be deemed to be equal to Consolidated EBITDA for the three consecutive fiscal quarters then ended multiplied by 4/3. For purposes of this Section 6.13,

the Funded Indebtedness component of the Leverage Ratio shall be calculated excluding any Supplemental Interest otherwise included therein.

SECTION 13. SECTION 13. Amendment to Section 6.15 (Minimum Consolidated EBITDA). Section 6.15 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

SECTION 6.15. Minimum Consolidated EBITDA. The Borrower will not permit Consolidated EBITDA for any period set forth below to be less than the amount set forth opposite such period:

Period	Amount
June 30, 2001 to and including March 29, 2002	$ 0.0
June 30, 2001 to and including June 28, 2002	$ 35,000,000
September 29, 2001 to and including September 27, 2002	80,000,000
January 1, 2002 to and including December 31, 2002	$120,000,000
March 29, 2002 to and including March 28, 2003	$140,000,000
June 29, 2002 to and including June 27, 2003	$160,000,000
September 28, 2002 to and including September 26, 2003	$180,000,000
January 1, 2003 to and including December 31, 2003	$200,000,000

SECTION 14. Amendment to Consultant Arrangement. Section 19 of the waiver, consent and amendment to the Credit Agreement dated as of August 13, 2001, is hereby deleted.

SECTION 15. Consent to Amendment of the Leshan JV Agreement. The Lenders hereby consent to the amendment and modification of the Leshan JV Agreement (a) to provide for the construction of a manufacturing facility as more fully described on Exhibit A hereto and (b) to permit the Liens contemplated in Section 6.02(a)(xi).

SECTION 16. Amendment Fee. The Borrower agrees to pay to the Administrative Agent, for the account of each Lender that delivers an executed counterpart of

this Amendment at or prior to 4:00 p.m., New York City time, on April 17, 2002, an amendment fee in an amount equal to 0.125% of the sum of such Lender's Revolving Commitment and outstanding Term Loans as of the date this Amendment becomes effective (determined after giving effect to all prepayments that are made on such date); provided that such fee shall not be payable unless and until this Amendment becomes effective as provided in Section 18.

SECTION 17. Representations and Warranties. Each of Holdings and the Borrower represents and warrants to the Administrative Agent and to each of the Lenders that:

(a) This Amendment has been duly authorized, executed and delivered by each of Holdings and the Borrower and constitutes a legal, valid and binding obligation of Holdings and the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

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

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

SECTION 18. Conditions to Effectiveness. This Amendment shall become effective on the date that the Second Lien Notes are issued (which date shall not be later than June 30, 2002), subject to satisfaction of the following conditions on or prior to such date: (a) the Administrative Agent shall have received counterparts of this Amendment that, when taken together, bear the signatures of Holdings, the Borrower and the Required Lenders, (b) all fees and expenses required to be paid or reimbursed by the Borrower under or in connection with this Amendment or the Credit Agreement (and in the case of expenses to be reimbursed, including fees, charges and disbursements of counsel or other advisors, in each case to the extent invoiced in writing to the Borrower at least three Business Days prior to the date that this Amendment becomes effective) shall have been paid or reimbursed, as applicable (including all fees and disbursements of counsel previously invoiced), (c) the Intercreditor Agreement shall be satisfactory in form and substance to the Administrative Agent and shall have been executed and delivered by all parties thereto and shall be in full force and effect, (d) the terms and conditions of the Second Lien Notes and the Second Lien Documents (including but not limited to terms and conditions relating to payment, covenants, events of default, remedies and maturity) shall be reasonably satisfactory to the Administrative Agent and (e) the gross cash proceeds from the Second Lien Notes shall not be less than $250,000,000.

SECTION 19. Credit Agreement. Except as specifically waived or amended hereby, the Credit Agreement shall continue in full force and effect in accordance with the provisions thereof as in existence on the date hereof. After the date hereof, any reference to the

Credit Agreement shall mean the Credit Agreement as amended or modified hereby. This Amendment shall be a Loan Document for all purposes.

SECTION 20. Applicable Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 21. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one agreement. Delivery of an executed signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually signed counterpart of this Amendment.

SECTION 22. Expenses. The Borrower agrees to reimburse the Administrative Agent for its reasonable out-of-pocket expenses in connection with this Amendment, including the fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent.

SECTION 23. Headings. The Section headings used herein are for convenience of reference only, are not part of this Amendment and are not to affect the construction of, or to be taken into consideration in interpreting, this Amendment.

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

ON SEMICONDUCTOR CORPORATION,

by

/s/ John T. Kurtzweil

Name: John T. Kurtzweil
Title: Senior Vice President,
Chief Financial Officer,
and Treasurer

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

by

/s/ John T. Kurtzweil

Name: John T. Kurtzweil
Title: Senior Vice President,
Chief Financial Officer
and Treasurer

JPMORGAN CHASE BANK,
individually and as administrative agent,

by

/s/ Edmond DeForest

Name: Edmond DeForest
Title: Vice President

SIGNATURE PAGE TO THE AMENDMENT DATED AS OF APRIL 17, 2002 TO THE CREDIT AGREEMENT AMONG ON SEMICONDUCTOR CORPORATION, SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, THE LENDERS PARTY THERETO, JPMORGAN CHASE BANK, AS ADMINISTRATIVE AGENT, COLLATERAL AGENT AND SYNDICATION AGENT, AND CREDIT LYONNAIS NEW YORK BRANCH, CREDIT SUISSE FIRST BOSTON AND LEHMAN COMMERCIAL PAPER INC., AS CO-DOCUMENTATION AGENTS.

BEAR, STEARNS & CO. INC.

by

/s/ Alan J. Mintz

Name: Alan J. Mintz
Title: Senior Managing Director

[Signature pages for all Lenders follow in original document]

Exhibit A

The China JV proposes to construct a new manufacturing facility in Leshan, China consisting of a multi-phased submicron capable wafer fab (the "New Leshan Facility"). The New Leshan Facility will be constructed on real property currently owned by the China JV that is adjacent to the China JV's existing facilities. The approximate cost of the first phase of the construction of the New Leshan Facility, which is currently scheduled to begin in August of 2002, is approximately $20 million. The cost and precise timing of future phases will depend on market conditions, but it is currently expected that future phases would commence in late 2003 and that the New Leshan Facility would be completed in 2006 at an aggregate cost of approximately $350 million.

The following amendments to the Leshan JV agreement, among others, may be required in order to construct the New Leshan Facility:

- revise the scope of operations of the Leshan JV to include New Leshan Facility;

- increase the total authorized investment by $350 million; and

- increase the registered capital by $70 million.

Any investment in the Leshan JV by Holdings, the Borrower or any other Subsidiary remains subject to the terms of the Credit Agreement.

ON SEMICONDUCTOR, INC.
SCHEDULE OF REPORTING REQUIREMENTS

Schedule 5.01

LISTING OF ITEMS REQUIRED	DESCRIBED IN CFO LETTER			FINANCIAL SCHEDULE		
	ANNUAL	QUARTERLY	MONTHLY	ANNUAL	QUARTERLY	MONTHLY
1) CFO Letter describing current state of company performance				X	X	X
2) Budget by Quarter						
- Income Statement / Balance Sheet / Statement of Cash Flow				X		
3) Audited Financial Statements						
- Income Statement / Balance Sheet / Statement of Cash Flow (Form 10K)				X		
- Statement of Stockholders' Equity (Form 10K)				X		
- Footnotes (Form 10K)				X		
4) Unaudited Financial Statements						
- Income Statement / Balance Sheet / Statement of Cash Flow (Form 10Q)				X	X	
- Income Statement / Balance Sheet / Statement of Cash Flow (variance to Budget)				X	X	
- Income Statement / Balance Sheet / Statement of Cash Flow (in the form of Budget)					X	
- Statement of Stockholders' Equity (Form 10Q)					X	
- Footnotes (Form 10Q)						X
5) Explanation for any Budget variance of greater than 10% versus actual performance	X	X				
6) Revenue by Product Line						
- Analog, ECL, Logic, Discreet, TMOS				X	X	
7) Key Balance Sheet Metrics						
- Days Sales Outstanding, Days Payables Outstanding				X	X	X
- Days Inventory on Hand				X	X	
- Explanation for any non-ordinary course inventory write-downs	X	X				
8) Financial Covenant Calculations (as applicable) with full build up as per credit agreement definitions, noting any variance from public filings.						
- EBITDA Calculation (through 4Q03)				X	X	
- Minimum Cash Balance				X	X	X
- Capital Expenditures				X	X	
- Leverage Ratio				X	X	
- Coverage Ratio				X	X	
9) Rolling 6-Month Monthly Cash Forecast (as applicable)						
- In sufficient detail to describe key sources and uses of cash				X	X	
10) High-Level Explanation of overall status of restructuring Initiatives	X	X	X			

Exhibit 10.4

EXECUTION COPY

INTERCREDITOR AGREEMENT

INTERCREDITOR AGREEMENT, dated as of May 6, 2002, among JPMORGAN CHASE BANK, as Credit Agent, WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Trustee, ON SEMICONDUCTOR CORPORATION and SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC.

W I T N E S S E T H :

WHEREAS, the Companies (such term and each other capitalized term used herein having the meanings set forth in Section 1 below), certain lenders, JPMorgan Chase Bank, as administrative agent, collateral agent and syndication agent, and Credit Lyonnais New York Branch, Credit Suisse First Boston and Lehman Commercial Paper Inc., as co-documentation agents, are parties to the Credit Agreement dated as of August 4, 1999, as amended and restated as of April 3, 2000, as amended (as further amended, supplemented or otherwise modified from time to time, the "Existing Credit Agreement");

WHEREAS, the Obligations of the Companies under the Credit Agreement are secured (together with certain other obligations) by various assets of the Companies and certain Subsidiaries thereof;

WHEREAS, the Companies and the Trustee have entered into the Indenture dated as of May 6, 2002 (as amended, supplemented or otherwise modified from time to time, the "Indenture"), pursuant to which the Companies intend to issue the Notes;

WHEREAS, the Companies and certain lenders under the Existing Credit Agreement have entered into an Amendment dated as of April 17, 2002 (the "Amendment"), to the Existing Credit Agreement that, among other things, permits, subject to certain terms and conditions, (a) the issuance of the Notes by the Companies and (b) a second priority Lien on the Common Collateral to secure the Noteholder Claims; and

WHEREAS, it is a condition precedent to the effectiveness of the Amendment that the parties hereto enter into this Agreement;

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

SECTION 1. (A) DEFINITIONS. As used in this Agreement, the following terms have the meanings specified below:

"Agreement" means this Agreement, as amended, renewed, extended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Amendment" has the meaning set forth in the recitals hereto.

"Bank Indebtedness" means any and all amounts payable under or in respect of the Credit Agreement and any Refinancing Indebtedness (as defined in the Indenture) with respect thereto, as amended from time to time, including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to either Company whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof. It is understood and agreed that Refinancing Indebtedness (as defined in the Indenture) in respect of the Credit Agreement may be Incurred (as defined in the Indenture) from time to time after termination of the Credit Agreement.

"Bankruptcy Law" means Title 11 of the United States Code and any similar Federal, state or foreign law for the relief of debtors.

"Business Day" means any day other than a Saturday, a Sunday or a day that is a legal holiday under the laws of the State of New York or on which banking institutions in the State of New York are required or authorized by law or other governmental action to close.

"Cash Management Obligations " means, with respect to any Person, all Obligations of such Person in respect of overdrafts and related liabilities owed to any other Person that arise from treasury, depositary or cash management services in connection with any automated clearing house transfers of funds or any similar transactions.

"Commodity Hedge Obligations " means, with respect to any Person, all Obligations of such Person in respect of any commodity price protection agreement or other commodity price hedging arrangement or other similar agreement or arrangement.

"Common Collateral" means all of the assets of any Grantor, whether real, personal or mixed, constituting both Senior Lender Collateral and Noteholder Collateral.

"Companies" means Holdings and SCI.

"Comparable Noteholder Collateral Document" means, in relation to any Common Collateral subject to any Lien created under any Senior Collateral Document, that Noteholder Collateral Document which creates a Lien on the same Common Collateral, granted by the same Grantor.

"Credit Agent" means JPMorgan Chase Bank in its capacity as collateral agent under the Existing Credit Agreement and the Security Documents (as defined therein) and also includes its successors hereunder as collateral agent for the Senior Lenders (or if there is more than one agent, a majority of them) under the Senior Lender Documents exercising substantially the same rights and powers, or if there is no acting Credit Agent under the Senior Credit Agreement, the Required Lenders.

"Credit Agreement" means the Existing Credit Agreement and all other Loan Documents (as defined therein) and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof (except to the extent that any such amendment, supplement, modification, extension, renewal, restatement or refunding would be prohibited by

the terms of the Indenture, unless otherwise agreed to by the Holders of at least a majority in aggregate principal amount of Notes at the time outstanding) and any indentures or credit facilities or commercial paper facilities with banks or other institutional lenders that replace, refund or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding or refinancing facility or indenture that increases the amount borrowable thereunder or alters the maturity thereof.

"Credit Facilities" means one or more debt facilities (including the Credit Agreement) or commercial paper facilities providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit, or any debt securities or other form of debt financing (including convertible or exchangeable debt instruments), in each case, as amended, supplemented, modified, extended, renewed, restated or refunded in whole or in part from time to time.

"Discharge of Senior Lender Claims" means, except to the extent otherwise provided in Section 5.6, payment in full in cash of (a) the principal of and interest and premium, if any, on all Indebtedness outstanding under the First-Lien Credit Facilities or, with respect to letters of credit outstanding thereunder, delivery of cash collateral or backstop letters of credit in respect thereof in compliance with such First-Lien Credit Facilities, as applicable, in each case after or concurrently with termination of all commitments to extend credit thereunder and (b) any other Senior Lender Claims that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid.

"Existing Credit Agreement" has the meaning set forth in the recitals hereto.

"First-Lien Credit Facilities" means (a) the Credit Facilities provided pursuant to the Credit Agreement and (b) any other Credit Facility, that, in the case of both clauses (a) and (b), is secured by a Permitted Lien (as defined in the Indenture) described in clause (a) of the definition thereof and (except for the Credit Facilities provided pursuant to the Existing Credit Agreement) is designated by the Companies as a "First-Lien Credit Facility" for purposes of the Indenture.

"Future First-Lien Credit Facility" means any First-Lien Credit Facility (other than the Existing Credit Agreement) that is designated by the Companies as a "First-Lien Credit Facility" for purposes of the Indenture, provided that the Required Lenders under any Senior Credit Agreement then in effect have consented to such designation.

"Future Other First-Lien Obligations" means all Obligations of either Company or any other Grantor in respect of Cash Management Obligations or Hedging Obligations that are designated by the Companies as "Credit Agreement Obligations" for purposes of the Indenture (other than any Senior Lender Cash Management Obligations and Senior Lender Hedging Obligations); provided that the Required Lenders under any Senior Credit Agreement then in effect have consented to such designation.

"Grantors" means each of the Companies and the Subsidiaries that has executed and delivered a Noteholder Collateral Document or a Senior Collateral Document.

"Hedging Obligations" means, with respect to any Person, the Obligations of such Person in respect of (a) interest rate or currency swap agreements, interest rate or currency cap agreements, interest rate or currency collar agreements, (b) other agreements or arrangements designed to protect such Person against fluctuations in interest rates and/or currency exchange rates or (c) Commodity Hedge Obligations.

"Holdings" means ON Semiconductor Corporation, a Delaware corporation.

"Indebtedness" means and includes all Obligations that constitute "Indebtedness" within the meaning of the Indenture or the Senior Credit Agreement.

"Indenture" has the meaning set forth in the recitals hereto.

"Insolvency or Liquidation Proceeding" means (a) any voluntary or involuntary case or proceeding under any Bankruptcy Law with respect to any Grantor, (b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to any Grantor or with respect to any of their respective assets, (c) any liquidation, dissolution, reorganization or winding up of any Grantor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (d) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of any Grantor.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Noteholder Claims" means all Obligations in respect of the Notes or arising under the Noteholder Documents or any of them.

"Noteholder Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Noteholder Claim.

"Noteholder Collateral Assignment" means the Collateral Assignment, dated as of May 6, 2002, between SCI and the Trustee.

"Noteholder Collateral Documents" means the Noteholder Pledge Agreement, the Noteholder Security Agreement, the Noteholder Collateral Assignment, the Noteholder Mortgages and any other document or instrument pursuant to which a Lien is granted by any Grantor to secure any Noteholder Claims or under which rights or remedies with respect to any such Lien are governed.

"Noteholder Documents" means (a) the Indenture, the Notes, the Noteholder Collateral Documents and any document or instrument evidencing or governing any Other Second-Lien Obligations (as defined in the Indenture) and any (b) other related document or

instrument executed and delivered pursuant to any Noteholder Document described in clause (a) above evidencing or governing any Obligations thereunder.

"Noteholder Mortgages" means a collective reference to each mortgage, deed of trust and any other document or instrument under which any Lien on real property owned by any Grantor is granted to secure any Noteholder Claims or under which rights or remedies with respect to any such Liens are governed.

"Noteholder Pledge Agreement" means Pledge Agreement, dated as of May 6, 2002, among the Companies, the other Grantors and the Trustee.

"Noteholder Security Agreement" means the Security Agreement, dated as of May 6, 2002, among the Companies, the other Grantors and the Trustee.

"Noteholders" means the Persons holding Noteholder Claims.

"Notes" means (a) the 12% Senior Secured Notes due 2008 to be issued by the Companies as co-issuers, (b) the exchange notes issued in exchange therefor as contemplated by the Registration Rights Agreement dated as of May 6, 2002, among Holdings, SCI and the Initial Purchasers (as defined therein) and (c) any additional notes issued under the Indenture by the Companies as co-issuers, to the extent permitted by the Indenture and the Senior Credit Agreement.

"Obligations" means any and all obligations with respect to the payment of (a) any principal of or interest (including interest accruing on or after the commencement of any Insolvency or Liquidation Proceeding, whether or not a claim for post-filing interest is allowed in such proceeding) or premium on any Indebtedness, including any reimbursement obligation in respect of any letter of credit, (b) any fees, indemnification obligations, expense reimbursement obligations or other liabilities payable under the documentation governing any Indebtedness, (c) any obligation to post cash collateral in respect of letters of credit and any other obligations or (d) any Cash Management Obligations or Hedging Obligations.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, entity or other party, including any government and any political subdivision, agency or instrumentality thereof.

"Pledged Collateral" means (a) the "Pledged Securities" under, and as defined in, the Noteholder Pledge Agreement, and (b) any other Common Collateral in the possession of the Credit Agent (or its agents or bailees), to the extent that possession thereof is necessary to perfect a Lien thereon under the Uniform Commercial Code.

"Recovery" has the meaning set forth in Section 6.5 hereof.

"Required Lenders" means, with respect to any amendment or modification of the Senior Credit Agreement, or any termination or waiver of any provision of the Senior Credit Agreement, or any consent or departure by Holdings, the SCI or any of the Subsidiaries therefrom, those Senior Lenders the approval of which is required to approve such amendment or modification, termination or waiver or consent or departure.

"SCI" means Semiconductor Components Industries, LLC, a Delaware limited liability company.

"Senior Collateral Documents" means the Security Documents (as defined in the Existing Credit Agreement) and any other agreement, document or instrument pursuant to which a Lien is granted securing any Senior Lender Claims or under which rights or remedies with respect to such Liens are governed.

"Senior Credit Agreement" means the Existing Credit Agreement; provided that if at any time a Discharge of Senior Lender Claims occurs with respect to the Existing Credit Agreement (without giving effect to Section 5.6), then, to the extent provided in Section 5.6, the term "Senior Credit Agreement" means the Future First-Lien Credit Facility designated by the Companies as the "Senior Credit Agreement" in accordance with such Section.

"Senior Lender Cash Management Obligations" means any Cash Management Obligations secured by any Common Collateral under the same Senior Collateral Documents that secure Obligations under the Senior Credit Agreement.

"Senior Lender Claims" means (a) all Bank Indebtedness and all other Indebtedness outstanding under one or more of the Senior Lender Documents, including any Future First-Lien Credit Facilities, the Indebtedness under each of which (i) constitutes Permitted Debt (as defined in the Indenture) or is otherwise permitted by the Indenture, (ii) is designated by the Companies as "Credit Agreement Obligations" for purposes of the Indenture and (iii) is secured by a Permitted Lien (as defined in the Indenture) described in clause (a) of the definition thereof, (b) all other Obligations (not constituting Indebtedness) of either Company or any Grantor under the Senior Lender Documents or any such other Future First-Lien Credit Facility, including all Senior Lender Hedging Obligations and Senior Lender Cash Management Obligations and (c) all Future Other First-Lien Obligations. Senior Lender Claims shall include all interest accrued or accruing (or which would, absent the commencement of an Insolvency or Liquidation Proceeding, accrue) after the commencement of an Insolvency or Liquidation Proceeding in accordance with and at the rate specified in the relevant senior Lender Document whether or not the claim for such interest is allowed as a claim in such Insolvency or Liquidation Proceeding. To the extent any payment with respect to the Senior Lender Claims (whether by or on behalf of any Grantor, as proceeds of security, enforcement of any right of set-off or otherwise) is declared to be fraudulent or preferential in any respect, set aside or required to be paid to a debtor in possession, trustee, receiver or similar Person, then the obligation or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred. Notwithstanding anything to the contrary contained in the first sentence of this definition, any Obligation under the Senior Lender Documents or any Future First-Lien Credit Facility (including any Cash Management Obligations or Hedging Obligations) shall constitute a "Senior Lender Claim" if the Credit Agent or the relevant Senior Lender or Senior Lenders shall have received a written representation from either Company in or in connection with the Senior Lender Documents evidencing such Obligation that such Obligation constitutes a "Credit Agreement Obligation" under and as defined in the Indenture (whether or not such Obligation is at any time determined not to have been permitted to be incurred under the Indenture).

"Senior Lender Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Senior Lender Claim.

"Senior Lender Documents" means the Senior Credit Agreement, the Senior Collateral Documents, and each of the other agreements, documents and instruments (including each agreement, document or instrument providing for or evidencing a Senior Lender Hedging Obligation or Senior Lender Cash Management Obligation) providing for or evidencing any other Obligation under the Credit Agreement or any Future First-Lien Credit Facility or any Future Other First-Lien Obligations, and any other related document or instrument executed or delivered pursuant to any Senior Lender Document at any time or otherwise evidencing any Senior Lender Claims.

"Senior Lender Hedging Obligations" means any Hedging Obligations secured by any Common Collateral under the same Senior Collateral Documents that secure Obligations under the Senior Credit Agreement.

"Senior Lenders" means the Persons holding Senior Lender Claims, including the Credit Agent.

"Subsidiary" means any "Subsidiary" of either Company, as defined in the Indenture or the Senior Credit Agreement.

"Trustee" means Wells Fargo Bank Minnesota, National Association, in its capacity as trustee under the Indenture and collateral agent under the Noteholder Collateral Documents, and also includes its successors hereunder as collateral agent for the Noteholders under the Noteholder Collateral Documents.

"Uniform Commercial Code" or "UCC" means the Uniform Commercial Code as from time to time in effect in the State of New York.

(b) Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified, (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections shall be construed to refer to Sections of this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 2. LIEN PRIORITIES.

2.1 Subordination. Notwithstanding the date, manner or order of grant, attachment or perfection of any Liens granted to the Trustee or the Noteholders on the Common Collateral or of any Liens granted to the Credit Agent or the Senior Lenders on the Common Collateral and notwithstanding any provision of the UCC, or any applicable law or the Noteholder Documents or the Senior Lender Documents or any other circumstance whatsoever, the Trustee, on behalf of itself and the Noteholders, hereby agrees that: (a) any Lien on the Common Collateral securing any Senior Lender Claims now or hereafter held by or on behalf of the Credit Agent or any Senior Lenders or any agent or trustee therefor shall be senior in all respects and prior to any Lien on the Common Collateral securing any of the Noteholder Claims; and (b) any Lien on the Common Collateral now or hereafter held by or on behalf of the Trustee or any Noteholders or any agent or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Common Collateral securing any Senior Lender Claims. All Liens on the Common Collateral securing any Senior Lender Claims shall be and remain senior in all respects and prior to all Liens on the Common Collateral securing any Noteholder Claims for all purposes, whether or not such Liens securing any Senior Lender Claims are subordinated to any Lien securing any other obligation of either Company, any other Grantor or any other Person.

2.2 Prohibition on Contesting Liens. Each of the Trustee, for itself and on behalf of each Noteholder, and the Credit Agent, for itself and on behalf of each Senior Lender, agrees that it shall not (and hereby waives any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the priority, validity or enforceability of a Lien held by or on behalf of any of the Senior Lenders in the Senior Lender Collateral or by or on behalf of any of the Noteholders in the Common Collateral, as the case may be; provided that nothing in this Agreement shall be construed to prevent or impair the rights of the Credit Agent or any Senior Lender to enforce this Agreement, including the priority of the Liens securing the Senior Lender Claims as provided in Section 2.1.

2.3 No New Liens. So long as the Discharge of Senior Lender Claims has not occurred, (a) the parties hereto agree that, after the date hereof, if the Trustee shall hold any Lien on any assets of either Company or any other Grantor securing any Noteholder Claims that are not also subject to the first-priority Lien of the Credit Agent under the Senior Lender Documents, the Trustee, upon demand by the Credit Agent or the Companies, will either release such Lien or assign it to the Credit Agent as security for the Senior Lender Claims, and (b) each of the Companies agrees that it will not, and will not permit any Subsidiary to, grant or permit to exist any Lien on any assets of either Company or any of its Subsidiaries to secure any Noteholder Claim unless a perfected prior Lien on the same assets has been granted to secure the Senior Lender Claims.

SECTION 3. ENFORCEMENT.

3.1 Exercise of Remedies.

(a) So long as the Discharge of Senior Lender Claims has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against either

Company or any other Grantor, (i) the Trustee and the Noteholders will not exercise or seek to exercise any rights or remedies (including set-off) with respect to any Common Collateral, institute any action or proceeding with respect to such rights or remedies (including any action of foreclosure), contest, protest or object to any foreclosure proceeding or action brought by the Credit Agent or any Senior Lender, the exercise of any right under any lockbox agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which the Trustee or any Noteholder is a party, or any other exercise by any such party, of any rights and remedies relating to the Common Collateral under the Senior Lender Documents or otherwise, or object to the forbearance by the Senior Lenders from bringing or pursuing any foreclosure proceeding or action or any other exercise of any rights or remedies relating to the Common Collateral and (ii) the Credit Agent and the Senior Lenders shall have the exclusive right to enforce rights, exercise remedies (including set-off and the right to credit bid their debt) and make determinations regarding the release, disposition, or restrictions with respect to the Common Collateral without any consultation with or the consent of the Trustee or any Noteholder; provided, that (A) in any Insolvency or Liquidation Proceeding commenced by or against either Company or any Grantor, the Trustee may file a claim or statement of interest with respect to the Noteholder Claims, and (B) the Trustee may take any action (not adverse to the prior Liens on the Common Collateral securing the Senior Lender Claims, or the rights of the Credit Agent or the Senior Lenders to exercise remedies in respect thereof) in order to preserve or protect its Lien on the Common Collateral. In exercising rights and remedies with respect to the Common Collateral, the Credit Agent and the Senior Lenders may enforce the provisions of the Senior Lender Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of Common Collateral upon foreclosure, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a secured lender under the Uniform Commercial Code of any applicable jurisdiction and of a secured creditor under Bankruptcy Laws of any applicable jurisdiction.

(b) The Trustee, on behalf of itself and the Noteholders, agrees that it will not take or receive any Common Collateral or any proceeds of Common Collateral in connection with the exercise of any right or remedy (including set-off) with respect to any Common Collateral, unless and until the Discharge of Senior Lender Claims has occurred. Without limiting the generality of the foregoing, unless and until the Discharge of Senior Lender Claims has occurred, except as expressly provided in the proviso in clause (ii) of Section 3.1(a) above, the sole right of the Trustee and the Noteholders with respect to the Common Collateral is to hold a Lien on the Common Collateral pursuant to the Noteholder Documents for the period and to the extent granted therein and to receive a share of the proceeds thereof, if any, after the Discharge of the Senior Lender Claims has occurred.

(c) Subject to the proviso in clause (ii) of Section 3.1(a) above, (i) the Trustee, for itself or on behalf of the Noteholders, agrees that the Trustee and the Noteholders will not take any action that would hinder any exercise of remedies undertaken by the Credit Agent under the Senior Loan Documents, including any sale, lease, exchange, transfer or other disposition of the Common Collateral, whether by foreclosure or otherwise, and (ii) the Trustee, for itself and on behalf of the Noteholders, hereby waives any and all rights it or the Noteholders may have as a junior lien creditor or otherwise to object to the manner in which the Credit Agent or the Senior

Lenders seek to enforce or collect the Senior Lender Claims or the Liens granted in any of the Senior Lender Collateral, regardless of whether any action or failure to act by or on behalf of the Credit Agent or Senior Lenders is adverse to the interest of the Noteholders.

(d) The Trustee hereby acknowledges and agrees that no covenant, agreement or restriction contained in any Noteholder Document shall be deemed to restrict in any way the rights and remedies of the Credit Agent or the Senior Lenders with respect to the Common Collateral as set forth in this Agreement and the Senior Lender Documents.

3.2 Cooperation. Subject to the proviso in clause (ii) of Section 3.1(a) above, the Trustee, on behalf of itself and the Noteholders, agrees that, unless and until the Discharge of Senior Lender Claims has occurred, it will not commence, or join with any Person (other than the Senior Lenders and the Credit Agent upon the request thereof) in commencing, any enforcement, collection, execution, levy or foreclosure action or proceeding with respect to any Lien held by it under any of the Noteholder Documents or otherwise.

SECTION 4. PAYMENTS.

4.1 Application of Proceeds. As long as the Discharge of Senior Lender Claims has not occurred, the Common Collateral or proceeds thereof received in connection with the sale or other disposition of, or collection on, such Common Collateral upon the exercise of remedies, shall be applied by the Credit Agent to the Senior Lender Claims in such order as specified in the relevant Senior Lender Documents until the Discharge of Senior Lender Claims has occurred. Upon the Discharge of the Senior Lender Claims, the Credit Agent shall deliver to the Trustee any proceeds of Common Collateral held by it in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct to be applied by the Trustee to the Noteholder Claims in such order as specified in the relevant Noteholder Documents.

4.2 Payments Over. Any Common Collateral or proceeds thereof received by the Trustee or any Noteholder in connection with the exercise of any right or remedy (including set-off) relating to the Common Collateral in contravention of this Agreement shall be segregated and held in trust and forthwith paid over to the Credit Agent for the benefit of the Senior Lenders in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. The Credit Agent is hereby authorized to make any such endorsements as agent for the Trustee or any such Noteholder. This authorization is coupled with an interest and is irrevocable.

SECTION 5. OTHER AGREEMENTS.

5.1 Releases.

(a) If in connection with:

(i) the exercise of the Credit Agent's remedies in respect of the Common Collateral provided for in Section 3.1, including any sale, lease, exchange, transfer or other disposition of any such Common Collateral;

(ii) any sale, lease, exchange, transfer or other disposition of any Common Collateral permitted under the terms of the Senior Credit Agreement (whether or not an event of default thereunder, and as defined therein, has occurred and is continuing) and permitted or not prohibited under Section 4.06 of the Indenture (Asset Sales); or

(iii) any agreement between the Credit Agent and either Company or any other Grantor to release the Credit Agent's Lien on any portion of the Common Collateral or to release any Grantor from its obligations under its guaranty of the Senior Lender Claims, provided that after giving effect to the release, Obligations secured by the first priority Liens on the remaining Common Collateral remain outstanding;

the Credit Agent, for itself or on behalf of any of the Senior Lenders, releases any of its Liens on any part of the Common Collateral (or any Grantor from its obligations under its guaranty of the Senior Lender Claims), the Liens, if any, of the Trustee, for itself or for the benefit of the Noteholders, on such Common Collateral (and the obligations of such Grantor under its guaranty of the Noteholder Claims) shall be automatically, unconditionally and simultaneously released and the Trustee, for itself or on behalf of any such Noteholder, promptly shall execute and deliver to the Credit Agent or such Grantor such termination statements, releases and other documents as the Credit Agent or such Grantor may request to effectively confirm such release; provided that a Grantor shall not be released from its guaranty of the Noteholder Claims pursuant to this Section if such Grantor will remain liable under a guaranty in respect of the Senior Subordinated Notes (as defined in the Indenture).

(b) The Trustee, for itself and on behalf of the Noteholders, hereby irrevocably constitutes and appoints the Credit Agent and any officer or agent of the Credit Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Trustee or such holder or in the Credit Agent's own name, from time to time in the Credit Agent's discretion, for the purpose of carrying out the terms of this Section 5.1, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Section 5.1, including any termination statements, endorsements or other instruments of transfer or release.

5.2 Insurance. Unless and until the Discharge of Senior Lender Claims has occurred, the Credit Agent and the Senior Lenders shall have the sole and exclusive right, subject to the rights of the Grantors under the Senior Lender Documents, to adjust settlement for any insurance policy covering the Common Collateral in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding affecting the Common Collateral. Unless and until the Discharge of Senior Lender Claims has occurred, all proceeds of any such policy and any such award if in respect to the Common Collateral shall be paid to the Credit Agent for the benefit of the Senior Lenders to the extent required under the Senior Lender Documents and thereafter to the Trustee for the benefit of the Noteholders to the extent required under the applicable Noteholder Documents and then to the owner of the subject property or as a court of competent jurisdiction may otherwise direct. If the Trustee or any Noteholder shall, at any time, receive any proceeds of any such insurance policy or any such award in contravention of this Agreement, it shall pay such proceeds over to the Credit Agent in accordance with the terms of Section 4.2.

5.3 Amendments to Noteholder Collateral Documents.

(a) Without the prior written consent of the Credit Agent and the Required Lenders, no Noteholder Collateral Document may be amended, supplemented or otherwise modified or entered into to the extent such amendment, supplement or modification, or the terms of any new Noteholder Collateral Document, would be prohibited by or inconsistent with any of the terms of the Senior Lender Documents. The Trustee agrees that each Noteholder Collateral Document shall include the following language (or language to similar effect approved by the Credit Agent):

> "Notwithstanding anything herein to the contrary, the lien and security interest granted to the Trustee pursuant to this Agreement and the exercise of any right or remedy by the Trustee hereunder are subject to the provisions of the Intercreditor Agreement, dated as of May 6, 2002 (as amended, supplemented or otherwise modified from time to time, the "Intercreditor Agreement"), among ON Semiconductor Corporation, Semiconductor Components Industries, LLC, JPMorgan Chase Bank, as Credit Agent, and Wells Fargo Bank Minnesota, National Association, as Trustee. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern."

In addition, the Trustee agrees that each Noteholder Mortgage covering any Common Collateral shall contain such other language as the Credit Agent may reasonably request to reflect the subordination of such Noteholder Mortgage to the Senior Collateral Document covering such Common Collateral.

(b) In the event the Credit Agent or the Senior Lenders enter into any amendment, waiver or consent in respect of any of the Senior Collateral Documents for the purpose of adding to, or deleting from, or waiving or consenting to any departures from any provisions of, any Senior Collateral Document or changing in any manner the rights of the Credit Agent, the Senior Lenders, either Company or any other Grantor thereunder, then such amendment, waiver or consent shall apply automatically to any comparable provision of the Indenture and the Comparable Noteholder Collateral Document without the consent of the Trustee or the Noteholders and without any action by the Trustee, either Company or any other Grantor, provided, that (A) no such amendment, waiver or consent shall have the effect of removing assets subject to the Lien of the Noteholder Collateral Documents, except to the extent that a release of such Lien is permitted by Section 5.1 and (B) notice of such amendment, waiver or consent shall have been given to the Trustee.

5.4 Rights As Unsecured Creditors. Notwithstanding anything to the contrary in this Agreement, the Trustee and the Noteholders may exercise rights and remedies as an unsecured creditor against either Company or any Subsidiary that has guaranteed the Noteholder Claims in accordance with the terms of the Noteholder Documents and applicable law. Nothing in this Agreement shall prohibit the receipt by the Trustee or any Noteholders of the required payments of interest and principal so long as such receipt is not the direct or indirect result of the exercise by the Trustee or any Noteholder of rights or remedies as a secured creditor or enforcement in contravention of this Agreement of any Lien held by any of them. In the event the Trustee or any Noteholder becomes a judgment lien creditor in respect of Common Collateral

as a result of its enforcement of its rights as an unsecured creditor, such judgment lien shall be subordinated to the Liens securing Senior Lender Claims on the same basis as the other Liens securing the Noteholder Claims are so subordinated to such Senior Lender Claims under this Agreement. Nothing in this Agreement impairs or otherwise adversely affects any rights or remedies the Credit Agent or the Senior Lenders may have with respect to the Senior Lender Collateral.

5.5 Bailee for Perfection.

(a) The Credit Agent agrees to hold the Pledged Collateral that is part of the Common Collateral in its possession or control (or in the possession or control of its agents or bailees) as bailee for the Trustee and any assignee solely for the purpose of perfecting the security interest granted in such Pledged Collateral pursuant to the Noteholder Pledge Agreement, subject to the terms and conditions of this Section 5.5.

(b) Until the Discharge of Senior Lender Claims has occurred, the Credit Agent shall be entitled to deal with the Pledged Collateral in accordance with the terms of the Senior Lender Documents as if the Liens of the Trustee under the Noteholder Collateral Documents did not exist. The rights of the Trustee shall at all times be subject to the terms of this Agreement and to the Credit Agent's rights under the Senior Lender Documents.

(c) The Credit Agent shall have no obligation whatsoever to the Trustee or any Noteholder to assure that the Pledged Collateral is genuine or owned by any of the Grantors or to preserve rights or benefits of any Person except as expressly set forth in this Section 5.5. The duties or responsibilities of the Credit Agent under this Section 5.5 shall be limited solely to holding the Pledged Collateral as bailee for the Trustee for purposes of perfecting the Lien held by the Trustee.

(d) The Credit Agent shall not have by reason of the Noteholder Collateral Documents or this Agreement or any other document a fiduciary relationship in respect of the Trustee or any Noteholder.

(e) Upon the Discharge of Senior Lender Claims, the Credit Agent shall deliver to the Trustee the remaining Pledged Collateral (if any) together with any necessary endorsements (or otherwise allow the Trustee to obtain control of such Pledged Collateral) or as a court of competent jurisdiction may otherwise direct.

5.6 When Discharge of Senior Lender Claims Deemed to Not Have Occurred. If at any time after the Discharge of Senior Lender Claims has occurred the Companies designate any Future First-Lien Credit Facility to be the "Senior Credit Agreement" hereunder, then such Discharge of Senior Lender Claims shall automatically be deemed not to have occurred for all purposes of this Agreement (other than with respect to any actions taken prior to the date of such designation as a result of the occurrence of such first Discharge of Senior Lender Claims), and such Future First-Lien Credit Facility shall automatically be treated as the Senior Credit Agreement for all purposes of this Agreement, including for purposes of the Lien priorities and rights in respect of Common Collateral set forth herein. Upon receipt of notice of such designation (including the identity of the new Credit Agent), the Trustee shall promptly (i) enter

into such documents and agreements (including amendments or supplements to this Agreement) as either Company or such new Credit Agent shall request in order to provide to the new Credit Agent the rights of the Credit Agent contemplated hereby and (ii) deliver to the Credit Agent the Pledged Collateral together with any necessary endorsements (or otherwise allow such Credit Agent to obtain control of such Pledged Collateral).

SECTION 6. INSOLVENCY OR LIQUIDATION PROCEEDINGS.

6.1 Financing Issues. If either Company or any other Grantor shall be subject to any Insolvency or Liquidation Proceeding and the Credit Agent shall desire to permit the use of cash collateral or to permit either Company or any other Grantor to obtain financing under Section 363 or Section 364 of Title 11 of the United States Code or any similar Bankruptcy Law ("DIP Financing"), then the Trustee, on behalf of itself and the Noteholders, agrees that it will raise no objection to such use of cash collateral or DIP Financing and will not request adequate protection or any other relief in connection therewith (except to the extent permitted by Section 6.3) and, to the extent the Liens securing the Senior Lender Claims are subordinated or pari passu with such DIP Financing, will subordinate its Liens in the Common Collateral to such DIP Financing (and all Obligations relating thereto) on the same basis as the other Liens securing the Noteholder Claims are so subordinated to Senior Lender Claims under this Agreement.

6.2 Relief from the Automatic Stay. Until the Discharge of Senior Lender Claims has occurred, the Trustee, on behalf of itself and the Noteholders, agrees that none of them shall seek relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Common Collateral, without the prior written consent of the Credit Agent and the Required Lenders.

6.3 Adequate Protection. The Trustee, on behalf of itself and the Noteholders, agrees that none of them shall contest (or support any other Person contesting) (a) any request by the Credit Agent or the Senior Lenders for adequate protection or (b) any objection by the Credit Agent or the Senior Lenders to any motion, relief, action or proceeding based on the Credit Agent or the Senior Lenders claiming a lack of adequate protection. Notwithstanding the foregoing contained in this Section 6.3, in any Insolvency or Liquidation Proceeding, (i) if the Senior Lenders (or any subset thereof) are granted adequate protection in the form of additional collateral in connection with any DIP Financing or use of cash collateral under Section 363 or Section 364 of Title 11 of the United States Code or any similar Bankruptcy Law, then the Trustee, on behalf of itself or any of the Noteholders, may seek or request adequate protection in the form of a replacement Lien on such additional collateral, which Lien is subordinated to the Liens securing the Senior Lender Claims and such DIP Financing (and all Obligations relating thereto) on the same basis as the other Liens securing the Noteholder Claims are so subordinated to the Senior Lender Claims under this Agreement, and (ii) in the event the Trustee, on behalf of itself and the Noteholders, seeks or requests adequate protection and such adequate protection is granted in the form of additional collateral, then the Trustee, on behalf of itself or any of the Noteholders, agrees that the Credit Agent shall also be granted a senior Lien on such additional collateral as security for the Senior Lender Claims and any such DIP Financing and that any Lien on such additional collateral securing the Noteholder Claims shall be subordinated to the Liens on such collateral securing the Senior Lender Claims and any such DIP Financing (and all Obligations relating thereto) and any other Liens granted to the Senior Lenders as adequate

protection on the same basis as the other Liens securing the Noteholder Claims are so subordinated to such Senior Lender Claims under this Agreement.

6.4 No Waiver. Nothing contained herein shall prohibit or in any way limit the Credit Agent or any Senior Lender from objecting in any Insolvency or Liquidation Proceeding or otherwise to any action taken by the Trustee or any of the Noteholders, including the seeking by the Trustee or any Noteholder of adequate protection or the asserting by the Trustee or any Noteholder of any of its rights and remedies under the Noteholder Documents or otherwise.

6.5 Preference Issues. If any Senior Lender is required in any Insolvency or Liquidation Proceeding or otherwise to turn over or otherwise pay to the estate of either Company or any other Grantor any amount (a "Recovery"), then the Senior Lender Claims shall be reinstated to the extent of such Recovery and the Senior Lenders shall be entitled to a Discharge of Senior Lender Claims with respect to all such recovered amounts. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto from such date of reinstatement.

SECTION 7. RELIANCE; WAIVERS; ETC.

7.1 Reliance. The consent by the Senior Lenders to the execution and delivery of the Noteholder Documents and the grant to the Trustee on behalf of the Noteholders of a Lien on the Common Collateral and all loans and other extensions of credit made or deemed made on and after the date hereof by the Senior Lenders to either Company or any Grantor shall be deemed to have been given and made in reliance upon this Agreement. The Trustee, on behalf of itself and the Noteholders, acknowledges that it and the Noteholders have, independently and without reliance on the Credit Agent or any Senior Lender, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into the Indenture, this Agreement and the transactions contemplated hereby and thereby and they will continue to make their own credit decision in taking or not taking any action under the Indenture or this Agreement.

7.2 No Warranties or Liability. The Trustee, on behalf of itself and Noteholders, acknowledges and agrees that each of the Credit Agent and the Senior Lenders have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the Senior Lender Documents, the ownership of any Common Collateral or the perfection or priority of any Liens thereon. The Senior Lenders will be entitled to manage and supervise their respective loans and extensions of credit under the Senior Lender Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate, and the Senior Lenders may manage their loans and extensions of credit without regard to any rights or interests that the Trustee or any of the Noteholders have in the Common Collateral or otherwise, except as otherwise provided in this Agreement. Neither the Credit Agent nor any Senior Lender shall have any duty to the Trustee or any of the Noteholders to act or refrain from acting in a manner which allows, or results in, the occurrence or continuance of an event of default or default under

any agreements with either Company or any Subsidiary thereof (including the Noteholder Documents), regardless of any knowledge thereof which they may have or be charged with.

7.3 No Waiver of Lien Priorities.

(a) No right of the Senior Lenders, the Credit Agent or any of them to enforce any provision of this Agreement or any Senior Lender Document shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of either Company or any other Grantor or by any act or failure to act by any Senior Lender or the Credit Agent, or by any noncompliance by any Person with the terms, provisions and covenants of this Agreement, any of the Senior Lender Documents or any of the Noteholder Documents, regardless of any knowledge thereof which the Credit Agent or the Senior Lenders, or any of them, may have or be otherwise charged with;

(b) Without in any way limiting the generality of the foregoing paragraph (but subject to the rights of the Companies and the other Grantors under the Senior Lender Documents), the Senior Lenders, the Credit Agent and any of them, may, at any time and from time to time, without the consent of, or notice to, the Trustee or any Noteholder, without incurring any liabilities to the Trustee or any Noteholder and without impairing or releasing the Lien priorities and other benefits provided in this Agreement (even if any right of subrogation or other right or remedy of the Trustee or any Noteholder is affected, impaired or extinguished thereby) do any one or more of the following:

(i) change the manner, place or terms of payment or change or extend the time of payment of, or amend, renew, exchange, increase or alter, the terms of any of the Senior Lender Claims or any Lien on any Senior Lender Collateral or guaranty thereof or any liability of either Company or any other Grantor, or any liability incurred directly or indirectly in respect thereof (including any increase in or extension of the Senior Lender Claims, without any restriction as to the amount, tenor or terms of any such increase or extension) or otherwise amend, renew, exchange, extend, modify or supplement in any manner any Liens held by the Credit Agent or any of the Senior Lenders, the Senior Lender Claims or any of the Senior Lender Documents;

(ii) sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and in any order any part of the Senior Lender Collateral or any liability of either Company or any other Grantor to the Senior Lenders or the Credit Agent, or any liability incurred directly or indirectly in respect thereof;

(iii) settle or compromise any Senior Lender Claim or any other liability of either Company or any other Grantor or any security therefor or any liability incurred directly or indirectly in respect thereof and apply any sums by whomsoever paid and however realized to any liability (including the Senior Lender Claims) in any manner or order; and

(iv) exercise or delay in or refrain from exercising any right or remedy against either Company or any security or any other Grantor or any other Person, elect any remedy and otherwise deal freely with either Company, any other Grantor or any

Senior Lender Collateral and any security and any guarantor or any liability of either Company or any other Grantor to the Senior Lenders or any liability incurred directly or indirectly in respect thereof.

(c) The Trustee, on behalf of itself and the Noteholders, also agrees that the Senior Lenders and the Credit Agent shall have no liability to the Trustee or any Noteholder, and the Trustee, on behalf of itself and the Noteholders, hereby waives any claim against any Senior Lender or the Credit Agent, arising out of any and all actions which the Senior Lenders or the Credit Agent may take or permit or omit to take with respect to: (i) the Senior Lender Documents, (ii) the collection of the Senior Lender Claims or (iii) the foreclosure upon, or sale, liquidation or other disposition of, any Senior Lender Collateral. The Trustee, on behalf of itself and the Noteholders, agrees that the Senior Lenders and the Credit Agent have no duty to them in respect of the maintenance or preservation of the Senior Lender Collateral, the Senior Lender Claims or otherwise; and

(d) The Trustee, on behalf of itself and the Noteholders, agrees not to assert and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or otherwise claim the benefit of, any marshalling, appraisal, valuation or other similar right that may otherwise be available under applicable law or any other similar rights a junior secured creditor may have under applicable law.

7.4 Obligations Unconditional. All rights, interests, agreements and obligations of the Credit Agent and the Senior Lenders and the Trustee and the Noteholders, respectively, hereunder shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of any Senior Lender Documents or any Noteholder Documents;

(b) any change in the time, manner or place of payment of, or in any other terms of, all or any of the Senior Lender Claims or Noteholder Claims, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of the Senior Credit Agreement or any other Senior Lender Document or of the terms of the Indenture or any other Noteholder Document;

(c) any exchange of any security interest in any Common Collateral or any other collateral, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the Senior Lender Claims or Noteholder Claims or any guarantee thereof;

(d) the commencement of any Insolvency or Liquidation Proceeding in respect of either Company or any other Grantor; or

(e) any other circumstances which otherwise might constitute a defense available to, or a discharge of, either Company or any other Grantor in respect of the Senior Lender Claims, or of the Trustee or any Noteholder in respect of this Agreement.

SECTION 8. MISCELLANEOUS.

8.1 Conflicts. In the event of any conflict between the provisions of this Agreement and the provisions of the Senior Lender Documents or the Noteholder Documents, the provisions of this Agreement shall govern.

8.2 Continuing Nature of this Agreement; Severability. This Agreement shall continue to be effective until the Discharge of Senior Lender Claims shall have occurred. This is a continuing agreement of lien subordination and the Senior Lenders may continue, at any time and without notice to the Trustee or any Noteholder, to extend credit and other financial accommodations and lend monies to or for the benefit of either Company or any Grantor constituting Senior Lender Claims on reliance hereof. The Trustee, on behalf of itself and the Noteholders, hereby waives any right it may have under applicable law to revoke this Agreement or any of the provisions of this Agreement. The terms of this Agreement shall survive, and shall continue in full force and effect, in any Insolvency or Liquidation Proceeding. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.3 Amendments; Waivers. No amendment, modification or waiver of any of the provisions of this Agreement by the Trustee or the Credit Agent shall be deemed to be made unless the same shall be in writing signed on behalf of the party making the same or its authorized agent and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. The Companies and other Grantors shall not have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent their rights are directly affected.

8.4 Information Concerning Financial Condition of the Companies and the Subsidiaries. The Credit Agent and the Senior Lenders, on the one hand, and the Trustee and the Noteholders, on the other hand, shall each be responsible for keeping themselves informed of (a) the financial condition of the Companies and the Subsidiaries and all endorsers and/or guarantors of the Noteholder Claims or the Senior Lender Claims and (b) all other circumstances bearing upon the risk of nonpayment of the Noteholder Claims or the Senior Lender Claims. The Credit Agent and the Senior Lenders shall have no duty to advise the Trustee or any Noteholder of information known to it or them regarding such condition or any such circumstances or otherwise. In the event the Credit Agent or any of the Senior Lenders, in its or their sole discretion, undertakes at any time or from time to time to provide any such information to the Trustee or any Noteholder, it or they shall be under no obligation (w) to make, and the Credit Agent and the Senior Lenders shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided, (x) to provide any additional information or to provide any such information on any subsequent occasion, (y) to undertake any investigation or (z) to disclose any information which, pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

8.5 Subrogation. The Trustee, on behalf of itself and the Noteholders, hereby waives any rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of Senior Lender Claims has occurred.

8.6 Application of Payments. All payments received by the Senior Lenders may be applied, reversed and reapplied, in whole or in part, to such part of the Senior Lender Claims as the Senior Lenders, in their sole discretion, deem appropriate. The Trustee, on behalf of itself and the Noteholders, assents to any extension or postponement of the time of payment of the Senior Lender Claims or any part thereof and to any other indulgence with respect thereto, to any substitution, exchange or release of any security which may at any time secure any part of the Senior Lender Claims and to the addition or release of any other Person primarily or secondarily liable therefor.

8.7 Consent to Jurisdiction; Waivers. The parties hereto consent to the jurisdiction of any state or federal court located in New York, New York, and consent that all service of process may be made by registered mail directed to such party as provided in Section 8.8 below for such party. Service so made shall be deemed to be completed three days after the same shall be posted as aforesaid. The parties hereto waive any objection to any action instituted hereunder based on forum non conveniens, and any objection to the venue of any action instituted hereunder. Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Agreement or any other Loan Document, or any course of conduct, course of dealing, verbal or written statement or action of any party hereto.

8.8 Notices. All notices to the Noteholders and the Senior Lenders permitted or required under this Agreement may be sent to the Trustee and the Credit Agent, respectively. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, electronically mailed or sent by courier service or U.S. mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a telecopy or electronic mail or four Business Days after deposit in the U.S. mail (registered or certified, with postage prepaid and properly addressed). For the purposes hereof, the addresses of the parties hereto shall be as set forth below each party's name on the signature pages hereto, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties.

8.9 Further Assurances. The Trustee, on behalf of itself and the Noteholders, agrees that each of them shall take such further action and shall execute and deliver to the Credit Agent and the Senior Lenders such additional documents and instruments (in recordable form, if requested) as the Credit Agent or the Senior Lenders may reasonably request to effectuate the terms of and the lien priorities contemplated by this Agreement.

8.10 Governing Law. This Agreement has been delivered and accepted at and shall be deemed to have been made at New York, New York and shall be interpreted, and the rights and liabilities of the parties bound hereby determined, in accordance with the laws of the State of New York.

8.11 Binding on Successors and Assigns. This Agreement shall be binding upon the Credit Agent, the Senior Lenders, the Trustee, the Noteholders, the Companies and their respective permitted successors and assigns.

8.12 Specific Performance. The Credit Agent may demand specific performance of this Agreement. The Trustee, on behalf of itself and the Noteholders, hereby irrevocably waives any defense based on the adequacy of a remedy at law and any other defense which might be asserted to bar the remedy of specific performance in any action which may be brought by the Credit Agent.

8.13 Section Titles; Time Periods. The section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Agreement.

8.14 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall together constitute one and the same document.

8.15 Authorization. By its signature, each Person executing this Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Agreement.

8.16 No Third Party Beneficiaries. This Agreement and the rights and benefits hereof shall inure to the benefit of each of the parties hereto and their respective successors and assigns and shall inure to the benefit of each of the holders of Senior Lender Claims and Noteholder Claims. No other Person shall have or be entitled to assert rights or benefits hereunder.

8.17 Effectiveness. This Agreement shall become effective when executed and delivered by the parties hereto. This Agreement shall be effective both before and after the commencement of any Insolvency or Liquidation Proceeding. All references to the Companies or any other Grantor shall include any Company or Grantor as debtor and debtor-in-possession and any receiver or trustee for any Company or any other Grantor (as the case may be) in any Insolvency or Liquidation Proceeding.

8.18 Credit Agent and Trustee. It is understood and agreed that (a) JPMorgan Chase Bank is entering into this Agreement in its capacity as Credit Agent and the provisions of Article VIII of the Existing Credit Agreement applicable to JPMorgan Chase Bank as administrative agent thereunder shall also apply to JPMorgan Chase Bank as Credit Agent hereunder, and (b) Wells Fargo Bank Minnesota, National Association is entering in this Agreement in its capacity as Trustee and the provisions of Article 7 of the Indenture applicable to the Trustee thereunder shall also apply to the Trustee hereunder.

8.19 Designations. For purposes of the provisions hereof and the Indenture requiring the Companies to designate Indebtedness for the purposes of the term "Credit Agreement Obligations" under the Indenture, "First-Lien Credit Facilities" or any other designations for any other purposes hereunder or under the Indenture, any such designation shall

be sufficient if the relevant designation is set forth in writing, signed on behalf of the Companies by an officer thereof and delivered to the Trustee and the Credit Agent. For all purposes hereof and the Indenture, the Companies hereby designate the Credit Facilities provided pursuant to the Existing Credit Agreement as the First-Lien Credit Facility and any Obligations in respect of the Existing Credit Agreement as "Credit Agreement Obligations" under the Indenture.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

Credit Agent:

JPMORGAN CHASE BANK, as Credit Agent,

By: /s/ Edmund DeForest

Name: Edmund DeForest
Title: Vice President

Address:

270 Park Avenue
New York, New York 10017
Attention: Corporate Banking
Telecopy No.: (212) 270-4584

Trustee:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee,

By: /s/ Joseph P. O'Donnell

Name: Joseph P. O'Donnell
Title: Corporate Trust Officer

Address:

213 Court Street
Suite 902
Middletown, CT 06457
Attention: Corporate Trust Services
Telecopy No.: (860) 704-6219

ON SEMICONDUCTOR CORPORATION,

By: /s/ John T. Kurtzweil

Name: John T. Kurtzweil
Title: Senior Vice President, Chief Financial Officer, and Treasurer

Address:

5005 East McDowell Road
Phoenix, Arizona 85005
Attention: General Counsel
Telecopy No.: (602) 244-5601

SEMICONDUCTOR COMPONENTS INDUSTRIES,
LLC,

By: /s/ John T. Kurtzweil

Name: John T. Kurtzweil
Title: Senior Vice President, Chief Financial
Officer and Treasurer

Address:

5005 East McDowell Road
Phoenix, Arizona 85005
Attention: General Counsel
Telecopy No.: (602) 244-5601

EXHIBIT 10.5

SECURITY AGREEMENT dated as of May 6, 2002,

among SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company ("SCI LLC"), ON SEMICONDUCTOR CORPORATION, a Delaware corporation (the "Company" and, together with SCI LLC, the "Issuers"), each subsidiary of the Company listed on Schedule I hereto (each such subsidiary individually a "Subsidiary" or a "Guarantor" and, collectively, the "Subsidiaries" or the "Guarantors"; the Guarantors and the Issuers are referred to collectively herein as the "Grantors") and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association ("Wells Fargo Bank"), as trustee under the Indenture referred to below and as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined herein).

W I T N E S S E T H:

WHEREAS, pursuant to the terms, conditions and provisions of (a) the Indenture dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture"), among the Issuers, the Guarantors and Wells Fargo Bank, as trustee (the "Trustee"), and (b) the Purchase Agreement dated as of May 1, 2002, among the Issuers, the Guarantors and Credit Suisse First Boston Corporation, Morgan Stanley & Co. Incorporated, Salomon Smith Barney Inc. and J.P. Morgan Securities Inc. (the "Initial Purchasers"), the Issuers are issuing $300,000,000 aggregate principal amount of 12% Senior Secured Notes due 2008 and may issue, from time to time, additional notes in accordance with the provisions of the Indenture (collectively, the "Notes") which will be guaranteed on a senior secured basis by each of the Guarantors;

WHEREAS, pursuant to the Security Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time), among the Issuers, each of the subsidiaries of the Company party thereto or which becomes a party thereto pursuant to the Credit Agreement referred to below (together with the Issuers, each a "Credit Agreement Grantor" and, collectively, the "Credit Agreement Grantors") and JPMorgan Chase Bank (as successor to The Chase Manhattan Bank), a New York banking corporation ("JPMorgan"), as collateral agent, the Credit Agreement Grantors have granted to the Senior Agent (as defined below) a first-priority lien and security interest in the Collateral (as defined below) in connection with the Credit Agreement dated as of August 4, 1999, as amended and restated as of April 3, 2000 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among SCI LLC, as borrower, the Company, the lenders from time to time party thereto (the "Lenders"), JPMorgan, as administrative agent, collateral agent and syndication agent (in such capacity, the "Senior Agent") for the Lenders, and Credit Lyonnais New York Branch, Credit Suisse First Boston and Lehman Commercial Paper Inc., as co-documentation agents;

WHEREAS, the Issuers, the Collateral Agent and the Senior Agent have entered into an Intercreditor Agreement, dated as of the date hereof (the "Intercreditor Agreement"), pursuant to which the lien and security interest in the Collateral granted by this Agreement are and shall be subordinated in all respects to the lien and security interest in the Collateral granted pursuant to, and all terms and conditions of, the Senior Lender Documents;

WHEREAS, each Grantor is executing and delivering this Agreement pursuant to the terms of the Indenture to induce the Trustee to enter into the Indenture and the Initial Purchasers to purchase the Notes; and

WHEREAS, each Grantor has duly authorized the execution, delivery and performance of this Agreement.

NOW, THEREFORE, for and in consideration of the premises, and of the mutual covenants herein contained, and in order to induce the Trustee to enter into the Indenture and the Initial Purchasers to purchase the Notes, each Grantor and the Collateral Agent, on behalf of itself and each Secured Party (and each of their respective successors or assigns), hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Definition of Terms Used Herein. Unless the context otherwise requires, all capitalized terms used but not defined herein shall have the meanings set forth in the Indenture.

SECTION 1.02. Definition of Certain Terms Used Herein. As used herein, the following terms shall have the following meanings:

"Account Debtor" shall mean any Person who is or who may become obligated to any Grantor under, with respect to or on account of an Account.

"Accounts" shall mean all "accounts" (as defined in the Uniform Commercial Code as in effect in the State of New York ("UCC")) of any Grantor and shall include any and all right, title and interest of any Grantor to payment for goods and services sold or leased, including any such right evidenced by chattel paper, whether due or to become due, whether or not it has been earned by performance, and whether now or hereafter acquired or arising in the future, including accounts receivable from Affiliates of the Grantors.

"Accounts Receivable" shall mean all Accounts and all right, title and interest in any returned goods, together with all rights, titles, securities and guarantees with respect thereto, including any rights to stoppage in transit, replevin, reclamation and resales, and all related security interests, liens and pledges, whether voluntary or involuntary, in each case whether now existing or owned or hereafter arising or acquired.

"Collateral" shall mean all (a) Accounts Receivable, (b) Documents, (c) Equipment, (d) General Intangibles, (e) Inventory, (f) cash and cash accounts, (g) Investment Property and (h) Proceeds.

"Commodity Account" shall mean an account maintained by a Commodity Intermediary in which a Commodity Contract is carried out for a Commodity Customer.

"Commodity Contract" shall mean a commodity futures contract, an option on a commodity futures contract, a commodity option or any other contract that, in each case, is (a) traded on or subject to the rules of a board of trade that has been designated as a contract market for such a contract pursuant to the federal commodities laws or (b) traded on a foreign commodity board of trade, exchange or market, and is carried on the books of a Commodity Intermediary for a Commodity Customer.

"Commodity Customer" shall mean a Person for whom a Commodity Intermediary

carries a Commodity Contract on its books.

"Commodity Intermediary" shall mean (a) a Person who is registered as a futures commission merchant under the federal commodities laws or (b) a Person who in the ordinary course of its business provides clearance or settlement services for a board of trade that has been designated as a contract market pursuant to federal commodities laws.

"Copyright License" shall mean any written agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by any Grantor or which such Grantor otherwise has the right to license, or granting any right to such Grantor under any Copyright now or hereafter owned by any third party, and all rights of such Grantor under any such agreement.

"Copyrights" shall mean all of the following: (a) all copyright rights in any work subject to the copyright laws of the United States or any other country, whether as author, assignee, transferee or otherwise, and (b) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office, including those listed on Schedule II.

"Credit Agreement" shall have the meaning assigned to such term in the recitals of this Agreement.

"Discharge of Senior Lender Claims" shall have the meaning assigned to such term in the Intercreditor Agreement.

"Documents" shall mean all instruments, files, records, ledger sheets and documents covering or relating to any of the Collateral.

"Entitlement Holder" shall mean a Person identified in the records of a Securities Intermediary as the Person having a Security Entitlement against the Securities Intermediary. If a Person acquires a Security Entitlement by virtue of Section 8-501(b)(2) or (3) of the Uniform Commercial Code, such Person is the Entitlement Holder.

"Equipment" shall mean "equipment" (as defined in the UCC) of any Grantor and shall include all equipment, furniture and furnishings, and all tangible personal property similar to any of the foregoing, including tools, parts and supplies of every kind and description, and all improvements, accessions or appurtenances thereto, that are now or hereafter owned by any Grantor. The term Equipment shall include Fixtures.

"Financial Asset" shall mean (a) a Security, (b) an obligation of a Person or a share, participation or other interest in a Person or in property or an enterprise of a Person, which is, or is of a type, dealt with in or traded on financial markets, or which is recognized in any area in which it is issued or dealt in as a medium for investment or (c) any property that is held by a Securities Intermediary for another Person in a Securities Account if the Securities Intermediary has expressly agreed with the other Person that the property is to be treated as a Financial Asset under Article 8 of the Uniform Commercial Code. As the context requires, the term Financial Asset shall mean either the interest itself or the means by which a Person's claim to it is evidenced, including a certificated or uncertificated Security, a certificate representing a Security or a Security Entitlement.

"First-Lien Termination Date" shall mean, subject to Section 5.6 of the Intercreditor Agreement, the date on which the Discharge of Senior Lender Claims occurs.

"Fixtures" shall mean all items of Equipment, whether now owned or hereafter acquired, of any Grantor that become so related to particular real estate that an interest in them arises under

any real estate law applicable thereto.

"General Intangibles" shall mean all "general intangibles" (as defined in the UCC) of any Grantor and shall include choses in action and causes of action and all other assignable intangible personal property of any Grantor of every kind and nature (other than Accounts Receivable) now owned or hereafter acquired by any Grantor, including corporate or other business records, indemnification claims, contract rights (including rights under leases, whether entered into as lessor or lessee, Hedging Agreements and other agreements), Intellectual Property, goodwill, registrations, franchises, tax refund claims and any letter of credit, guarantee, claim, security interest or other security held by or granted to any Grantor to secure payment by an Account Debtor of any of the Accounts Receivable.

"Hedging Agreement" shall mean any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Indenture Documents" shall mean the Indenture, the Notes, this Agreement, the other Security Documents and the Intercreditor Agreement, as such agreements may be amended, supplemented or otherwise modified from time to time.

"Intellectual Property" shall mean all intellectual and similar property of any Grantor of every kind and nature now owned or hereafter acquired by any Grantor, including inventions, designs, Patents, Copyrights, Licenses, Trademarks, trade secrets, confidential or proprietary technical and business information, know-how, show-how or other data or information, software and databases and all embodiments or fixations thereof and related documentation, registrations and franchises, and all additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

"Intercreditor Agreement" shall have the meaning assigned to such term in the recitals of this Agreement.

"Inventory" shall mean "inventory" (as defined in the UCC) of any Grantor and shall include all goods of any Grantor, whether now owned or hereafter acquired, held for sale or lease, or furnished or to be furnished by any Grantor under contracts of service, or consumed in any Grantor's business, including raw materials, intermediates, work in process, packaging materials, finished goods, semi-finished inventory, scrap inventory, manufacturing supplies and spare parts, and all such goods that have been returned to or repossessed by or on behalf of any Grantor.

"Investment Property" shall mean all Securities (whether certificated or uncertificated), Security Entitlements, Securities Accounts, Commodity Contracts and Commodity Accounts of any Grantor, whether now owned or hereafter acquired by any Grantor; provided that Securities shall not include more than 65% of the issued and outstanding voting stock of any Foreign Subsidiaries.

"License" shall mean any Patent License, Trademark License, Copyright License or other license or sublicense to which any Grantor is a party, including those listed on Schedule III (other than those license agreements in existence on the date hereof and listed on Schedule III and those license agreements entered into after the date hereof, which by their terms prohibit assignment or a grant of a security interest by such Grantor as licensee thereunder).

"Obligations" shall mean all obligations of the Issuers and the Guarantors under the Indenture, the Notes and the other Indenture Documents, including obligations to the Trustee and the Collateral Agent, whether for payment of principal of, interest on or additional interest, if any, on the Notes and all other monetary obligations of the Issuers and the Guarantors under the Indenture, the Notes and the other Indenture Documents, whether for fees, expenses,

indemnification or otherwise.

"Other Second-Lien Obligations" means any Indebtedness, other than the Notes, that is secured by a Permitted Lien, described in clause (a) of the definition thereof set forth in the Indenture, which is secured equally and ratably with the Notes by a second-priority security interest in the Collateral, and that is designated by the Company upon incurrence as "Other Second-Lien Obligations".

"Patent License" shall mean any written agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention on which a Patent, now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, is in existence, or granting to any Grantor any right to make, use or sell any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of any Grantor under any such agreement.

"Patents" shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including those listed on Schedule IV, and (b) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.

"Perfection Certificate" shall mean a certificate substantially in the form of Annex 2 hereto, completed and supplemented with the schedules and attachments contemplated thereby, and duly executed by an Officer of the Company and SCI LLC.

"Proceeds" shall mean "proceeds" (as defined in the UCC) of any Grantor and shall include any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral and any payment received from any insurer or other Person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property which constitutes Collateral, and shall include, (a) any claim of any Grantor against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) (i) past, present or future infringement of any Patent now or hereafter owned by any Grantor, or licensed under a Patent License, (ii) past, present or future infringement or dilution of any Trademark now or hereafter owned by any Grantor or licensed under a Trademark License or injury to the goodwill associated with or symbolized by any Trademark now or hereafter owned by any Grantor, (iii) past, present or future breach of any License and (iv) past, present or future infringement of any Copyright now or hereafter owned by any Grantor or licensed under a Copyright License and (b) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Secured Parties" shall mean the Trustee, the Collateral Agent, each Holder and the successors and assigns of each of the foregoing.

"Securities" shall mean any obligations of an issuer or any shares, participations or other interests in an issuer or in property or an enterprise of an issuer which (a) are represented by a certificate representing a security in bearer or registered form, or the transfer of which may be registered upon books maintained for that purpose by or on behalf of the issuer, (b) are one of a class or series or by its terms is divisible into a class or series of shares, participations, interests or obligations and (c)(i) are, or are of a type, dealt with or traded on securities exchanges or securities markets or (ii) are a medium for investment and by their terms expressly provide that they are a security governed by Article 8 of the Uniform Commercial Code.

"Securities Account" shall mean an account to which a Financial Asset is or may be credited in accordance with an agreement under which the Person maintaining the account undertakes to treat the Person for whom the account is maintained as entitled to exercise rights that comprise the Financial Asset.

"Security Entitlements" shall mean the rights and property interests of an Entitlement Holder with respect to a Financial Asset.

"Security Interest" shall have the meaning assigned to such term in Section 2.01.

"Security Intermediary" shall mean (a) a clearing corporation or (b) a Person, including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

"Senior Lender Claims" shall have the meaning assigned to such term in the Intercreditor Agreement.

"Senior Lender Documents" shall have the meaning assigned to such term in the Intercreditor Agreement.

"Trademark License" shall mean any written agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

"Trademarks" shall mean all of the following: (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office, any State of the United States or any similar offices in any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule V, (b) all goodwill associated therewith or symbolized thereby and (c) all other assets, rights and interests that uniquely reflect or embody such goodwill.

SECTION 1.03. Rules of Interpretation. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

ARTICLE II

Security Interest

SECTION 2.01. Security Interest. As security for the payment or performance, as the case may be, in full of the Obligations, each Grantor hereby bargains, sells, conveys, assigns, sets over, mortgages, pledges, hypothecates and transfers to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, and hereby grants to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, a security interest in, all of such Grantor's right, title and interest in, to and under the Collateral (the "Security Interest"). Without limiting the foregoing, in accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, the Collateral Agent is hereby authorized to file one or more financing statements (including fixture filings), continuation statements, filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office or any similar office in any other country) or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest granted by each Grantor, without the signature of any Grantors, and naming any Grantor or the Grantors as debtors and the Collateral Agent as secured party.

SECTION 2.02. No Assumption of Liability. The Security Interest is granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

ARTICLE III

Representations and Warranties

The Grantors jointly and severally represent and warrant to the Collateral Agent and the Secured Parties that:

SECTION 3.01. Title and Authority. Each Grantor has good and valid rights in and title to the Collateral with respect to which it has purported to grant a Security Interest hereunder and has full power and authority to grant to the Collateral Agent the Security Interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person other than any consent or approval which has been obtained.

SECTION 3.02. Filings. (a) The Perfection Certificate has been duly prepared, completed and executed and the information set forth therein is correct and complete in all material respects. Fully executed Uniform Commercial Code financing statements (including fixture filings, as applicable) or other appropriate filings, recordings or registrations containing a description of the Collateral have been delivered to the Collateral Agent for filing in each governmental, municipal or other office specified in Schedule 6 to the Perfection Certificate, which are all the filings, recordings and registrations (other than filings required to be made in the United States Patent and Trademark Office and the United States Copyright Office in order to perfect the Security Interest in Collateral consisting of United States Patents, Trademarks and Copyrights) that are necessary to publish notice of and protect the validity of and to establish a legal, valid and perfected second-priority security interest in favor of the Collateral Agent (for the ratable benefit of the Secured Parties) in respect of all Collateral in which the Security Interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary in any such jurisdiction, except as provided under applicable law with respect to the filing of continuation statements.

(b) Each Grantor shall ensure that fully executed security agreements in the form hereof (or short-form supplements to this Agreement in form and substance satisfactory to the Collateral Agent) and containing a description of all Collateral consisting of Intellectual Property shall have been received and recorded within three months after the execution of this Agreement with respect to United States Patents and United States registered Trademarks (and Trademarks for which United States registration applications are pending) and within one month after the execution of this Agreement with respect to United States registered Copyrights have been delivered to the Collateral Agent for recording by the United States Patent and Trademark Office and the United States Copyright Office pursuant to 35 U.S.C. Section 261, 15 U.S.C. Section 1060 or 17 U.S.C. Section 205 and the regulations thereunder, as applicable, and otherwise as may be required pursuant to the laws of any other necessary jurisdiction in the United States (or any political subdivision thereof) and its territories and possessions, to protect the validity of and to establish a legal, valid and perfected second-priority security interest in favor of the Collateral Agent (for the ratable benefit of the Secured Parties) in respect of all Collateral consisting of Patents, Trademarks and Copyrights in which a security interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, or in any other necessary jurisdiction, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary in any such jurisdiction (other than such actions as are necessary to perfect the Security Interest with respect to any Collateral consisting of Patents, Trademarks and Copyrights (or registration or application for registration thereof) acquired or developed after the date hereof).

SECTION 3.03. Validity of Security Interest. The Security Interest constitutes (a) a legal and valid second-priority security interest in all the Collateral securing the payment and performance of the Obligations, (b) subject to the filings described in Section 3.02 above, a perfected second-priority security interest in all Collateral in which a security interest may be perfected by filing, recording or registering a financing statement or analogous document in the United States (or any political subdivision thereof) and its territories and possessions pursuant to the UCC or other analogous applicable law in such jurisdictions and (c) a second-priority security interest that shall be perfected in all Collateral in which a security interest may be perfected upon the receipt and recording of this Agreement with the United States Patent and Trademark Office and the United States Copyright Office, as applicable, within the three month period (commencing as of the date hereof) pursuant to 35 U.S.C. Section 261 or 15 U.S.C. Section 1060 or the one month period (commencing as of the date hereof) pursuant to 17 U.S.C. Section 205 and otherwise as may be required to pursuant to the laws of any other necessary jurisdiction in the United States (or any political subdivision thereof) and its territories and possessions. The Security Interest is and shall be a second-priority Security Interest, prior to any other Lien on any of the Collateral, other than (x) Liens securing Senior Lender Claims or (y) any other Permitted Liens.

SECTION 3.04. Absence of Other Liens. The Collateral is owned by the Grantors free and clear of any Lien, except for (x) Liens securing Senior Lender Claims and (y) any other Permitted Liens to exist under the Indenture. The Grantor has not filed or consented to the filing of (a) any financing statement or analogous document under the UCC or any other applicable laws covering any Collateral, (b) any assignment in which any Grantor assigns any Collateral or any security agreement or similar instrument covering any Collateral with the United States Patent and Trademark Office or the United States Copyright Office or (c) any assignment in which any Grantor assigns any Collateral or any security agreement or similar instrument covering any Collateral with any foreign governmental, municipal or other office, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect, except, in each case, for (x) Liens securing Senior Lender Claims and (y) any other Permitted Liens.

ARTICLE IV

Covenants

SECTION 4.01. Records. Each Grantor agrees to maintain, at its own cost and expense, such complete and accurate records with respect to the Collateral owned by it as is consistent with its current practices, but in any event to include complete accounting records indicating all payments and proceeds received with respect to any part of the Collateral, and, at such time or times as the Collateral Agent may reasonably request, promptly to prepare and deliver to the Collateral Agent an updated Perfection Certificate, noting all material changes, if any, since the date of the most recent Perfection Certificate.

SECTION 4.02. Protection of Security. Each Grantor shall, at its own cost and expense, take any and all actions necessary to defend title to the Collateral against all Persons and to defend the Security Interest of the Collateral Agent in the Collateral and the priority thereof against any Lien other than Permitted Liens.

SECTION 4.03. Further Assurances. Each Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Collateral Agent, in accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, may from time to time request to better assure, preserve, protect and perfect the Security Interest and the rights and remedies created hereby, including the payment of any fees and taxes required in connection with the execution and delivery of this Agreement, the granting of the Security Interest and the filing of any financing statements (including fixture filings) or other documents in connection herewith or therewith. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be immediately pledged and delivered to the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) to be held as Collateral pursuant to this Agreement and the Intercreditor Agreement, duly endorsed in a manner satisfactory to the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent).

SECTION 4.04. Inspection and Verification. The Collateral Agent and such Persons as the Collateral Agent may reasonably designate shall have the right to inspect the Collateral, all records related thereto (and to make extracts and copies from such records) and the premises upon which any of the Collateral is located, at reasonable times and intervals during normal business hours upon reasonable advance notice to the respective Grantor and to verify under reasonable procedures the validity, amount, quality, quantity, value, condition and status of the Collateral.

SECTION 4.05. Taxes; Encumbrances. In accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, at its option, the Collateral Agent may discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances at any time levied or placed on the Collateral and not permitted under the Indenture, and may pay for the maintenance and preservation of the Collateral, in each case to the extent any Grantor fails to do so as required by the Indenture or this Agreement, and each Grantor jointly and severally agrees to reimburse the Collateral Agent on demand for any payment made or any expense incurred by the Collateral Agent pursuant to the foregoing authorization; provided, however, that nothing in this Section 4.05 shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Collateral Agent or any Secured Party to cure or perform, any covenants or other promises of any Grantor with respect to taxes, assessments, charges, fees, liens, security interests or other encumbrances and maintenance as set forth herein or in the other Indenture Documents.

SECTION 4.06. Assignment of Security Interest. If at any time any Grantor shall take a security interest in any property of an Account Debtor or any other Person to secure payment and performance of an Account, such Grantor shall promptly assign such security interest to the Collateral Agent to the extent permitted by any contracts or arrangements to which such property is subject. Such assignment need not be filed of public record unless necessary to continue the perfected status of the security interest against creditors of and transferees from the Account

Debtor or other Person granting the security interest.

SECTION 4.07. Continuing Obligations of the Grantors. Each Grantor shall remain liable to observe and perform all the conditions and obligations to be observed and performed by it under each contract, agreement or instrument relating to the Collateral, all in accordance with the terms and conditions thereof, and each Grantor jointly and severally agrees to indemnify and hold harmless the Collateral Agent and the Secured Parties from and against any and all liability for such performance.

SECTION 4.08. Use and Disposition of Collateral. None of the Grantors shall make or permit to be made an assignment, pledge or hypothecation of the Collateral or shall grant any other Lien in respect of the Collateral, except as expressly permitted by the Indenture. None of the Grantors shall make or permit to be made any transfer of the Collateral and each Grantor shall remain at all times in possession of the Collateral owned by it, except that (a) Inventory may be sold in the ordinary course of business and (b) unless and until the Collateral Agent shall notify the Grantors that an Event of Default shall have occurred and be continuing and that during the continuance thereof the Grantors shall not sell, convey, lease, assign, transfer or otherwise dispose of any Collateral (which notice may be given by telephone if promptly confirmed in writing), the Grantors may use and dispose of the Collateral in any lawful manner not inconsistent with the provisions of this Agreement, the Indenture or any other Indenture Document. Without limiting the generality of the foregoing, each Grantor agrees that it shall not permit any material Inventory to be in the possession or control of any warehouseman, bailee, agent or processor at any time unless such warehouseman, bailee, agent or processor shall have been notified of the Security Interest and shall have agreed in writing to hold the Inventory subject to the Security Interest and the instructions of the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) and to waive and release any Lien held by it with respect to such Inventory, whether arising by operation of law or otherwise.

SECTION 4.09. Limitation on Modification of Accounts. None of the Grantors will, without the prior written consent of the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) grant any extension of the time of payment of any of the Accounts Receivable, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any Person liable for the payment thereof or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, compromises or settlements granted or made in the ordinary course of business and consistent with its current practices.

SECTION 4.10. Insurance. The Grantors, at their own expense, shall maintain or cause to be maintained insurance covering physical loss or damage to the Inventory and Equipment with financially sound and reputable insurance companies in such amounts (with no greater risk retention) and against such risks as are customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations. Subject to the Intercreditor Agreement, each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, during the continuance of an Event of Default, of making, settling and adjusting claims in respect of Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. Subject to the Intercreditor Agreement, in the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required hereby or to pay any premium in whole or part relating thereto, the Collateral Agent may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Collateral Agent deems advisable. Subject to the Intercreditor Agreement, all sums disbursed by the Collateral Agent in connection with this Section 4.10, including reasonable attorneys' fees,

court costs, expenses and other charges relating thereto, shall be payable, upon demand, by the Grantors to the Collateral Agent and shall be additional Obligations secured hereby.

SECTION 4.11. Legend. If any Accounts Receivable of any Grantor are evidenced by chattel paper, such Grantor shall legend, in form and manner satisfactory to the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent), such Accounts Receivable and its books, records and documents evidencing or pertaining thereto with an appropriate reference to the fact that such Accounts Receivable have been assigned to the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) for the benefit of the Secured Parties and that the Senior Agent has a security interest therein.

SECTION 4.12. Covenants Regarding Patent, Trademark and Copyright Collateral. (a) Each Grantor agrees that it will not, nor will it permit any of its licensees to, do any act, or omit to do any act, whereby any Patent which is material to the conduct of such Grantor's business may become invalidated or dedicated to the public, and agrees that it shall continue to mark any products covered by a Patent with the relevant patent number as necessary and sufficient to establish and preserve its maximum rights under applicable patent laws pursuant to which each such Patent is issued.

(b) Each Grantor (either itself or through its licensees or its sublicensees) will, for each Trademark material to the conduct of such Grantor's business, (i) maintain such Trademark in full force free from any claim of abandonment or invalidity for non-use, (ii) maintain the quality of products and services offered under such Trademark sufficient to preclude any findings of abandonment, (iii) display such Trademark with notice of Federal or foreign registration to the extent necessary and sufficient to establish and preserve its maximum rights under applicable law pursuant to which each such Trademark is issued and (iv) not knowingly use or knowingly permit the use of such Trademark in violation of any third party rights.

(c) Each Grantor (either itself or through licensees) will, for each work covered by a material Copyright, continue to publish, reproduce, display, adopt and distribute the work with appropriate copyright notice as necessary and sufficient to establish and preserve its maximum rights under applicable copyright laws pursuant to which each such Copyright is issued.

(d) Each Grantor shall notify the Collateral Agent immediately if it knows or has reason to know that any Patent, Trademark or Copyright material to the conduct of its business may become abandoned, lost or dedicated to the public, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, United States Copyright Office or any court or similar office of any country) regarding such Grantor's ownership of any Patent, Trademark or Copyright, its right to register the same, or to keep and maintain the same.

(e) In no event shall any Grantor, either itself or through any agent, employee, licensee or designee, file an application for any Patent, Trademark or Copyright (or for the registration of any Trademark or Copyright) with the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, unless it promptly informs the Collateral Agent, and, in accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, upon request of the Collateral Agent, executes and delivers any and all agreements, instruments, documents and papers as the Collateral Agent may request to evidence and perfect the Collateral Agent's security interest in such Patent, Trademark or Copyright, and each Grantor hereby appoints the Collateral Agent as its attorney-in-fact to execute and file such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable.

(f) Each Grantor will take all necessary steps that are consistent with the practice in any proceeding before the United States Patent and Trademark Office, United States Copyright

Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, to maintain and pursue each material application relating to the Patents, Trademarks and/or Copyrights (and to obtain the relevant grant or registration) and to maintain each issued Patent and each registration of the Trademarks and Copyrights that is material to the conduct of any Grantor's business, including timely filings of applications for renewal, affidavits of use, affidavits of incontestability and payment of maintenance fees, and, if consistent with good business judgment, to initiate opposition, interference and cancelation proceedings against third parties.

(g) In the event that any Grantor has reason to believe that any Collateral consisting of a Patent, Trademark or Copyright material to the conduct of any Grantor's business has been or is about to be infringed, misappropriated or diluted by a third party, such Grantor promptly shall notify the Collateral Agent and shall, if consistent with good business judgment, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as are appropriate under the circumstances to protect such Collateral.

(h) Upon and during the continuance of an Event of Default, each Grantor shall use its best efforts to obtain all requisite consents or approvals from the licensor of each Copyright License, Patent License or Trademark License to effect the assignment of all of such Grantor's right, title and interest thereunder to the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) or its designee for the benefit of the Secured Parties in accordance with the Intercreditor Agreement.

ARTICLE V

Power of Attorney

Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent and attorney-in-fact, and in such capacity the Collateral Agent shall have the right, with power of substitution for each Grantor and in each Grantor's name or otherwise, for the use and benefit of the Collateral Agent and the Secured Parties, upon the occurrence and during the continuance of an Event of Default (a) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the Collateral; (c) to sign the name of any Grantor on any invoice or bill of lading relating to any of the Collateral; (d) to send verifications of Accounts Receivable to any Account Debtor; (e) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral; (f) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Collateral; (g) to notify, or to require any Grantor to notify, Account Debtors to make payment directly to the Collateral Agent; and (h) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things necessary to carry out the purposes of this Agreement, as fully and completely as though the Collateral Agent were the absolute owner of the Collateral for all purposes; provided, however, that nothing herein contained shall be construed as requiring or obligating the Collateral Agent or any Secured Party to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent or any Secured Party, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken or omitted to be taken by the Collateral Agent or any Secured Party with respect to the Collateral or any part thereof shall give rise to any defense, counterclaim or offset in favor of any Grantor or to any claim or action

against the Collateral Agent or any Secured Party. It is understood and agreed that the appointment of the Collateral Agent as the agent and attorney-in-fact of the Grantors for the purposes set forth above is coupled with an interest and is irrevocable. The provisions of this Section shall in no event relieve any Grantor of any of its obligations hereunder or under any other Indenture Document with respect to the Collateral or any part thereof or impose any obligation on the Collateral Agent or any Secured Party to proceed in any particular manner with respect to the Collateral or any part thereof, or in any way limit the exercise by the Collateral Agent or any Secured Party of any other or further right which it may have on the date of this Agreement or hereafter, whether hereunder, under any other Indenture Document, by law or otherwise.

Notwithstanding anything in this Article V to the contrary, the Collateral Agent agrees that it will not exercise any rights under the power of attorney provided for in this Article V unless it does so in accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement.

ARTICLE VI

Remedies

SECTION 6.01. Remedies upon Default. In accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, upon the occurrence and during the continuance of an Event of Default, each Grantor agrees to deliver each item of Collateral to the Collateral Agent on demand, and it is agreed that the Collateral Agent shall have the right to take any of or all the following actions at the same or different times: (a) with respect to any Collateral consisting of Intellectual Property, on demand, to cause the Security Interest to become an assignment, transfer and conveyance of any of or all such Collateral by the applicable Grantors to the Collateral Agent (except to the extent assignment, transfer or conveyance thereof would result in a loss of said Intellectual Property), or to license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any such Collateral throughout the world on such terms and conditions and in such manner as the Collateral Agent shall determine (other than in violation of any then-existing licensing arrangements to the extent that waivers cannot be obtained), and (b) with or without legal process and with or without prior notice or demand for performance, to take possession of the Collateral and without liability for trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral and, generally, to exercise any and all rights afforded to a secured party under the UCC or other applicable law. Without limiting the generality of the foregoing, in accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, each Grantor agrees that the Collateral Agent shall have the right, subject to the mandatory requirements of applicable law, to sell or otherwise dispose of all or any part of the Collateral, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate. The Collateral Agent shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal which such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

The Collateral Agent shall give the Grantors 10 days' written notice (which each Grantor agrees is reasonable notice within the meaning of Section 9-611 of the Uniform Commercial

Code as in effect in the State of New York or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by law, private) sale made pursuant to this Section, any Secured Party may bid for or purchase, free (to the extent permitted by law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released to the extent permitted by law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any Obligation then due and payable to such Secured Party from any Grantor as a credit against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes hereof a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and no Grantor shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver.

SECTION 6.02. Application of Proceeds. In accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, the Collateral Agent shall apply the proceeds of any collection or sale of the Collateral, as well as any Collateral consisting of cash, as follows:

FIRST, to the payment of all costs and expenses incurred by Trustee or the Collateral Agent (in its capacity as such hereunder or under any other Indenture Document) in connection with such collection or sale or otherwise in connection with this Agreement or any of the Obligations, including all court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Trustee or the Collateral Agent hereunder or under any other Indenture Document on behalf of any Grantor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Indenture Document and any other amounts due to the Trustee or the Collateral Agent under Section 7.07 of the Indenture;

SECOND, to the payment in full of the Obligations owed to the Holders and any Other Second-Lien Obligations owed to holders of such Indebtedness (the amounts so

applied to be distributed among the Holders and any holders of Other Second-Lien Obligations pro rata in accordance with the amounts of the Obligations owed to Holders and Other Second-Lien Obligations owed to holders of such Indebtedness on the date of any such distribution); and

THIRD, to the Grantors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. The Collateral Agent may fix a record date and payment date for any payment to Holders pursuant to this Section 6.02. At least 15 days before such record date, the Collateral Agent shall mail to each Holder and the Issuers a notice that states the record date, the payment and amount to be paid. Upon any sale of the Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

SECTION 6.03. Grant of License to Use Intellectual Property. In accordance with, and to the extent consistent with, the Intercreditor Agreement, for the purpose of enabling the Collateral Agent to exercise rights and remedies under this Article at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the Collateral Agent an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Grantors) to use, license or sub-license any of the Collateral consisting of Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof. The use of such license by the Collateral Agent shall be exercised, at the option of the Collateral Agent (if the First-Lien Termination Date has occurred), upon the occurrence and during the continuation of an Event of Default; provided that any license, sub-license or other transaction entered into by the Collateral Agent in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default.

ARTICLE VII

Miscellaneous

SECTION 7.01. Notices. All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 12.02 of the Indenture. All communications and notices hereunder to any Guarantor shall be given to it at its address or telecopy number set forth on Schedule I, with a copy to the Company.

SECTION 7.02. Security Interest Absolute. All rights of the Collateral Agent hereunder, the Security Interest and all obligations of the Grantors hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Indenture, any other Indenture Document, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Indenture, any other Indenture Document or any other agreement or instrument, (c) any exchange, release or non-perfection of any Lien on other collateral, or any release or amendment or waiver of or consent under or departure from any guarantee, securing or guaranteeing all or any of the Obligations, or (d) any

other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Obligations or this Agreement.

SECTION 7.03. Survival of Agreement. All covenants, agreements, representations and warranties made by any Grantor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Secured Parties and shall survive the purchase and resale of the Notes by the Initial Purchasers, regardless of any investigation made by the Initial Purchasers or on their behalf, and shall continue in full force and effect until this Agreement shall terminate.

SECTION 7.04. Binding Effect; Several Agreement. This Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Grantor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of such Grantor, the Collateral Agent and the other Secured Parties and their respective successors and assigns, except that no Grantor shall have the right to assign or transfer its rights or obligations hereunder or any interest herein or in the Collateral (and any such assignment or transfer shall be void) except as expressly contemplated by this Agreement or the other Indenture Documents. This Agreement shall be construed as a separate agreement with respect to each Grantor and may be amended, modified, supplemented, waived or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

SECTION 7.05. Successors and Assigns. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Grantor or the Collateral Agent that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

SECTION 7.06. Collateral Agent's Fees and Expenses; Indemnification. In accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, (a) each Grantor jointly and severally agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, disbursements and other charges of its counsel and of any experts or agents, which the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from or other realization upon any of the Collateral, (iii) the exercise, enforcement or protection of any of the rights of the Collateral Agent hereunder or (iv) the failure of any Grantor to perform or observe any of the provisions hereof applicable to it.

(b) Without limitation of its indemnification obligations under the other Indenture Documents, each Grantor jointly and severally agrees to indemnify the Collateral Agent, the Trustee, the Holders and each Affiliate of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each of them harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable fees, disbursements and other charges of counsel, incurred by or asserted against any of them arising out of, in any way connected with, or as a result of, the execution, delivery or performance of this Agreement or any claim, litigation, investigation or proceeding relating hereto or to the Collateral, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) Any such amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section 7.06 shall remain operative and in full force and effect regardless of the termination of this Agreement or

any other Indenture Document, the consummation of the transactions contemplated hereby, the repayment of any of the Notes, the invalidity or unenforceability of any term or provision of this Agreement or any other Indenture Document, or any investigation made by or on behalf of the Collateral Agent or any Holder. All amounts due under this Section 7.06 shall be payable on written demand therefor.

SECTION 7.07. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 7.08. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the Collateral Agent, the Trustee and the Holders under the other Indenture Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provisions of this Agreement or any other Indenture Document or consent to any departure by any Grantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Grantor in any case shall entitle such Grantor or any other Grantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except (i) in accordance with the Indenture pursuant to an agreement or agreements in writing entered into by the Collateral Agent and the Grantor or Grantors with respect to which such waiver, amendment or modification is to apply, or (ii) as otherwise provided in the Intercreditor Agreement.

SECTION 7.09. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER INDENTURE DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER INDENTURE DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.09.

SECTION 7.10. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract (subject to Section 7.04), and shall become effective as provided in

Section 7.04. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 7.12. Headings. Article and Section headings used herein are for the purpose of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 7.13. Jurisdiction; Consent to Service of Process. (a) Each Grantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Indenture Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Collateral Agent, the Trustee or any Holder may otherwise have to bring any action or proceeding relating to this Agreement or the other Indenture Documents against any Grantor or its properties in the courts of any jurisdiction.

(b) Each Grantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Indenture Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 7.01. Nothing in this Agreement will affected the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 7.14. Termination. (a) This Agreement and the Security Interest shall terminate at the time provided in Section 10.08 of the Indenture at which time the Collateral Agent shall execute and deliver to the Grantors, at the Grantors' expense, all Uniform Commercial Code termination statements and similar documents, including, without limitation, authorization for the Grantors to file Uniform Commercial Code termination statements, which the Grantors shall reasonably request to evidence such termination. Any execution and delivery of termination statements or documents pursuant to this Section 7.14 shall be without recourse to or warranty by the Collateral Agent. A Grantor shall automatically be released from its obligations hereunder and the Security Interest in the Collateral of such Grantor shall be automatically released in the event that such Grantor ceases to be a Guarantor pursuant to a transaction permitted under the Indenture, at which time the Collateral Agent shall execute and deliver to any Grantor, at such Grantor's expense, all documents that such Grantor shall reasonably request to evidence such release.

(b) If any of the Collateral shall become subject to the release provisions set forth in Section 10.03 of the Indenture or Section 5.1 of the Intercreditor Agreement, such Collateral shall be automatically released from the Security Interest to the extent provided in Section 10.03 of the Indenture or Section 5.1 of the Intercreditor Agreement, as applicable. The Collateral Agent shall execute and deliver to the Grantors, at the Grantors' expense, all Uniform Commercial Code termination statements and similar documents which the Grantor shall reasonable request to evidence the termination of the Security Interest in such Collateral.

SECTION 7.15. Additional Grantors. If, pursuant to Sections 4.11 and 11.06 of the

Indenture, the Company is required to cause any Subsidiary of the Company that is not a Grantor to enter in to this Agreement as a Grantor, upon execution and delivery by the Collateral Agent and such Subsidiary of an instrument in the form of Annex 3 hereto, such Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein. The execution and delivery of any such instrument shall not require the consent of any Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Agreement.

SECTION 7.16. Subject to Intercreditor Agreement. Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

SEMICONDUCTOR COMPONENTS
INDUSTRIES, LLC,

By /s/ John T. Kurtzweil

Name: John T. Kurtzweil
Title: Chief Financial Officer

ON SEMICONDUCTOR CORPORATION,

By /s/ John T. Kurtzweil

Name: John T. Kurtzweil
Title: Chief Financial Officer

EACH OF THE OTHER GUARANTORS
LISTED ON SCHEDULE I HERETO,

By /s/ John T. Kurtzweil

Name: John T. Kurtzweil
Title: Chief Financial Officer

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, as Collateral
Agent,

By /s/ Joseph P. O'Donnell

Name: Joseph P. O'Donnell
Title: Corporate Trust Officer

Schedule I to the
Security Agreement

GUARANTORS

Guarantors	Address
SCG International Development LLC	5005 East McDowell Road Phoenix, AZ 85008
SCG (Malaysia SMP) Holding Corporation	5005 East McDowell Road Phoenix, AZ 85008
SCG (Czech) Holding Corporation	5005 East McDowell Road Phoenix, AZ 85008
SCG (China) Holding Corporation	5005 East McDowell Road Phoenix, AZ 85008
Semiconductor Components Industries Puerto Rico, Inc.	5005 East McDowell Road Phoenix, AZ 85008
Semiconductor Components Industries of Rhode Island, Inc.	2000 South County Trail East Greenwich, RI 02818
Semiconductor Components Industries International of Rhode Island, Inc.	2000 South County Trail East Greenwich, RI 02818

Schedule II to the
Security Agreement

COPYRIGHTS

Schedule III to the
Security Agreement

LICENSES

Schedule IV to the
Security Agreement

PATENTS

Schedule V to the
Security Agreement

TRADEMARKS

Annex 2 to the
Security Agreement

[Form of]

PERFECTION CERTIFICATE

Reference is made to (a) the Indenture dated as of May 6, 2002 (as amended, supplemented or otherwise modified from time to time, the "Indenture"), among ON Semiconductor Corporation, a Delaware corporation (the "Company"), and Semiconductor Components Industries, LLC, a Delaware limited liability company ("SCI LLC " and, together with the Company, the "Issuers"), the Guarantors and Wells Fargo Bank Minnesota, National Association, a national banking association ("Wells Fargo Bank"), as trustee, (b) the Security Agreement dated as of May 6, 2002, among the Company, SCI LLC, the Guarantors and Wells Fargo Bank, as collateral agent (in such capacity, the "Collateral Agent"), and (c) the Intercreditor Agreement dated as of May 6, 2002 (as amended, supplemented or otherwise modified from time to time, the "Intercreditor Agreement"), among the Issuers, the Collateral Agent and the Senior Agent. Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture or the Security Agreement, as applicable.

The undersigned, an Officer of the Issuers, hereby certifies to the Collateral Agent and each other Secured Party as follows:

1. Names.

(a) The exact legal name of each Grantor, as such name appears in its respective certificate of formation, is as follows:

(b) Set forth below is each other legal name each Grantor has had in the past five years, together with the date of the relevant change:

(c) Except as set forth in Schedule 1 hereto, no Grantor has changed its identity or corporate structure in any way within the past five years. Changes in identity or corporate structure would include mergers, consolidations and acquisitions, as well as any change in the form, nature or jurisdiction of corporate organization. If any such change has occurred, include in Schedule 1 the information required by Sections 1 and 2 of this certificate as to each acquiree or constituent party to a merger or consolidation.

(d) The following is a list of all other names (including trade names or similar appellations) used by each Grantor or any of its divisions or other business units in connection with the conduct of its business or the ownership of its properties at any time during the past five years:

(e) Set forth below is the organizational identification number, if any, issued by the jurisdiction of formation of each Grantor that is a registered organization:

Grantor	Organizational Identification Number

(f) Set forth below is the Federal Taxpayer Identification Number of each Grantor:

Grantor	Federal Taxpayer Identification Number

2. Current Locations. (a) The chief executive office of each Grantor is located at the address set forth opposite its name below:

Grantor	Mailing Address	County	State

(b) Set forth below opposite the name of each Grantor are all locations where such Grantor maintains any books or records relating to any Accounts Receivable or General Intangibles (with each location at which Chattel Paper, if any, is kept being indicated by an "*"):

Grantor	Mailing Address	County	State

(c) The jurisdiction of formation of each Grantor that is a registered organization is set forth opposite its name below:

Grantor	Jurisdiction

(d) Set forth below opposite the name of each Grantor are all the locations where such Grantor maintains any Inventory or Equipment or other Collateral not identified above:

Grantor	Mailing Address	County	State

(e) Set forth below opposite the name of each Grantor are all the places of business of such Grantor not identified in paragraph (a), (b), (c) or (d) above:

(f) Set forth below opposite the name of each Grantor are the names and addresses of all Persons other than such Grantor that have possession of any of the Collateral of such Grantor:

3. Unusual Transactions. All Accounts have been originated by the Grantors and all Inventory has

been acquired by the Grantors in the ordinary course of business.

4. File Search Reports. File search reports have been obtained from each Uniform Commercial Code filing office identified with respect to such Grantor in Section 2 hereof, and such search reports reflect no liens against any of the Collateral other than those permitted under the Indenture.

5. UCC Filings. UCC financing statements in substantially the form of Schedule 5 hereto have been prepared for filing in the proper Uniform Commercial Code filing office in the jurisdiction in which each Grantor is located and, to the extent any of the Collateral is comprised of fixtures in the proper local jurisdiction, as set forth with respect to such Grantor in Section 2 hereof.

6. Schedule of Filings. Attached hereto as Schedule 6 is a schedule setting forth, with respect to the filings described in Section 5 above, each filing and the filing office in which such filing is to be made.

7. Stock Ownership and other Equity Interests. Attached hereto as Schedule 7 is a true and correct list of all the issued and outstanding stock, partnership interests, limited liability company membership interests or other equity interests owned by the Company and each Subsidiary of the Company (including SCI LLC). Also set forth on Schedule 7 is each equity investment of the Company or any Subsidiary of the Company (including SCI LLC) that represents 50% or less of the equity of the entity in which such investment was made.

8. Debt Instruments. Attached hereto as Schedule 8 is a true and correct list of all instruments, including any promissory notes, and other evidence of indebtedness held by the Company and each Subsidiary of the Company (including SCI LLC), including all intercompany notes between the Company and each Subsidiary of the Company (including SCI LLC) and each Subsidiary of the Company (including SCI LLC) and each other such Subsidiary (including SCI LLC).

9. Advances. Attached hereto as Schedule 9 is (a) a true and correct list of all advances made by the Company to any Subsidiary of the Company (including SCI LLC) or made by any Subsidiary of the Company (including SCI LLC) to the Company or to any other Subsidiary of the Company (including SCI LLC) (other than those identified on Schedule 8), which advances will be on and after the date hereof evidenced by one or more intercompany notes pledged to the Collateral Agent under the Pledge Agreement and (b) a true and correct list of all unpaid intercompany transfers of goods sold and delivered by or to the Company or any Subsidiary of the Company (including SCI LLC).

10. Mortgage Filings. Attached hereto as Schedule 10 is a schedule setting forth, with respect to each Mortgaged Property, (a) the exact name of the Person that owns such property as such name appears in its certificate of incorporation or other organizational document, (b) if different from the name identified pursuant to clause (a), the exact name of the current record owner of such property reflected in the records of the filing office for such property identified pursuant to the following clause and (c) the filing office in which a Mortgage with respect to such property must be filed or recorded in order for the Collateral Agent to obtain a perfected security interest therein.

11. Intellectual Property.
Attached hereto as Schedule 11(A) is a schedule setting forth all of each Grantor's Patents and registered Trademarks and Patent and Trademark applications, including the name of the registered owner or applicant, as applicable, and the registration or application number, as

applicable, of each Patent and registered Trademark or Patent or Trademark application owned by any Grantor, in proper form for filing with the United States Patent and Trademark Office, and a schedule setting forth all of each Grantor's material Patent Licenses and material Trademark Licenses. Attached hereto as Schedule 11(B) is a schedule setting forth all of each Grantor's registered Copyrights, including the name of the registered owner and the registration number of each Copyright owned by any Grantor, in proper form for filing with the United States Copyright Office, and a schedule setting forth all of each Grantor's material Copyright Licenses that grant rights with respect to registered Copyrights.

IN WITNESS WHEREOF, the undersigned have duly executed this certificate on this [ ]th day of May, 2002.

ON SEMICONDUCTOR CORPORATION,

by

Name:
Title:

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

by

Name:
Title:

Annex 3 to the
Security Agreement

SUPPLEMENT NO. [ ] dated as of [ ], to the

Security Agreement dated as of May 6, 2002, among SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company ("SCI LLC"), ON SEMICONDUCTOR CORPORATION, a Delaware corporation (the "Company" and, together with SCI LLC, the "Issuers"), each subsidiary of the Company listed on Schedule I thereto (each such subsidiary individually a "Subsidiary" or a "Guarantor" and, collectively, the "Subsidiaries" or the "Guarantors"; the Guarantors and the Issuers are referred to collectively herein as the "Grantors") and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association ("Wells Fargo Bank"), as trustee under the Indenture referred to below and as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined therein).

A. Reference is made to (a) the Indenture dated as of May 6, 2002 (as amended, supplemented or otherwise modified from time to time, the "Indenture"), among the Company, SCI LLC, the Guarantors and Wells Fargo Bank, as trustee, and (b) the Intercreditor Agreement dated as of May 6, 2002 (as amended, supplemented or otherwise modified from time to time, the "Intercreditor Agreement"), among the Issuers, the Collateral Agent and the Senior Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement and the Indenture.

C. The Grantors have entered into the Security Agreement in order to induce the Trustee to enter into the Indenture and the Initial Purchasers to purchase the Notes. Pursuant to Section 4.11 of the Indenture, the Company is required to cause certain of its Subsidiaries that are not Grantors to enter in to this Agreement as Grantors. Section 7.15 of the Security Agreement provides that such Subsidiaries may become Grantors under the Security Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Grantor") is executing this Supplement in accordance with the requirements of the Indenture to become a Grantor under the Security Agreement as consideration for the purchase of the Notes by the Initial Purchasers and the Holders.

Accordingly, the Collateral Agent and the New Grantor agree as follows:

SECTION 1. In accordance with Section 7.15 of the Security Agreement, the New Grantor by its signature below becomes a Grantor under the Security Agreement with the same force and effect as if originally named therein as a Grantor and the New Grantor hereby (a) agrees to all the terms and provisions of the Security Agreement applicable to it as a Grantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Grantor thereunder are true and correct on and as of the date hereof except to the extent a representation and warranty expressly relates solely to a specific date in which case such representation and warranty shall be true and correct on such date. In furtherance of the foregoing, the New Grantor, as security for the payment and performance in full of the Obligations (as defined in the Security Agreement), does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Grantor's right, title and interest in and to the Collateral of the New Grantor. Each reference to a "Grantor" in the Security Agreement shall be deemed to include the New Grantor. The Security Agreement is hereby incorporated herein by reference.

SECTION 2. The New Grantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Grantor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Grantor hereby represents and warrants that (a) set forth on Schedule I attached hereto is a true and correct schedule of the location of any and all Collateral of the New Grantor and (b) set forth under its signature hereto, is the true and correct location of the chief executive office of the New Grantor.

SECTION 5. Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 7.01 of the Security Agreement. All communications and notices hereunder to the New Grantor shall be given to it at the address set forth under its signature below, with a copy to the Company.

SECTION 9. The New Grantor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Grantor and the Collateral Agent have duly executed this Supplement to the Security Agreement as of the day and year first above written.

[NAME OF NEW GRANTOR],

By

Name:
Title:
Address:

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, as Collateral
Agent,

By

Name:
Title:

Schedule I
to Supplement No. [ ]
to the Security Agreement

LOCATION OF COLLATERAL

Description	Location

PLEDGE AGREEMENT dated as of May 6, 2002, among SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company (the "SCI LLC"), ON SEMICONDUCTOR CORPORATION, a Delaware corporation (the "Company" and, together with SCI LLC, the "Issuers"), each subsidiary of the Company listed on Schedule I hereto (each such subsidiary individually a "Subsidiary Pledgor" and collectively, the "Subsidiary Pledgors"; SCI LLC, the Company and the Subsidiary Pledgors are referred to herein individually as a "Pledgor" and collectively as the "Pledgors") and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association ("Wells Fargo Bank"), as trustee under the Indenture referred to below and as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined in the Security Agreement). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Indenture (as defined below).

WITNESSETH:

WHEREAS, pursuant to the terms, conditions and provisions of the (a) Indenture dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture"), among the Issuers, the Subsidiary Pledgors and Wells Fargo Bank, as trustee (the "Trustee"), and (b) the Purchase Agreement dated as of May 1, 2002, among the Issuers, the Subsidiary Pledgors and Credit Suisse First Boston Corporation, Morgan Stanley Co. Incorporated, Salomon Smith Barney Inc. and J.P. Morgan Securities Inc. (the "Initial Purchasers"), the Issuers are issuing $300,000,000 aggregate principal amount of 12% Senior Secured Notes due 2008 and may issue, from time to time, additional notes in accordance with the provisions of the Indenture (collectively, the "Notes") which will be guaranteed on a senior secured basis by each of the Pledgors;

WHEREAS, pursuant to the Pledge Agreement dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time), among the Issuers, each of the subsidiaries of the Company party thereto or which becomes a party thereto pursuant to the Credit Agreement referred to below (together with the Issuers, each a "Credit Agreement Pledgor" and, collectively, the "Credit Agreement Pledgors") and JPMorgan Chase Bank (as successor to The Chase Manhattan Bank), a New York banking corporation ("JPMorgan"), as collateral agent, the Credit Agreement Pledgors have granted to the Senior Agent (as defined below) a first-priority lien and security interest in the Collateral (as defined below) in connection with the Credit Agreement dated as of August 4, 1999, as amended and restated as of April 3, 2000 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among SCI LLC, as borrower, the Company, the lenders from time to time party thereto (the "Lenders"), JPMorgan, as administrative agent, collateral agent and syndication agent (in such capacity, the "Senior Agent") for the Lenders, and Credit Lyonnais New York

Branch, Credit Suisse First Boston and Lehman Commercial Paper Inc., as co-documentation agents;

WHEREAS, the Issuers, the Collateral Agent and the Senior Agent have entered into an Intercreditor Agreement, dated as of the date hereof (the "Intercreditor Agreement"), pursuant to which the lien and security interest in the Collateral granted by this Agreement are and shall be subordinated in all respects to the lien and security interest in the Collateral granted pursuant to, and all terms and conditions of, the Senior Lender Documents (as defined in the Intercreditor Agreement);

WHEREAS, each Pledgor is executing and delivering this Agreement pursuant to the terms of the Indenture to induce the Trustee to enter into the Indenture and the Initial Purchasers to purchase the Notes; and

WHEREAS, each Pledgor has duly authorized the execution, delivery and performance of this Agreement.

NOW, THEREFORE, for and in consideration of the premises, and of the mutual covenants herein contained, and in order to induce the Trustee to enter into the Indenture and the Initial Purchasers to purchase the Notes, each Pledgor and the Collateral Agent, on behalf of itself and each Secured Party (as defined in the Security Agreement) (and each of their respective successors or assigns), hereby agree as follows:

SECTION 1. Pledge. As security for the payment and performance, as the case may be, in full of all obligations of the Issuers and the Subsidiary Pledgors under the Indenture, the Notes and the other Indenture Documents, including obligations to the Trustee and the Collateral Agent, whether for payment of principal of, interest on or additional interest, if any, on the Notes and all other monetary obligations of the Issuers and the Subsidiary Pledgors under the Indenture, the Notes and the other Indenture Documents, whether for fees, expenses, indemnification or otherwise (referred to collectively as the "Obligations"), each Pledgor hereby pledges and grants to the Collateral Agent, its successors and assigns, and hereby grants to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, a second-priority security interest in all of such Pledgor's right, title and interest in, to and under (a) the shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person (collectively, the "Equity Interests") owned by it which are listed on Schedule II hereto and any Equity Interests obtained in the future by such Pledgor and the certificates representing all such Equity Interests (the "Pledged Interests"); provided that (i) the Pledged Interests shall not include more than 65% of the issued and outstanding voting stock of any Foreign Subsidiary, (ii) the Pledged Interests shall not include any Equity Interests in any Foreign Joint Venture Company (as defined in the Credit Agreement) to the extent that such a Pledge is prohibited by the constitutive documents of such Foreign Joint Venture Company or (iii) to the extent that applicable law requires that a Subsidiary of such Pledgor issue directors' qualifying shares, such qualifying shares; (b)(i) the debt securities owned by it which are listed opposite the name of such Pledgor on Schedule II hereto, (ii) any debt securities in the future issued to such Pledgor and (iii) the promissory notes and any other instruments evidencing such debt securities (the "Pledged Debt Securities"); (c) all other property that has been or may be delivered to and held by the Senior Agent (or, if the First-Lien Termination Date (as defined in the Security Agreement) has occurred, the Collateral Agent) pursuant to the terms hereof; (d) subject

to Section 5, all payments of principal or interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed, in respect of, in exchange for or upon the conversion of the securities referred to in clauses (a) and (b) above; (e) subject to Section 5, all rights and privileges of such Pledgor with respect to the securities and other property referred to in clauses (a), (b), (c) and (d) above; and (f) all proceeds of any of the foregoing (the items referred to in clauses (a) through (f) above being collectively referred to as the "Collateral"). Upon delivery to the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent), (a) any Pledged Interests, any Pledged Debt Securities or any stock certificates, notes or other securities now or hereafter included in the Collateral (the "Pledged Securities") have been or shall be accompanied by stock powers duly executed in blank or other instruments of transfer satisfactory to the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) and by such other instruments and documents as the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) may reasonably request and (b) all other property comprising part of the Collateral shall be accompanied by proper instruments of assignment duly executed by the applicable Pledgor and such other instruments or documents as the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) may reasonably request. Each delivery of Pledged Securities shall be accompanied by a schedule describing the securities theretofore and then being pledged hereunder, which schedule shall be attached hereto as Schedule II and made a part hereof. Each schedule so delivered shall supersede any prior schedules so delivered.

TO HAVE AND TO HOLD the Collateral, in accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, together with all right, title, interest, powers, privileges and preferences pertaining or incidental thereto, unto the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, forever; subject, however, to the terms, covenants and conditions hereinafter set forth.

SECTION 2. Delivery of the Collateral. (a) Each Pledgor agrees promptly to deliver or cause to be delivered to the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) any and all Pledged Securities, and any and all certificates or other instruments or documents representing the Collateral unless such Pledged Securities, certificates or other instruments or documents have previously been delivered to the Senior Agent.

(b) Each Pledgor will cause any Indebtedness for borrowed money owed to the Pledgor by any Person to be evidenced by a duly executed promissory note that is pledged to the Collateral Agent and delivered to the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) for the benefit of the Secured Parties pursuant to the terms thereof.

SECTION 3. Representations, Warranties and Covenants. Each Pledgor hereby represents, warrants and covenants, as to itself and the Collateral pledged by it hereunder, to and with the Collateral Agent that:

(a) the Pledged Interests represent that percentage as set forth on Schedule II of the issued and outstanding shares of each class of the Equity Interests of the issuer with respect thereto;

(b) except for the security interest granted hereunder and the security interest granted under the Senior Lender Documents (as defined in the Intercreditor Agreement), such Pledgor (i) is and will at all times continue to be the direct owner, beneficially and of record, of the Pledged Securities indicated on Schedule II, (ii) holds the same free and clear of all Liens other than Permitted Liens, (iii) will make no assignment, pledge, hypothecation or transfer of, or create or permit to exist any security interest in or other Lien on, the Collateral, other than pursuant hereto or the Senior Lender Documents in accordance with the Intercreditor Agreement, and (iv) subject to Section 5 and the Intercreditor Agreement, will cause any and all Collateral, whether for value paid by such Pledgor or otherwise, to be forthwith deposited (unless such Collateral previously was deposited with the Senior Agent) with the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) and pledged or assigned hereunder;

(c) such Pledgor (i) has the power and authority to pledge the Collateral in the manner hereby done or contemplated and (ii) will defend its title or interest thereto or therein against any and all Liens other than Permitted Liens, however arising, of all Persons whomsoever;

(d) no consent of any other Person (including stockholders or creditors of any Pledgor) and no consent or approval of any Governmental Authority or any securities exchange was or is necessary to the validity of the pledge effected hereby;

(e) by virtue of the execution and delivery by the Pledgors of this Agreement, upon delivery to the Senior Agent of the Pledged Securities, certificates or other documents representing or evidencing the Collateral in accordance with this Agreement, and, in the case of Pledged Securities not constituting certificated securities or instruments, the filing of UCC financing statements in the appropriate filing office, the Collateral Agent will have a valid and perfected second-priority lien upon and security interest in such Pledged Securities as security for the payment and performance of the Obligations;

(f) the pledge effected hereby is effective to vest in the Collateral Agent, on behalf of the Secured Parties, the rights of the Collateral Agent in the Collateral as set forth herein;

(g) all of the Pledged Interests have been duly authorized and validly issued and are fully paid and nonassessable;

(h) all information set forth herein relating to the Pledged Interests is accurate and complete in all material respects as of the date hereof;

(i) the pledge of the Pledged Interests pursuant to this Agreement does not violate Regulation T, U or X of the Federal Reserve Board or any successor thereto as of the date hereof; and

(j) all Collateral consisting of Pledged Securities, certificates or other documents representing or evidencing the Collateral has been delivered to the

Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) in accordance with Section 2.

SECTION 4. Registration in Nominee Name; Denominations. The Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent), on behalf of the Secured Parties, shall have the right (in its sole and absolute discretion) to hold the Pledged Securities in its own name as pledgee, the name of its nominee (as pledgee or as sub-agent) or the name of the Pledgors, endorsed or assigned in blank or in favor of the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent). Each Pledgor will promptly give to the Collateral Agent copies of any notices or other communications received by it with respect to Pledged Securities registered in the name of such Pledgor. The Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) shall at all times have the right to exchange the certificates representing Pledged Securities for certificates of smaller or larger denominations for any purpose consistent with this Agreement and the Intercreditor Agreement.

SECTION 5. Voting Rights; Dividends and Interest, etc. (a) Unless and until an Event of Default shall have occurred and be continuing:

(i) Each Pledgor shall be entitled to exercise any and all voting and/or other consensual rights and powers inuring to an owner of Pledged Securities or any part thereof for any purpose consistent with the terms of this Agreement, the Indenture and the other Indenture Documents; provided, however, that such Pledgor will not be entitled to exercise any such right if the result thereof could materially and adversely affect the rights inuring to a holder of the Pledged Securities or the rights and remedies of any of the Secured Parties under this Agreement or the Indenture or any other Indenture Document or the ability of the Secured Parties to exercise the same.

(ii) The Collateral Agent shall execute and deliver to each Pledgor, or cause to be executed and delivered to each Pledgor, all such proxies, powers of attorney and other instruments as such Pledgor may reasonably request for the purpose of enabling such Pledgor to exercise the voting and/or consensual rights and powers it is entitled to exercise pursuant to subparagraph (i) above and to receive the cash dividends it is entitled to receive pursuant to subparagraph (iii) below.

(iii) Each Pledgor shall be entitled to receive and retain any and all cash dividends, interest and principal paid on the Pledged Securities to the extent and only to the extent that such cash dividends, interest and principal are permitted by, and otherwise paid in accordance with, the terms and conditions of the Indenture, the other Indenture Documents and applicable laws. All noncash dividends, interest and principal, and all dividends, interest and principal paid or payable in cash or otherwise in connection with a partial or total liquidation or dissolution, return of capital, capital surplus or paid-in surplus, and all other distributions (other than distributions referred to in the preceding sentence) made on or in respect of the Pledged Securities, whether paid or payable in cash or otherwise, whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of the issuer of any Pledged Securities or received in exchange for Pledged Securities or any part thereof, or in redemption thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be and become part of the

Collateral, and, if received by any Pledgor, shall not be commingled by such Pledgor with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Collateral Agent and shall be forthwith delivered to the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent) for the benefit of the Secured Parties in the same form as so received (with any necessary endorsement).

(b) In accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, upon the occurrence and during the continuance of an Event of Default, all rights of any Pledgor to dividends, interest or principal that such Pledgor is authorized to receive pursuant to paragraph (a)(iii) above shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall subject to the provisions of this paragraph (b) have the sole and exclusive right and authority to receive and retain such dividends, interest or principal. All dividends, interest or principal received by the Pledgor contrary to the provisions of this Section 5 shall be held in trust for the benefit of the Collateral Agent, shall be segregated from other property or funds of such Pledgor and shall be forthwith delivered to the Collateral Agent upon demand in the same form as so received (with any necessary endorsement). Any and all money and other property paid over to or received by the Collateral Agent pursuant to the provisions of this paragraph (b) shall be retained by the Collateral Agent in an account to be established by the Collateral Agent upon receipt of such money or other property and shall be applied in accordance with the provisions of Section 7. After all Events of Default have been cured or waived, the Collateral Agent shall promptly repay to each Pledgor all cash dividends, interest or principal (without interest), that such Pledgor would otherwise be permitted to retain pursuant to the terms of paragraph (a)(iii) above and which remain in such account.

(c) In accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, upon the occurrence and during the continuance of an Event of Default, all rights of any Pledgor to exercise the voting and consensual rights and powers it is entitled to exercise pursuant to paragraph (a)(i) of this Section 5, and the obligations of the Collateral Agent under paragraph (a)(ii) of this Section 5, shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to exercise such voting and consensual rights and powers, provided that, unless the Collateral Agent shall have received written objections from Holders of at least 25% in principal amount of the Notes, the Collateral Agent shall have the right from time to time following and during the continuance of an Event of Default to permit the Pledgors to exercise such rights. After all Events of Default have been cured or waived, each Pledgor will have the right to exercise the voting and consensual rights and powers that it would otherwise be entitled to exercise pursuant to the terms of paragraph (a)(i) above.

SECTION 6. Remedies upon Default. In accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, upon the occurrence and during the continuance of an Event of Default, subject to applicable regulatory and legal requirements, the Collateral Agent may sell the Collateral, or any part thereof, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate. The Collateral Agent shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the

distribution or sale thereof, and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of any Pledgor, and, to the extent permitted by applicable law, the Pledgors hereby waive all rights of redemption, stay, valuation and appraisal any Pledgor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

The Collateral Agent shall give a Pledgor 10 days' prior written notice (which each Pledgor agrees is reasonable notice within the meaning of Section 9-611 of the Uniform Commercial Code as in effect in the State of New York or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of such Pledgor's Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid in full by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by applicable law, private) sale made pursuant to this Section 6, any Secured Party may bid for or purchase, free from any right of redemption, stay or appraisal on the part of any Pledgor (all said rights being also hereby waived and released), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any Obligation then due and payable to it from such Pledgor as a credit against the purchase price, and it may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to such Pledgor therefor. For purposes hereof, (a) a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof, (b) the Collateral Agent shall be free to carry out such sale pursuant to such agreement and (c) such Pledgor shall not be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose upon the Collateral and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver.

SECTION 7. Application of Proceeds of Sale. In accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, the Collateral Agent shall apply the proceeds of any collection or sale of the Collateral, as well as any Collateral consisting of cash, as follows:

FIRST, to the payment of all costs and expenses incurred by the Trustee or the Collateral Agent (in its capacity as such hereunder or under any other Indenture Document) in connection with such collection or sale or otherwise in connection with this Agreement or any of the Obligations, including all court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Trustee or the Collateral Agent hereunder or under any other Indenture Document on behalf of any Pledgor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Indenture Document and any other amounts due to the Trustee or the Collateral Agent under Section 7.07 of the Indenture;

SECOND, to the payment in full of the Obligations owed to the Holders and any Other Second-Lien Obligations owed to holders of such Indebtedness (the amounts so applied to be distributed among the Holders and any holders of Other Second-Lien Obligations pro rata in accordance with the amounts of the Obligations owed to Holders and Other Second-Lien Obligations owed to holders of such Indebtedness on the date of any such distribution); and

THIRD, to the Pledgors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. The Collateral Agent may fix a record date and payment date for any payment to Holders pursuant to this Section 7. At least 15 days before such record date, the Collateral Agent shall mail to each Holder and the Issuers a notice that states the record date, the payment and amount to be paid. Upon any sale of the Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the purchase money by the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

SECTION 8. Reimbursement of Collateral Agent. In accordance with, and to the extent consist with, the terms of the Intercreditor Agreement, (a) each Pledgor agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, other charges and disbursements of its counsel and of any experts or agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder or (iv) the failure by such Pledgor to perform or observe any of the provisions hereof.

(b) Without limitation of its indemnification obligations under the other Indenture Documents, each Pledgor agrees to indemnify the Collateral Agent, the Trustee, the

Holders and each Affiliate of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, other charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Indenture Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of the other transactions contemplated thereby or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) Any amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section 8 shall remain operative and in full force and effect regardless of the termination of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Obligations, the invalidity or unenforceability of any term or provision of this Agreement or any other Indenture Document or any investigation made by or on behalf of the Collateral Agent or any other Secured Party. All amounts due under this Section 8 shall be payable on written demand therefor and shall bear interest at the rate specified in the Notes.

SECTION 9. Collateral Agent Appointed Attorney-in-Fact. Each Pledgor hereby appoints the Collateral Agent the attorney-in-fact of such Pledgor for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the Collateral Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Collateral Agent shall have the right, upon the occurrence and during the continuance of an Event of Default, with full power of substitution either in the Collateral Agent's name or in the name of such Pledgor, to ask for, demand, sue for, collect, receive and give acquittance for any and all moneys due or to become due under and by virtue of any Collateral, to endorse checks, drafts, orders and other instruments for the payment of money payable to the Pledgor representing any interest or dividend or other distribution payable in respect of the Collateral or any part thereof or on account thereof and to give full discharge for the same, to settle, compromise, prosecute or defend any action, claim or proceeding with respect thereto, and to sell, assign, endorse, pledge, transfer and to make any agreement respecting, or otherwise deal with, the same; provided, however, that nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby. The Collateral Agent and the other Secured Parties shall be accountable only for amounts actually received as a result of the exercise of the powers granted to them herein, and neither they nor their officers, directors, employees or agents shall be responsible to any Pledgor for any act or failure to act hereunder, except for their own gross negligence or wilful misconduct.

Notwithstanding anything in this Section 9 to the contrary, the Collateral Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 9 unless it does so in accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement.

SECTION 10. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the Collateral Agent and the other Secured Parties under the other Indenture Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provisions of this Agreement or consent to any departure by any Pledgor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Pledgor in any case shall entitle such Pledgor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except (i) in accordance with the Indenture pursuant to a written agreement entered into between the Collateral Agent and the Pledgor or Pledgors with respect to which such waiver, amendment or modification is to apply, or (ii) as otherwise provided in the Intercreditor Agreement.

SECTION 11. Securities Act, etc. In view of the position of the Pledgors in relation to the Pledged Securities, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar statute hereafter enacted analogous in purpose or effect (such Act and any such similar statute as from time to time in effect being called the "Federal Securities Laws") with respect to any disposition of the Pledged Securities permitted hereunder. Each Pledgor understands that compliance with the Federal Securities Laws might very strictly limit the course of conduct of the Collateral Agent if the Collateral Agent were to attempt to dispose of all or any part of the Pledged Securities, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Securities could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Collateral Agent in any attempt to dispose of all or part of the Pledged Securities under applicable Blue Sky or other state securities laws or similar laws analogous in purpose or effect. Each Pledgor recognizes that in light of such restrictions and limitations the Collateral Agent may, with respect to any sale of the Pledged Securities, limit the purchasers to those who will agree, among other things, to acquire such Pledged Securities for their own account, for investment, and not with a view to the distribution or resale thereof. Each Pledgor acknowledges and agrees that in light of such restrictions and limitations, the Collateral Agent, in its sole and absolute discretion, (a) may proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Securities or part thereof shall have been filed under the Federal Securities Laws and (b) may approach and negotiate with a single potential purchaser to effect such sale, in either case in accordance with a valid exemption from registration under the Federal Securities Laws. Each Pledgor acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the

Collateral Agent shall incur no responsibility or liability for selling all or any part of the Pledged Securities at a price that the Collateral Agent, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section 11 will apply notwithstanding the existence of a public or private market upon which the quotations or sales prices may exceed substantially the price at which the Collateral Agent sells.

SECTION 12. Registration, etc. Each Pledgor agrees that, upon the occurrence and during the continuance of an Event of Default, if, in accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, for any reason the Collateral Agent desires to sell any of the Pledged Securities at a public sale, it will, at any time and from time to time, upon the written request of the Collateral Agent, use its reasonable best efforts to take or to cause the issuer of such Pledged Securities to take such action and prepare, distribute and/or file such documents, as are required or advisable in the reasonable opinion of counsel for the Collateral Agent to permit the public sale of such Pledged Securities. Each Pledgor further agrees to indemnify, defend and hold harmless the Collateral Agent, each other Secured Party, any underwriter and their respective officers, directors, affiliates and controlling Persons from and against all loss, liability, expenses, costs of counsel (including, without limitation, reasonable fees and expenses to the Collateral Agent of legal counsel), and claims (including the costs of investigation) that they may incur insofar as such loss, liability, expense or claim arises out of or is based upon any alleged untrue statement of a material fact contained in any prospectus (or any amendment or supplement thereto) or in any notification or offering circular, or arises out of or is based upon any alleged omission to state a material fact required to be stated therein or necessary to make the statements in any thereof not misleading, except insofar as the same may have been caused by any untrue statement or omission based upon information furnished in writing to such Pledgor or the issuer of such Pledged Securities by the Collateral Agent or any other Secured Party expressly for use therein. Each Pledgor further agrees, upon such written request referred to above, to use its reasonable best efforts to qualify, file or register, or cause the issuer of such Pledged Securities to qualify, file or register, any of the Pledged Securities under the Blue Sky or other securities laws of such states as may be requested by the Collateral Agent and keep effective, or cause to be kept effective, all such qualifications, filings or registrations. Each Pledgor will bear all costs and expenses of carrying out its obligations under this Section 12. Each Pledgor acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section 12 and that such failure would not be adequately compensable in damages, and therefore agrees that its agreements contained in this Section 12 may be specifically enforced.

SECTION 13. Security Interest Absolute. All rights of the Collateral Agent hereunder, the grant of a security interest in the Collateral and all obligations of each Pledgor hereunder, shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Indenture, any other Indenture Document, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Indenture, any other Indenture Document or any other agreement or instrument relating to any of the foregoing, (c) any exchange, release or nonperfection of any other collateral, or any release or amendment or waiver of or

consent to or departure from any guaranty, for all or any of the Obligations or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Pledgor in respect of the Obligations or in respect of this Agreement (other than the indefeasible payment in full of all the Obligations).

SECTION 14. Termination or Release. (a) This Agreement and the security interests granted hereby shall terminate at the time provided in Section 10.08 of the Indenture.

(b) Upon any sale or other transfer by any Pledgor of any Collateral that is permitted under the Indenture or the Intercreditor agreement to any Person that is not a Pledgor, or, if any of the Collateral shall otherwise become subject to the release provisions set forth in Section 10.03 of the Indenture or Section 5.1 of the Intercreditor Agreement, such Collateral shall be automatically released from the Security Interest to the extent provided in Section 10.03 of the Indenture or Section 5.1 of the Intercreditor Agreement, as applicable.

(c) In connection with any termination or release pursuant to paragraph (a) or (b) or Section 17, the Collateral Agent shall execute and deliver to any Pledgor, at such Pledgor's expense, all documents that such Pledgor shall reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Section 14 shall be without recourse to or warranty by the Collateral Agent.

SECTION 15. Notices. All communications and notices hereunder shall be in writing and given as provided in Section 12.02 of the Indenture. All communications and notices hereunder to any Subsidiary Pledgor shall be given to it at the address or telecopy number set forth on Schedule I, with a copy to the Company.

SECTION 16. Further Assurances. Each Pledgor agrees to do such further acts and things, and to execute and deliver such additional conveyances, assignments, agreements and instruments, as the Collateral Agent, in accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, may at any time reasonably request in connection with the administration and enforcement of this Agreement or with respect to the Collateral or any part thereof or in order better to assure and confirm unto the Collateral Agent its rights and remedies hereunder.

SECTION 17. Binding Effect; Several Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Pledgor that are contained in this Agreement shall bind and inure to the benefit of its successors and assigns. This Agreement shall become effective as to any Pledgor when a counterpart hereof executed on behalf of such Pledgor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Pledgor and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of such Pledgor, the Collateral Agent and the other Secured Parties, and their respective successors and assigns, except that no Pledgor shall have the right to assign its rights hereunder or any interest herein or in the Collateral (and any such attempted assignment shall be void), except as expressly contemplated by this Agreement or the other Indenture Documents. In the event that a Pledgor ceases to be a Subsidiary of the Company pursuant to a transaction permitted under the Indenture Documents, such

Pledgor shall be released from its obligations under this Agreement without further action. This Agreement shall be construed as a separate agreement with respect to each Pledgor and may be amended, modified, supplemented, waived or released with respect to any Pledgor without the approval of any other Pledgor and without affecting the obligations of any other Pledgor hereunder.

SECTION 18. Survival of Agreement; Severability. (a) All covenants, agreements, representations and warranties made by each Pledgor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Indenture Document shall be considered to have been relied upon by the Collateral Agent and the other Secured Parties and shall survive the purchase of the Notes by the Initial Purchasers, regardless of any investigation made by the Secured Parties or on their behalf, and shall continue in full force and effect as long as any Obligation remains unpaid.

(b) In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 19. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 20. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute a single contract, and shall become effective as provided in Section 17. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

SECTION 21. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Security Agreement shall be applicable to this Agreement. Section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting this Agreement.

SECTION 22. Jurisdiction; Consent to Service of Process. (a) Each Pledgor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Indenture Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such

Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Collateral Agent or any other Secured Party may otherwise have to bring any action or proceeding relating to this Agreement or the other Indenture Documents against any Pledgor or its properties in the courts of any jurisdiction.

(b) Each Pledgor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Indenture Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 15. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 23. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER INDENTURE DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER INDENTURE DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 23.

SECTION 24. Additional Pledgors. If, pursuant to Sections 4.11 and 11.06 of the Indenture, the Company is required to cause any Subsidiary of the Company that is not a Subsidiary Pledgor to become a Subsidiary Pledgor, upon execution and delivery by the Collateral Agent and such Subsidiary of an instrument in the form of Annex 1, such Subsidiary shall become a Subsidiary Pledgor hereunder with the same force and effect as if originally named as a Subsidiary Pledgor herein. The execution and delivery of such instrument shall not require the consent of any Pledgor hereunder. The rights and obligations of each Pledgor hereunder shall remain in full force and effect notwithstanding the addition of any new Subsidiary Pledgor as a party to this Agreement.

SECTION 25. Subject to Intercreditor Agreement. Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

By /s/ John T. Kurtzweil

Name John T. Kurtzweil
Title: Chief Financial Officer

ON SEMICONDUCTOR CORPORATION,

By /s/ John T. Kurtzweil

Name: John T. Kurtzweil
Title: Chief Financial Officer

EACH OF THE OTHER SUBSIDIARIES LISTED ON SCHEDULE I HERETO,

By /s/ John T. Kurtzweil

Name: John T. Kurtzweil
Title: Chief Financial Officer

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Collateral Agent,

By /s/ Joseph P. O'Donnell

Name: Joseph P. O'Donnell
Title: Corporate Trust Officer

Schedule I to the
Pledge Agreement

SUBSIDIARY PLEDGORS

Name	Address
SCG International Development LLC	5005 East McDowell Road Phoenix, AZ 85008
SCG (Malaysia SMP) Holding Corporation	5005 East McDowell Road Phoenix, AZ 85008
SCG (Czech) Holding Corporation	5005 East McDowell Road Phoenix, AZ 85008
SCG (China) Holding Corporation	5005 East McDowell Road Phoenix, AZ 85008
Semiconductor Components Industries Puerto Rico, Inc.	5005 East McDowell Road Phoenix, AZ 85008
Semiconductor Components Industries of Rhode Island, Inc.	2000 South County Trail East Greenwich, RI 02818
Semiconductor Components Industries International of Rhode Island, Inc.	2000 South County Trail East Greenwich, RI 02818

Schedule II to the
Pledge Agreement

CAPITAL STOCK OR OTHER EQUITY INTERESTS

Issuer	Number of Certificate	Registered Owner	Number and Class of Shares or Other Equity Interests	Percentage of Shares or Other Equity Interests

DEBT SECURITIES

Issuer	Principal Amount	Date of Note	Maturity Date

Annex 1 to the
Pledge Agreement

SUPPLEMENT NO. [ ] dated as of [ ], to

the PLEDGE AGREEMENT dated as of May 6, 2002, among SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company (the "SCI LLC"), ON SEMICONDUCTOR CORPORATION, a Delaware corporation (the "Company" and, together with SCI LLC, the "Issuers"), and each subsidiary of the Company listed on Schedule I thereto (each such subsidiary individually a "Subsidiary Pledgor" and collectively, the "Subsidiary Pledgors"; the Subsidiary Pledgors and the Issuers are referred to herein individually as a "Pledgor" and collectively as the "Pledgors") and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association ("Wells Fargo Bank"), as trustee under the Indenture referred to below and as collateral agent (in such capacity, the "Collateral Agent") for the Secured Parties (as defined in the Security Agreement)

A. Reference is made to (a) the Indenture dated as of May 6, 2002 (as amended, supplemented or otherwise modified from time to time, the "Indenture"), among the Company, SCI LLC, the Guarantors and Wells Fargo Bank, as trustee, and (b) the Intercreditor Agreement dated as of May 6, 2002 (as amended, supplemented or otherwise modified from time to time, the "Intercreditor Agreement"), among the Issuers, the Collateral Agent and the Senior Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Pledge Agreement and the Indenture.

C. The Pledgors have entered into the Pledge Agreement in order to induce the Trustee to enter into the Indenture and the Initial Purchasers to purchase the Notes. Pursuant to Section 4.11 of the Indenture, the Company is required to cause certain of its Subsidiaries to enter into the Pledge Agreement as a Subsidiary Pledgor. Section 24 of the Pledge Agreement provides that such Subsidiaries may become Subsidiary Pledgors under the Pledge Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Pledgor") is executing this Supplement in accordance with the requirements of the Indenture to become a Subsidiary Pledgor under the Pledge Agreement as consideration for the purchase of the Notes by the Initial Purchasers and the Holders.

Accordingly, the Collateral Agent and the New Pledgor agree as follows:

SECTION 1. In accordance with Section 24 of the Pledge Agreement, the New Pledgor by its signature below becomes a Pledgor under the Pledge Agreement with the same force and effect as if originally named therein as a Pledgor and the New Pledgor hereby agrees (a) to all the terms and provisions of the Pledge Agreement applicable to it as a Pledgor thereunder and (b) represents and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct on and as of the date hereof except to the extent a representation and warranty expressly relates solely to a specific date in which case such representation and warranty shall be true and correct on such date. In furtherance of the foregoing, the New Pledgor, as security for the payment

and performance in full of the Obligations (as defined in the Pledge Agreement), does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Pledgor's right, title and interest in and to the Collateral (as defined in the Pledge Agreement) of the New Pledgor. Each reference to a "Subsidiary Pledgor" or a "Pledgor" in the Pledge Agreement shall be deemed to include the New Pledgor. The Pledge Agreement is hereby incorporated herein by reference.

SECTION 2. The New Pledgor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Pledgor and the Collateral Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Pledgor hereby represents and warrants that set forth on Schedule I attached hereto is a true and correct schedule of all its Pledged Securities.

SECTION 5. Except as expressly supplemented hereby, the Pledge Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, neither party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein and in the Pledge Agreement shall not in any way be affected or impaired (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 15 of the Pledge Agreement. All communications and notices hereunder to the New Pledgor shall be given to it at the address set forth under its signature hereto, below, with a copy to the Company.

SECTION 9. The New Pledgor agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Pledgor and the Collateral Agent have duly executed this Supplement to the Pledge Agreement as of the day and year first above written.

[NAME OF NEW PLEDGOR],

By

Name:
Title:
Address:

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Collateral Agent,

By

Name:
Title:

Schedule I to
Supplement No. [ ]
to the Pledge Agreement

Pledged Securities of the New Pledgor

CAPITAL STOCK OR OTHER EQUITY INTERESTS

Issuer	Number of Certificate	Registered Owner	Number and Class of Shares or Other Equity Interests	Percentage of Shares or Other Equity Interests

DEBT SECURITIES

Issuer	Principal Amount	Date of Note	Maturity Date

Exhibit 10.7

EXECUTION COPY

COLLATERAL ASSIGNMENT dated as of May 6, 2002, between SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, a Delaware limited liability company ("SCI LLC"), and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association ("Wells Fargo Bank"), as trustee under the Indenture referred to below and as collateral agent (in such capacity, the " Collateral Agent") for the Secured Parties (as defined in the Security Agreement). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Indenture (as defined below).

W I T N E S S E T H:

WHEREAS, pursuant to the terms, conditions and provisions of (a) the Indenture dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture"), among SCI LLC, ON Semiconductor Corporation, a Delaware Corporation (the "Company "), the Guarantors (as defined in the Indenture) and Wells Fargo Bank, as trustee (the "Trustee"), and (b) the Purchase Agreement dated as of May 1, 2002, among the Issuers, the Guarantors and Credit Suisse First Boston Corporation, Morgan Stanley & Co. Incorporated, Salomon Smith Barney Inc. and J.P. Morgan Securities Inc. (the " Initial Purchasers"), the Issuers are issuing $300,000,000 aggregate principal amount of 12% Senior Secured Notes due 2008 and may issue, from time to time, additional notes in accordance with the provisions of the Indenture (collectively, the "Notes") which will be guaranteed on a senior secured basis by each of the Guarantors;

WHEREAS, pursuant to the Collateral Assignment dated as of August 4, 1999 (as amended, supplemented or otherwise modified from time to time), between SCI LLC and JPMorgan Chase Bank (as successor to The Chase Manhattan Bank), a New York banking corporation ("JPMorgan"), as collateral agent, the Company has granted to the Senior Agent (as defined below) a first-priority lien and security interest in the Assigned Contracts (as defined below) in connection with the Credit Agreement dated as of August 4, 1999, as amended and restated as of April 3, 2000 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among SCI LLC, as borrower, the Company, the lenders from time to time party thereto (the "Lenders"), JPMorgan, as administrative agent, collateral agent and syndication agent (in such capacity, the "Senior Agent") for the Lenders, and Credit Lyonnais New York Branch, Credit Suisse First Boston and Lehman Commercial Paper Inc., as co-documentation agents;

WHEREAS, the Company, SCI LLC, the Collateral Agent and the Senior Agent have entered into an Intercreditor Agreement, dated as of the date hereof (the " Intercreditor Agreement"), pursuant to which the lien and security interest in the Assigned Contracts granted by this Agreement are and shall be subordinated in all respects to the lien and security interest in the Assigned Contracts granted pursuant to, and all terms and conditions of, the Senior Lender Documents (as defined in the Intercreditor Agreement);

WHEREAS, SCI LLC is executing and delivering this Agreement pursuant to the terms of the Indenture to induce the Trustee to enter into the Indenture and the Initial Purchasers to purchase the Notes; and

WHEREAS, SCI LLC has duly authorized the execution, delivery and performance of this Agreement.

NOW, THEREFORE, for and in consideration of the premises, and of the mutual covenants herein contained, and in order to induce the Trustee to enter into the Indenture and the Initial Purchasers to purchase the Notes, SCI LLC and the Collateral Agent, on behalf of itself and each Secured Party (and each of their respective successors or assigns), hereby agree as follows:

SECTION 1. Collateral Assignment. As collateral security for the Obligations (as defined in the Security Agreement), SCI LLC hereby assigns to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, and hereby grants to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties a security interest in, all of SCI LLC's right, title and interest in, to and under the following contracts and instruments, as the same may be modified, amended or supplemented from time to time:

(a) the Transition Agreements (as defined in the Credit Agreement); and

(b) such other contracts and instruments of SCI LLC as the Senior Agent (or, if the First-Lien Termination Date (as defined in the Security Agreement) has occurred, the Collateral Agent) shall designate from time to time to SCI LLC in writing unless such assignment is prohibited (i) by the terms thereof, and SCI LLC cannot reasonably obtain a waiver or an amendment of such prohibition or (ii) by applicable law.

The contracts and instruments listed in clauses (a) and (b), as amended and in effect from time to time, are referred to collectively as the "Assigned Contracts". The security interest assigned by this Section 1 shall include (a) any and all rights to receive and demand payments under any and all Assigned Contracts, (b) any and all rights to receive and compel performance under any and all Assigned Contracts, (c) the right to make all waivers, amendments, determinations and agreements of or under any and all Assigned Contracts, (d) the right to take such action, including commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Assigned Contracts or by law and (e) any and all other rights, interests and claims now existing or hereafter arising under or in connection with any and all Assigned Contracts.

SECTION 2. Agreements, Representations and Warranties. SCI LLC further agrees, represents and warrants to the Collateral Agent and the Secured Parties that:

(a) as of the date hereof, the Assigned Contracts are in full force and effect, there being no default thereunder by SCI LLC. SCI LLC will not permit any waiver, supplement, amendment, change or modification to be made to the Assigned Contracts, without the written consent of the Senior Agent (or, if the First-Lien Termination Date has occurred, the Collateral Agent), except as permitted in accordance with Section 6.11(b) of the Credit Agreement and the Indenture (to the extent consistent with the Intercreditor Agreement); and

(b) it has the right, power and authority to grant to the Collateral Agent a security interest in its right, title and interest in and to the Assigned Contracts. It has not heretofore hypothecated, assigned, mortgaged, pledged, encumbered or otherwise transferred its right, title or interest under the Assigned Contracts in any manner to any person other than the Senior Agent and the Collateral Agent, nor will it do so at any time hereafter without the Collateral Agent's prior written consent in each instance. Any such assignment, mortgage, pledge or encumbrance without the Collateral Agent's consent shall be void and of no force or effect.

SECTION 3. No Obligations for Collateral Agent. SCI LLC specifically acknowledges and agrees that the Collateral Agent does not assume, and shall have no responsibility for, the performance of any obligations to be performed under or with respect to the Assigned Contracts or by it and it hereby agrees to indemnify and hold harmless the

Collateral Agent with respect to any and all claims by any person relating to such obligations. The Collateral Agent, in its discretion, may file or record this Agreement. The Collateral Agent agrees to notify SCI LLC promptly after any such filing or recording.

SECTION 4. Remedies upon Default. In accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, upon the commencement and during the continuance of an Event of Default, the Collateral Agent may, at its option, without notice to or demand upon SCI LLC (both of which are hereby waived for the purpose of this Section 4), in addition to all other rights and remedies provided under any of the Indenture Documents, in its own name or the name of SCI LLC, demand, sue upon or otherwise enforce the Assigned Contracts to the same extent as if the Collateral Agent were the party named in the Assigned Contracts, and exercise all other rights of SCI LLC under the Assigned Contracts in such manner as it may determine. Any moneys actually received by the Collateral Agent pursuant to the exercise of any of the rights and remedies granted in this Collateral Assignment shall be applied as provided in the Security Agreement.

SECTION 5. Reimbursement of Collateral Agent. In accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement, (a) SCI LLC agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, disbursements and other charges of its counsel and of any experts or agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise, enforcement or protection of any of the rights of the Collateral Agent hereunder or (iv) the failure of SCI LLC to perform or observe any of the provisions hereof applicable to it.

(b) Without limitation of its indemnification obligations under the other Indenture Documents, SCI LLC agrees to indemnify the Collateral Agent and the other Indemnitees (as defined in the Security Agreement) against, and hold each of them harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable fees, disbursements and other charges of counsel, incurred by or asserted against any of them arising out of, in any way connected with, or as a result of the execution, delivery or performance of this Agreement or any claim, litigation, investigation or proceeding relating hereto or to any of the Assigned Contracts, whether or not any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee or any Affiliate of such Indemnitee.

(c) Any such amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section 5 shall remain operative and in full force and effect regardless of the termination of this Agreement or any other Indenture Document, the consummation of the transactions contemplated hereby, the repayment of any of the Notes, the invalidity or unenforceability of any term or provision of this Agreement or any other Indenture Document, or any investigation made by or on behalf of the Collateral Agent or any other Secured Party. All amounts due under this Section 5 shall be payable upon written demand therefor.

SECTION 6. Collateral Agent Appointed Attorney-in-Fact. Upon the occurrence and during the continuation of an Event of Default, the Collateral Agent shall have the right, as the true and lawful attorney-in-fact and agent of SCI LLC, with power of substitution for SCI LLC and in the SCI LLC's name, the Collateral Agent's name or otherwise for the use and benefit of the Collateral Agent (a) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Assigned Contracts or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the Assigned Contracts; (c) to sign

the name of SCI LLC on any invoice or bill of lading relating to any of the Assigned Contracts; (d) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Assigned Contracts or to enforce any rights in respect of any Assigned Contracts; (e) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Assigned Contracts; and (f) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Assigned Contracts, and to do all other acts and things necessary to carry out the purposes of this Collateral Assignment, as fully and completely as though the Collateral Agent were SCI LLC named in the Assigned Contracts; provided, however, that nothing herein contained shall be construed as requiring or obligating the Collateral Agent or any Secured Party to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent or any Secured Party, or to present or file any claim or notice, or to take any action with respect to the Assigned Contracts or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken or omitted to be taken by the Collateral Agent or any Secured Party with respect to the Assigned Contracts or any part thereof shall give rise to any defense, counterclaim or offset in favor of SCI LLC or to any claim or action against the Collateral Agent or any Secured Party. It is understood and agreed that the appointment of the Collateral Agent as the agent and attorney-in-fact of SCI LLC for the purposes set forth above is coupled with an interest and is irrevocable. The provisions of this Section 6 shall in no event relieve SCI LLC of any of its obligations hereunder or under the other Indenture Documents with respect to the Assigned Contracts or any part thereof or impose any obligation on the Collateral Agent or any Secured Party to proceed in any particular manner with respect to the Assigned Contracts or any part thereof, or in any way limit the exercise by the Collateral Agent or any Secured Party of any other or further right that it may have on the date of this Collateral Assignment or hereafter, whether hereunder, under any other Indenture Document, by law or otherwise.

Notwithstanding anything in this Section 6 to the contrary, the Collateral Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 6 unless it does so in accordance with, and to the extent consistent with, the terms of the Intercreditor Agreement.

SECTION 7. Waivers; Amendment. (a) No failure or delay of the Collateral Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and of the Collateral Agent and the other Secured Parties under the other Indenture Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provisions of this Agreement or any other Indenture Document or consent to any departure by SCI LLC therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on SCI LLC in any case shall entitle SCI LLC to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except (i) in accordance with the Indenture pursuant to an agreement or agreements in writing entered into by the Collateral Agent and SCI LLC with respect to which such waiver, amendment or modification is to apply, or (ii) as otherwise provided in the Intercreditor Agreement.

SECTION 8. Security Interest Absolute. All rights of the Collateral Agent hereunder and all obligations of SCI LLC hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Indenture, any other Indenture Document, any agreement with respect to any of the Obligations or any other agreement or

instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Indenture, any other Indenture Document or any other agreement or instrument, (c) any exchange, release or non-perfection of any Lien (as defined in the Intercreditor Agreement) on other collateral, or any release or amendment or waiver of or consent under or departure from any guarantee, securing or guaranteeing all or any of the Obligations, or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, SCI LLC in respect of the Obligations or this Agreement.

SECTION 9. Termination. This Agreement shall terminate at the time provided in Section 10.08 of the Indenture. Upon such termination, the Collateral Agent shall take such action as SCI LLC shall reasonably request at the expense of SCI LLC to reassign and deliver to SCI LLC, without recourse or warranty, the Assigned Contracts and related documents, if any, in which the Collateral Agent shall have any interest under this Collateral Assignment and which shall then be held by the Collateral Agent or be in its possession and the SCI LLC's obligations hereunder and the security interest of the Collateral Agent in the Assigned Contracts shall terminate. In connection with any termination or release, the Collateral Agent shall execute and deliver to SCI LLC, at SCI LLC's expense, all Uniform Commercial Code termination statements and similar documents, including, without limitation, authorization for the Grantors to file Uniform Commercial Code termination statements, that the SCI LLC shall reasonably request to evidence such termination. Any execution and delivery of termination statements or documents pursuant to this Section 9 shall be without recourse to or warranty by the Collateral Agent.

SECTION 10. Notices. All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 12.02 of the Indenture.

SECTION 11. Further Assurances. SCI LLC covenants to execute and deliver to the Collateral Agent, promptly after demand, such additional assurances, writings or other instruments as may reasonably be required by the Collateral Agent to effectuate the purposes hereof.

SECTION 12. Binding Effect: Several Agreement; Assignments. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of SCI LLC that are contained in this Agreement shall bind and inure to the benefit of its successors and assigns. This Agreement shall become effective as to SCI LLC when a counterpart hereof executed on behalf of SCI LLC shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon SCI LLC and the Collateral Agent and their respective successors and assigns, and shall inure to the benefit of SCI LLC, the Collateral Agent and the other Secured Parties and their respective successors and assigns, except that SCI LLC shall have no right to assign or transfer its rights or obligations hereunder or any interest herein (and any such assignment or transfer shall be void) except as expressly contemplated by this Agreement or the other Indenture Documents.

SECTION 13. Survival of Agreement: Severability. (a) All covenants. agreements, representations and warranties made by SCI LLC herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Indenture Document shall be considered to have been relied upon by the Secured Parties and shall survive the purchase of the Notes by the Initial Purchasers, regardless of any investigation made by the Initial Purchasers or on their behalf, and shall continue in full force and effect until this Agreement shall terminate.

(b) In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and

enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 14. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 15. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract (subject to Section 12), and shall become effective as provided in Section 12. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 16. Jurisdiction; Consent to Service of Process. (a) SCI LLC hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Indenture Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Collateral Agent or any other Secured Party may otherwise have to bring any action or proceeding relating to this Agreement or the other Indenture Documents against SCI LLC or its properties in the courts of any jurisdiction.

(b) SCI LLC irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Indenture Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 17. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER INDENTURE DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER INDENTURE DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 17.

SECTION 18. Rules of Interpretation. The rules of interpretation specified in Section 1.03 of the Security Agreement shall be applicable to this Agreement.

SECTION 19. Subject to Intercreditor Agreement. Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

by /s/ John T. Kurtzweil
_____
Name: John T. Kurtzweil
Title: Senior Vice President, Chief Financial Officer, and Treasurer

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as Collateral Agent,

by /s/ Joseph P. O'Donnell
_____
Name: Joseph P. O'Donnell
Title: Corporate Trust Officer

Exhibit 10.8

JOINT VENTURE CONTRACT

FOR

LESHAN-PHOENIX SEMICONDUCTOR COMPANY LIMITED

(AMENDED ON JUNE 25, 2002)

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JOINT VENTURE CONTRACT

THIS Amended JOINT VENTURE CONTRACT (this "Contract") is made in Phoenix, Arizona, U.S.A. on the 25th day of June, 2002 among LESHAN RADIO COMPANY LTD., an enterprise legal person established and existing under the laws of the People's Republic of China with its legal address at 27 West People's Road, Leshan, Sichuan Province 614000, People's Republic of China ("Party A"), MOTOROLA (CHINA) INVESTMENT LIMITED, a company established and existing under the laws of People's Republic of China, with its legal address at No. 108 Jian Guo Road, Chao Yang District, Beijing 100022, People's Republic of China ("Party B"), and SCG (CHINA) HOLDING CORPORATION, a company established and existing under the laws of the State of Delaware, U.S.A., with its legal address at 5005 East McDowell Road, Phoenix, Arizona 85008, U.S.A. ("Party C"). Each of Party A, Party B and Party C shall hereinafter individually be referred to as a "Party" and collectively as the "Parties".

PRELIMINARY STATEMENT

WHEREAS, Party A, Party B and Party C are parties to the restated Joint Venture Contract dated September 6, 1999, for the establishment of Leshan-Phoenix Semiconductor Company Limited (the "Company") and desire that, when this Contract becomes effective in accordance with its terms and conditions, such Joint Venture Contract shall be amended and restated in its entirety by this Contract;

WHEREAS, Party A, Party B and Party C desire that the Company add IC and Discrete Wafer Fab products to the scope of its business ("New Products");

NOW THEREFORE, after friendly consultations conducted in accordance with the principle of equality and mutual benefit, the Parties have agreed to amend the Amended and Restated Joint Venture Contract of 1999 as follows:

ARTICLE 1 - DEFINITIONS AND INTERPRETATION

1.01 Definitions

Unless the terms or context of this Contract otherwise provide, the following terms shall have the meanings set out below:

(a) "Motorola" means Party B or any of its Affiliates.

(b) "Affiliate" means, in relation to Party A, any enterprise or other entity which, directly or indirectly, is controlled by Party A; the term "control" meaning ownership of fifty percent (50%) or more of the registered capital or the power to appoint the general manager, factory chief or other principal person in charge of an enterprise or other entity.

"Affiliate" means, in relation to Party B or Party C, any company which, through ownership of voting stock (shares) or otherwise, directly or indirectly, is controlled by, under common control with, or in control of, Party B or Party C, as the case may be; the term "control" meaning ownership of fifty percent (50%) or more of the voting stock (shares) of a company, or the power to appoint or elect a majority of the directors of a company, or the power to direct the management of a company.

For purposes of this Contract, the Company shall not be deemed as an Affiliate of any Party hereto.

(c) "Articles of Association" means the Articles of Association of the Company executed on March 1, 1995 and as amended and restated.

(d) "Board" and "Board of Directors" mean the board of directors of the Company.

(e) "Business License" means the business license of the Company issued by the SAIC dated March 28, 1995 and any amendment to or renewal, replacement or extension of such license.

(f) "China" and "PRC" mean the People's Republic of China excluding Hong Kong, Macau and Taiwan for purposes of this Contract.

(g) "Company" means Leshan-Phoenix Semiconductor Company Limited.

(h) "Effective Date" means the effective date of this Contract, which shall be the date on which this Contract and the Articles of Association have been approved by the Examination and Approval Authority without varying their terms or imposing any additional conditions, unless otherwise agreed by the Parties in writing.

(i) "Examination and Approval Authority" means the authority entrusted by the Chinese government to approve this Contract, the Appendices attached hereto and the Articles of Association.

(j) "Export-oriented Enterprise" means the status of the Company to be granted by the Examination and Approval Authority under PRC law.

(k) "Feasibility Study" means the Feasibility Study Report dated November 4, 1994 regarding the feasibility of the joint venture and the establishment of the Company, together with the Capital Increase and Expansion Plan for the Wafer Fab Products dated June 2002.

(l) "Joint Venture Products" means the products listed in Appendix A attached hereto and any other similar, related or complementary products that the Board approves for production by the Company.

(m) "Joint Venture Term" means the term of this Contract as set forth in Article 17.01 hereof including any extensions of such term pursuant to Article 17.02 hereof.

(n) "Land Use Rights Grant Contract" means the relevant contract or contracts for the grant of the land use rights over the Site between the Company and the Municipality of Leshan.

(o) "Management Personnel" means the Company's General Manager, Deputy General Manager and other management personnel designated by the Board.

(p) "ON" means Party C or any of its Affiliates.

(q) "Plant" means the Company's manufacturing facilities located at the Site where the Joint Venture Products will be produced.

(r) "Renminbi" or "RMB" means the lawful currency of China.

(s) "SAFE" means the State Administration of Foreign Exchange of the People's Republic of China and/or a local branch thereof, as appropriate to the context.

(t) "SAIC" means the State Administration for Industry and Commerce of the People's Republic of China and/or a local branch thereof, as appropriate to the context.

(u) "Services Contract" means the contract for the provision of services between the Company and Party A.

(v) "Site" means the parcels of land located in Leshan, Sichuan Province, on which the facilities of the Company are situated.

(w) "Technologically Advanced Enterprise" means the status of the Company to be granted by the Chinese government under PRC law

(x) "Technology" has the meaning as defined in the Technology License Contract, as amended.

(y) "Technology License Contract" means the technology license contract dated February 24, 1995 as amended so far under which the Company is the licensee.

(z) "Third Party" means any entity or person other than the Parties or their Affiliates.

(aa) "United States Dollars" or "US$" means the lawful currency of the United States of America.

(bb) "Working Personnel" means all employees and staff of the Company, other than the Management Personnel.

(cc) "Wafer Fab Products" means the wafer fab products as listed in Appendix A.

1.02 Interpretation

Article headings are inserted for the purposes of convenience and reference only and shall not affect the interpretation or construction of this Contract. Words denoting the singular shall, where applicable, include the plural and vice versa. Reference to the masculine gender shall, where applicable, include the feminine gender and the neuter gender and vice versa.

ARTICLE 2 - PARTIES TO THE CONTRACT

2.01 The Parties

The Parties to this Contract are:

(a) Party A, Leshan Radio Company, Ltd., a Chinese limited liability company registered in Leshan, Sichuan Province, China, with its legal address at 27 West People's Road, Leshan, Sichuan Province, China.

Legal Representative of Party A:

Name: Mr. Pan Min-Zhi
Position: Chairman of the Board
Nationality: Chinese

(b) Party B, Motorola (China) Investment Limited, a company established and existing under the laws of the PRC, with its legal address at No. 108 Jian Guo Road, Chao Yang District, Beijing 100022, People's Republic of China.

Legal Representative of Party B:

Name: Mr. Pin Yong Lai
Position: Chairman of the Board
Nationality: Malaysia

(c) Party C, SCG (China) Holding Corporation, a company established and existing under the laws of the State of Delaware, U.S.A., with its legal address at 5005 McDowell Road, Phoenix, Arizona 85008, U.S.A.

Legal Representative of Party C:

Name: Henry Leung
Position: Chairman of the Board
Nationality: American

2.02 Representations, Warranties and Undertakings

(a) Each of Party A, Party B and Party C hereby represents, warrants and undertakes to the other Parties that, as of the date of execution hereof and as of the Effective Date:

(i) it is duly organized, validly existing and in good standing under the laws of the place of its establishment or incorporation;

(ii) it has all requisite power, authority and approval required to enter into this Contract and upon the Effective Date will have all requisite power, authority and approval to perform fully each and every one of its obligations hereunder;

(iii) it has taken all action necessary to authorize it to enter into this Contract and such Party's representative whose signature is affixed hereto is fully authorized in writing to sign this Contract and to bind such Party thereby;

(iv) upon the Effective Date, this Contract shall constitute its legal, valid and binding obligation;

(v) neither the execution of this Contract, nor the performance of such Party's obligations hereunder, will conflict with, or result in a breach of, or constitute a default under, any provision of its business license or articles of association, or any law, rule, regulation, authorization or approval of any government agency or body, or of any contract or agreement to which it is a party or is subject; and

(vi) all material documents, statements and information of or provided by any governmental body in its possession relating to the transactions contemplated in this Contract have been disclosed to the other Parties, and no document previously provided by it to the other Parties contains any untrue statement of material fact.

(b) If any Party does not perform the above undertakings and representations, it shall be considered a breach of this Contract.

(c) At the time of the execution of this Contract, each Party shall provide the other Parties with a certified copy of its business license.

2.03 Change of Legal Representative

Each Party shall have the right to change its legal representative and shall promptly notify the other Parties of such change and the name, position and nationality of its new legal representative.

ARTICLE 3 - ESTABLISHMENT OF THE JOINT VENTURE COMPANY

3.01 Name and Address of the Company; Branches

(a) The name of the Company shall be "??????????????????" in Chinese, and "Leshan-Phoenix Semiconductor Company Limited" in English.

(b) The legal address of the Company shall be 27A West People's Road, Leshan, Sichuan Province, China.

(c) In accordance with its business needs, the Company may establish branch offices within or outside China upon the decision of the Board and approval by the relevant governmental authorities.

3.02 Limited Liability Company

The form of organization of the Company shall be a limited liability company. Except as otherwise provided herein, once a Party has paid in full its contribution to the registered capital of the Company, it shall not be required to provide any further funds to or on behalf of the Company by way of capital contribution, loan, advance, guarantee or otherwise unless the Parties mutually agree otherwise. Creditors of the Company shall have recourse only to the assets of the Company and shall not seek repayment from any of the Parties. The Company shall indemnify the Parties against any and all losses, damages, or liabilities suffered by the Parties in respect of any Third Party claims arising out of the operation of the Company. Subject to the above, the profits, risks and losses of the Company shall be shared by the Parties in proportion to their respective contributions to the Company's registered capital.

3.03 Laws and Decrees

The Company shall be a legal person under the laws of China. The activities of the Company shall be governed and protected by the laws, decrees and relevant rules and regulations of China.

3.04 Code of Conduct

The Company and its employees shall comply with a Code of Conduct adopted by the Board of Directors. The Code of Conduct shall be substantially similar to the Code of Conduct of Party A, Party B or Party C, whichever is more strict, and shall be fully consistent with relevant Chinese laws.

ARTICLE 4 - PURPOSE, SCOPE AND SCALE OF PRODUCTION

4.01 Purpose

The Parties have agreed that the purposes of the Company will be manufacturing low cost and high efficiency semi-conductor components and products that meet world-wide quality standards by using advanced and suitable technology and scientific management methods, to satisfy the increasing global market demand and achieve a satisfactory return on investment.

4.02 Scope of Business

The Company will engage in the development, design, manufacture, assembly and testing of Integrated Circuit ("IC") and Discrete semiconductor products and related products, the sale of products produced by the Company and the provision of after-sales service with respect to such products.

4.03 Scale of Production

It is anticipated by the Parties that the annual production capacity of the Company at the completion of all investment phases will reach 28.5 billion units of miniature surface mount IC packages and 728,000 6-inch IC and Discrete wafers. The Board of Directors of the Company shall have complete autonomy in the formulation and execution of the Company's production policies in order to achieve these goals, and may expand or reduce the Company's scale of production in accordance with market demands and the Company's business situation.

ARTICLE 5 - TOTAL AMOUNT OF INVESTMENT AND REGISTERED CAPITAL

5.01 Total Investment

The total amount of investment will be Five Hundred Nine Million Three Hundred Thousand United States Dollars (US$$509.3 million). This investment shall be made in phases, subject to market conditions and the business operations of the Company, as the Board shall decide from time to time. If the Company is successful, the Parties hope to increase further their investment, but any such increase will need to be finalized and approved in the future by the Board and the Examination and Approval Authority .

5.02 Registered Capital

The total amount of registered capital will be One Hundred One Million Eight Hundred and Sixty Thousand United States Dollars (US$101.86 Million).

5.03 Contributions to Capital

(a) Party A's contribution to the registered capital of the Company shall be Thirty-Nine Million Seven Hundred Twenty-Five Thousand and Four Hundred United States Dollars (US$39,725,400), representing a thirty-nine percent (39%) share of the registered capital of the Company. Party A's contribution to the registered capital shall include Thirty-Eight Million Three Hundred Sixty Thousand and Four Hundred Seventy-Seven United States Dollars (US$38,360,477) in cash, equipment valued at Four Hundred Eighty-Three Thousand Nine Hundred and Twenty-Three United States Dollars (US$483,923), the land use rights of a parcel of land located at No. 27, West People's Road, the total area of which is 26,853.80 square meters and is valued at Seven Hundred Twenty-One Thousand United States Dollars (US$721,000), and additional land use rights and the building thereon located at No. 27, West People's Road and currently used for Expatriate Apartments valued at One Hundred Sixty Thousand United States Dollars (US$160,000).

(b) Party B's contribution to the registered capital of the Company shall be Ten Million One Hundred Eighty-Six Thousand United States Dollars (US$10,186,000), representing a ten percent (10%) share of the registered capital of the Company.

(c) Party C's contribution to the registered capital of the Company shall be Fifty-One Million Nine Hundred Forty-Eight Thousand and Six Hundred United States Dollars (US$51,948,600), representing a fifty-one percent (51%) share of the registered capital of the Company.

(d) The unpaid registered capital amount as of the date hereof will be paid by installment contribution in accordance with Appendix B.

5.04 Payment of Registered Capital and Conditions Precedent thereto

(a) Subject to Article 5.04(c) below, each Party shall make its contribution to the registered capital of the Company in accordance with the schedule set forth in Appendix B.

(b) In the event that a Party fails to make its capital contribution, in whole or in part, in accordance with the provisions of Article 5.04(a) and Appendix B, such Party shall be liable to pay liquidated damages to the Company in the form of simple interest on the unpaid amount from the time due until the time paid at the rate of two percent (2%) above the six-month London Interbank Offered Rate (LIBOR) for United States Dollars up to a maximum of US$200,000.00. Notwithstanding the above provisions of this Article 5.04 (a), if the failure of a Party to make its capital contribution, in whole or in part, is not remedied within thirty (30) days of notice from any other Party, said other

Party shall have the right to terminate this Contract pursuant to Article 18.01(c)(ix) hereof.

(c) The Parties shall have no obligation to make capital contributions in accordance with Appendix B until the occurrence of the Effective Date. The capital contributions to be made by the Parties under this Contract shall be reduced by the amount of any distributable profits that are not distributed to the Parties as dividends, and such profits may be reinvested in the business of the Company as determined by the Board.

5.05 Investment Certificate

After each Party's installment contribution to the registered capital has been made, a Chinese registered accountant shall verify the contribution and issue a contribution verification report. Thereupon, the Company shall issue an investment certificate to each Party signed by the Chairman and the Vice Chairman of the Board.

5.06 Assignment of Registered Capital

(a) Each Party hereto undertakes to the other Parties and to the Company that it shall not assign, sell, transfer or otherwise dispose of all or any part of its interest in the registered capital of the Company or its rights, obligations and benefits under this Contract unless (i) each of the other Parties hereto shall have consented in writing to such assignment, sale, transfer or disposition or (ii) such assignment, sale, transfer or disposition complies with the terms of this Article 5.06.

(b) When one Party (the "Disposing Party") wishes to sell, assign or otherwise dispose of all or part of its share of the registered capital (the "Offered Share"), it shall notify each of the other Parties (the "Non-Disposing Parties") in writing (the "Transfer Notice") of the identity of the proposed purchaser and provide each Non-Disposing Party a copy of the offer including all of the proposed terms and conditions of such sale, assignment or disposal. The Transfer Notice shall include a statement confirming that there is no supplementary consideration not stated in the offer. The Non-Disposing Parties shall have a preemptive right to purchase all but not part of such Offered Share in proportion to their respective equity interests in the Company on terms and conditions no less favorable to the Disposing Party than those specified in the Transfer Notice.

(c) The Non-Disposing Parties may exercise their preemptive right by giving notice to the Disposing Party of their intention to purchase the Offered Share within 30 days after receipt of the Transfer Notice ("Option Exercise Period"). Upon issuance of such notice, the Parties shall execute such documents as are required to effect the transfer. The purchase shall be made within 30 days after receipt of any required government approvals of the transfer.

(d) If one Non-Disposing Party does not exercise the option within the Option Exercise Period or fails to make payment for its share of the Offered Share within the time provided in subsection (c), the other Non-Disposing Party shall have the option to purchase such share by giving notice to the Disposing Party

within 30 days thereafter. If such other Non-Disposing Party does not wish to purchase such share or if both of the Non-Disposing Parties should fail to exercise their preemptive right, the Disposing Party may sell all but not part of the Offered Share to the proposed purchaser at a price not less than that provided in the Transfer Notice. The Disposing Party shall provide each of the Non-Disposing Parties with a copy of any executed written equity transfer agreement with the purchaser.

(e) It shall be a condition precedent to the right of any Party to transfer any of its registered capital that (i) the transfer shall be done in accordance with Chinese law, (ii) the transferee agrees to be bound by and entitled to the obligations and benefits of this Contract as if an original party hereto; and (iii) neither the business of the Company nor the performance of its contracts shall be interrupted, nor shall its organizational structure be affected by any such sale, assignment or other disposal of such registered capital. Notwithstanding the foregoing, unless the written consent of the Disposing Party is obtained, upon any assignment, sale or other disposal of the Disposing Party's entire interest in the registered capital of the Company, the Company shall remove from its name all references to the name of the Disposing Party and shall cease using all packaging, letterhead, stationery, promotional and advertising materials and other items which contain any reference to the name of the Disposing Party.

(f) Subject to the satisfaction of the terms and conditions set forth in this Article 5.06, the Parties shall cause their directors appointed to the Board to approve any sale, assignment or other disposal of registered capital hereunder. Any such sale, assignment or other disposal shall, to the extent required by law, be submitted to the Examination and Approval Authority for examination and approval. Upon receipt of the approval of the Examination and Approval Authority, the Company shall register the change in ownership with the SAIC.

(g) The provisions on assignment set forth in this Article 5.06 shall not apply to any sale or assignment of registered capital by any Party to any of its Affiliates, and the other Parties shall be deemed to have consented to, and the Parties shall cause their directors appointed to the Board to approve, any such sale or assignment. Any such sale or assignment shall, to the extent required by law, be submitted to the Examination and Approval Authority for examination and approval. Upon receipt of such approval, the Company shall register the change in ownership with the SAIC.

(h) The share of the registered capital owned by Party B and Party C shall not, in the aggregate, be lower than 25% of the registered capital of the Company.

5.07 Encumbrance of Investment

No Party shall mortgage, pledge, charge or otherwise encumber all or any part of its contribution to the Company's registered capital without the prior written consent of the other Parties.

5.08 Increase of Registered Capital and Additional Financing

(a) Any increase in the registered capital of the Company must be approved by a unanimous vote of the members of the Board present in person or by proxy at a duly constituted meeting thereof and submitted to the Examination and Approval Authority for examination and approval. Upon receipt of the approval of the Examination and Approval Authority, the Company shall register the increase in registered capital with the local branch of the SAIC. Unless otherwise agreed by the Parties, any increase in the registered capital shall be made by the Parties in the same proportion as their respective then-existing interests in the registered capital of the Company. The agreement on any capital increase may specify the time limits for payment of such capital increase. If any Party fails to contribute its share of the capital increase within the time limits set out therein, such Party shall pay interest to the Company on the amount of the overdue contribution at the rate of two percent (2%) above the six-month LIBOR for United States Dollars as in effect on the date such contribution is due. Such interest shall be payable monthly in arrears from and including the date on which such contribution is due and to but excluding the date on which such contribution (together with all interest accrued thereon) is paid in full.

(b) In the event that any Party fails to make its registered capital contribution (or any portion thereof) as provided herein or fails to provide its share of any increase in the Company's registered capital as described in (a) above, then in addition to any other rights the Company may have against the defaulting Party, the Company may offer such portion to the non-defaulting Parties in proportion to the ratio of their respective interests in the registered capital of the Company. Such offer to provide a portion of any increase in the registered capital as described in this paragraph requires approval by the Examination and Approval Authority.

(c) The Company shall fund the difference between the total amount of investment and registered capital through long-term loans obtained from financial institutions. If the Company cannot obtain all or a portion of the required loans on the strength of its own credit, then each of the Parties, either directly or through an Affiliate, shall raise loans for the Company in the same proportion as their respective contributions to the registered capital. If any Party is unable to raise loans in the proportion applicable to such Party, the other Parties shall consider helping arrange for such loans. The Board shall decide the specific timing and amounts of the Company's loans. Loans shall bear interest at the actual loan interest rate, following confirmation by the Board. Such loans shall be repaid by the Company on a pari passu basis in accordance with the decision of the Board based upon the Company's ability to repay without endangering the financial stability of the Company. The Company may fund the difference between the total amount of investment and registered capital through overseas loans obtained from financial institutions.

(d) In the future, the Company may obtain additional financing by utilizing its own internal funds, through loans from sources in China or outside China, or through increased investment by the Parties.

ARTICLE 6 - RESPONSIBILITIES OF THE PARTIES

6.01 Responsibilities of Party A

In addition to its other obligations under this Contract, Party A shall have the following responsibilities:

(a) assist the Company in obtaining all necessary approvals, permits and licenses for the operation of the Company;

(b) assist the Company in liaising with the relevant authorities to effectively procure the external water supply, fuel supply, power supply, transportation, communications, and other services required for the Plant at the most preferential prices available;

(c) assist the Company in obtaining raw materials from sources in China;

(d) assist the Company in opening Renminbi and foreign currency bank accounts and in obtaining Renminbi loans when necessary;

(e) assist the Company in arranging for the transportation of imported equipment and materials between ports in China and the Plant;

(f) assist with the procedures for applying for and procuring licenses, and on carrying out all customs procedures, for the import of machinery, equipment, materials, supplies and office equipment;

(g) assist the expatriate employees of the Company to obtain all necessary entry visas and work permits;

(h) assist the Company in recruiting various types of qualified Chinese personnel;

(i) assist the Company in obtaining the Certificate of Authentication of its status as an "Integrated Circuit (IC) Manufacturing Enterprise" permitting the Company to be entitled to all the Value-Added Tax ("VAT") and other investment incentives as provided for by the governments including in State Council Document No. (2000) 18 on Policies to Encourage the Development of the Software and Integrated Circuit (IC) Industries dated on June 24, 2000 and in policies promulgated by the Sichuan Provincial Government;

(j) assist the Company in obtaining approval of its status as a Technologically Advanced Enterprise and/or Export-oriented Enterprise and securing the appropriate confirmation certificates; thus permitting the Company to enjoy the preferential tax treatment and other benefits available to such enterprises under the current and future government sponsored programs including programs promulgated under the western region modernization policies;

(k) assist the Company to obtain access to sources of foreign exchange;

(l) assist the Company to apply for and obtain approval from the Customs that the Company's factory and all other facilities will be treated as a bonded factory or warehouse in accordance with Chinese legal regulations;

(m) assist the Company in applying for and obtaining any other most preferential tax treatment and other investment incentives available under applicable laws and regulations, in addition to those listed in this Article 6.01;

(n) assist the Company in getting duty and VAT exemption that may be available on all self-used materials and equipment; and

(o) handle other matters entrusted by the Company from time to time.

6.02 Responsibilities of Party B and Party C

In addition to its other obligations under this Contract, each of Party B and Party C shall have the following responsibilities, which shall be carried out directly or through its Affiliates:

(a) when requested by the Company, assist the Company in the purchase of equipment, supplies and materials manufactured inside or outside China;

(b) assist the Company in obtaining loans when necessary;

(c) assist the Company in recruiting expatriate and local personnel;

(d) assist the Company in arranging training of Company personnel in China or abroad as contemplated in the Technology License Contract;

(e) assist the Company in generating export opportunities; and

(f) handle other matters entrusted by the Company from time to time.

6.03 If, at the time or times of Party B or Party C's performance hereunder, a validated U.S. export license is required for Party B, Party C or their Affiliates to lawfully export goods or associated technical data, then the issuance of such license shall constitute a condition precedent to Party B and Party C's obligations hereunder.

6.04 No Compensation

When the Parties assist the Company with the purchase of equipment, supplies and materials, they shall serve the Company without compensation and no Party may impose additional charges.

ARTICLE 7 - TECHNOLOGY AND TRADEMARKS

7.01 Technology

The Parties contemplate that from time to time during the term of this Contract, Semiconductor Components Industries, LLC may provide the Company and/or Party A with additional Technical Information and Know-How to produce other products. In such event, the Parties shall cause the Company and Party A to execute one or more additional technology license contracts with Semiconductor Components

Industries, LLC in substantially the form of the Technology License Contract. Any additional technology license contracts will become effective on the date of approval by or registration with the Examination and Approval Authority and will be valid for ten (10) years.

7.02 Trademarks

(a) The Company is not authorized to use the name or trademark of any Party in its name or otherwise, except as specifically authorized in writing by such Party.

(b) The Company shall develop and register its own trademark. The use of such trademark shall be decided upon by the Board.

ARTICLE 8 - SALE OF JOINT VENTURE PRODUCTS

8.01 Distribution and Sales- Non Wafer Fab Products

(a) Unless unanimously decided otherwise by the Board, each Party, directly or through designated Affiliates, shall purchase the Company's products in proportion to its contribution to the registered capital, and the pricing of such purchases shall follow the principles provided in the Board resolutions dated June 12, 1997 and any subsequent unanimous Board resolutions.

(b) Each Party or its Affiliates may act as agent for the sale of such Party's portion of the Company's production. In such case, such Party or its Affiliates shall receive a sales commission.

(c) The majority of the Company's products will be exported directly or indirectly.

(d) Party A may request the Company to perform the assembly and test of devices by the Company which are not produced by Motorola or ON. Such production would use wafers provided by Party A on a consignment basis and take place within Party A's pro rata share of the Company's manufacturing capacity. However, the quantity and specifications of each device requested must meet the Company's manufacturability requirements as defined by the General Manager of the Company.

(e) Party A, Party B and Party C may request the Company to perform the assembly and test of devices by the Company using wafers provided by Party C or its Affiliates, on a consignment basis and taking place within each Party's pro rata share of the Company's manufacturing capacity. However, the quantity and specifications of each device requested must meet the Company's manufacturability requirements as defined by the General Manager of the Company.

(f) The New Products for non wafer fab listed in Appendix A will be sold exclusively to the Parties or their affiliates. However, the Company may sell such New Products to third parties if the Board agrees such sales are in the best interests of the Company.

8.02 Distribution and Sales - Wafer Fab Products

(a) The Wafer Fab Products listed in Appendix A will be sold exclusively to the parties or their affiliates. However, the Company may sell such New Products on the open market if the Board agrees such sales are in the best interests of the Company.

(b) For the first three years of operation of the Wafer Fab, the pricing for wafer fab products will be set at the lower of (1) prices that are calculated to generate a return on invested equity equal to the weighed average annual interest rate of borrowing of the Company as determined by the Board at the end of each fiscal year plus 6% or (2) the cost at which such products could be purchased from an unrelated third party in an arm's-length transaction. Thereafter, pricing will be set at a level that generates a return on invested equity equal to the weighed average annual interest rate of borrowing of the Company as determined by the Board at the end of each fiscal year plus 6%.

(c) Each party will have the right to purchase Wafer Fab Products from the Company in proportion to their respective equity interests therein. In order to exercise such right, each party will commit at least one year in advance to purchase specified amounts of Wafer Fab Products. If a party fails to purchase any of its committed amount, then it shall pay the Company an underutilization charge as defined in the Board Resolution dated May 16, 2002. In addition, once a party makes a commitment to purchase a given amount of Wafter Fab Products, it may not reduce such amount in any subsequent year, except if (a) such reduction is caused by the exercise by either of the other parties of its right to regain its share of the total production capacity as set out in Section 8.02d, or (b) either of the other parties agrees to take over the reduced amount.

(d) If in any year a party does not commit to purchase all the Wafer Fab Products it is entitled to purchase (such party a "Declining Party"), each of the other parties will have the right to commit to purchase a pro rata portion (based on such party's registered capital in the Company, calculated for such purpose not taking into account the equity owned by the Declining Party) of such New Products. A Declining Party may upon one year's advance notice regain its share of production.

(e) the Company shall increase its production capacity to satisfy the demands of the parties for the Wafer Fab Products. If total demand exceeds the production capacity of the Company, the parties agree that the Company will raise funds, through additional pro rata capital contributions or loans, to expand its production capacity.

(f) No party or any of its affiliates may resell to any third party wafers produced by the Company utilizing the design of any other party. However, a party and any of its affiliates may sell finished products utilizing wafers produced by the Company.

ARTICLE 9 - BOARD OF DIRECTORS

9.01 Formation of the Board

(a) The Board shall consist of nine (9) directors, three (3) of whom shall be appointed by Party A, one (1) of whom shall be appointed by Party B and five (5) of whom shall be appointed by Party C. At the time this Contract is executed and each time a director is appointed, each Party shall notify in writing to the other Parties the names of its appointee(s).

(b) In the event of any change in the ratio of ownership of the Parties of the registered capital of the Company (including as a result of an increase in the registered capital), the total number of directors and the number of directors appointed by each Party shall be changed as necessary to reflect such change. The Board may by its decision increase or decrease the number of directors from time to time, subject to the requirements of PRC law.

(c) Each director shall be appointed for a term of four (4) years and may serve consecutive terms if reappointed by the Party originally appointing him. A director shall serve and may be removed at the pleasure of the Party which appointed him. If a seat on the Board is vacated by the retirement, resignation, illness, disability or death of a director or by the removal of such director by the Party which originally appointed him, the Party which originally appointed such director shall appoint a successor to serve out such director's term.

(d) A director selected by Party C shall serve as the Chairman of the Board and a director selected by Party A shall serve as Vice Chairman of the Board. The Chairman of the Board shall be the legal representative of the Company. Whenever the Chairman of the Board is unable to perform his responsibilities for any reason, another director as designated by the Chairman may temporarily represent him. The Chairman of the Board shall exercise his authority within the limits prescribed by the Board and may not under any circumstances contractually bind the Company or otherwise take any action on behalf of the Company without prior approval of the Board.

(e) Subject to a decision by the Board, the Company shall indemnify the director against all claims and liabilities incurred by reason of acting as a director of the Company, except if incurred as a result of willful misconduct, gross negligence or violations of criminal laws.

9.02 Powers of the Board

(a) The Board shall be the highest authority of the Company.

(b) Resolutions involving the following matters may be adopted at a duly constituted and convened meeting of the Board only upon the unanimous affirmative vote of each and every director of the Board voting in person, by telephone, video conference or by proxy at such meeting:

(i) amendment of the Articles of Association;

(ii) merger of the Company with another economic organization;

(iii) suspension or dissolution of the Company; and

(iv) increase, decrease or assignment of the registered capital of the Company.

(c) All other issues that require a resolution by the Board may be adopted at a duly convened meeting of the Board, and such resolution may be adopted only by the affirmative vote of only a simple majority of the directors present at such meeting in person or by telephone, video conference or proxy.

(d) Meetings of the Board shall be attended by at least one director from each Party or his proxy, and will be scheduled to ensure to the maximum extent possible, the convenient participation of the directors. If a Party is not represented at a meeting it will be rescheduled as soon as possible to ensure the participation of directors from all the Parties, within a maximum of sixty (60) days. After sixty (60) days, the rescheduled meeting may take place if any six (6) directors participate. If a Board Meeting is held in accordance with this section, the Parties in attendance shall orally notify the non-attending Party about the contents and decisions of the meeting on the day of the meeting, then fax a copy of the minutes of the meeting to the non-attending Party within seven (7) days. The non-attending Party may offer opinions and suggestions.

9.03 Meetings

(a) Meetings of the Board shall be held at least once each year. Meetings shall be held at the registered address of the Company or such other address in China or abroad as is designated by the Board. Meetings may be attended by directors in person or by telephone, video conference or proxy.

(b) The Chairman of the Board shall set the agenda and be responsible for convening and presiding over Board meetings.

(c) Upon the written request of three (3) or more of the directors of the Company specifying the matters to be discussed, the Chairman of the Board shall within twenty-one (21) days convene an interim meeting of the Board. The Chairman, or in his absence another director as designated by the Chairman or Party C, shall decide on the timing and location of such interim meetings.

(d) In order to convene a meeting of the Board, the Chairman shall send written notice to each director at least thirty (30) days prior to the meeting. Such notice shall include a detailed agenda of matters to be discussed at the meeting and all reports, documents and other materials relevant or necessary for adequate and informed consideration of each matter on such agenda. All such notices of meetings, detailed agendas and relevant or necessary reports, documents and other materials shall be written in English and Chinese. Notice of any meeting of the Board may be waived by consent of all directors attending the meeting in person or by proxy.

(e) Subject to Article 9.02(d) above, six (6) of the directors present in person or by proxy shall constitute a quorum which shall be necessary for the conduct of

business at any meeting of the Board. Except as provided in Article 9.02(d), if at any properly convened meeting, no quorum is constituted because less than two-thirds of the directors are present in person or by proxy, the Chairman may call another meeting with seven (7) days' notice. Any director absent from a meeting without giving a reason therefor and without having appointed a proxy shall be considered to have abstained from voting and shall be considered as present for purposes of determining a quorum. Excluding those directors who shall be considered to have abstained from voting, resolutions other than those listed in Article 9.02(b) hereof shall be valid if passed by more than half of the directors present.

(f) If a Board member is unable to participate in a Board meeting, he may issue a proxy and entrust a representative to participate in the meeting on his behalf. Unless otherwise provided in the proxy, the representative so entrusted shall have the same rights and powers as the Board member. One person may represent more than one director by proxy. Each Party shall cause its appointed directors to attend Board meetings either in person or by proxy.

(g) The Board will cause complete and accurate minutes to be kept of all meetings of the Board, together with copies of notices of the meetings, in English and Chinese. Minutes of all meetings of the Board shall be distributed to all the directors as soon as practicable after each meeting but not later than thirty (30) days from the date of such meeting. Any director who wishes to propose any amendment or addition thereto shall submit the same in writing to the Chairman and the Vice Chairman within two (2) weeks after receipt of the proposed minutes. The minutes shall be finalized by the Chairman and Vice Chairman.

(h) Any action requiring the unanimous vote of the directors of the Board may be taken without a meeting if all members of the Board consent in writing to such action. Any action requiring a majority vote of the directors may be taken without a meeting if a majority of the members of the Board consent in writing to such action. Such written consents shall be filed with the minutes of the Board proceedings and shall have the same force and effect as a vote taken by members physically present.

(i) Members of the Board shall serve in such capacity without any remuneration, but all reasonable costs incurred by a director in the performance of his duties as a member of the Board shall be borne by the Party which appointed the director.

ARTICLE 10 - OPERATION AND MANAGEMENT

10.01 Management Organization

The Company shall adopt a management system under which the General Manager shall be responsible to and under the leadership of the Board.

10.02 General Manager

(a) The General Manager shall be an individual of high professional qualifications and experience. The General Manager shall be nominated by Party C and appointed by the Board of Directors. The General Manager shall be employed pursuant to such terms as shall be set out in an offering letter issued by the Board of Directors and an employment contract with the Company. If the General Manager is removed or cannot serve in such capacity due to retirement, resignation, illness, disability or death, a successor shall be nominated and appointed in the same manner as the original appointee.

(b) The General Manager shall be in charge of the day-to-day operation and management of the Company, shall be responsible to the Board and shall carry out all matters entrusted by the Board. In particular, but without limiting the generality of the foregoing, the General Manager shall have the following responsibilities:

(i) perform all pertinent obligations set forth in this Contract and the Articles of Association, as well as resolutions adopted by the Board;

(ii) formulate a comprehensive organizational structure and management system for consideration and approval by the Board;

(iii) appoint and dismiss managerial staff (both Chinese and expatriate) in charge of various departments, and their subordinates;

(iv) formulate, and submit to the Board for adoption, Company policies, rules and regulations, define and designate departmental job responsibilities, and direct and supervise departmental activities;

(v) submit to the Board for review and approval business plans, annual and quarterly budgets, forecast plans and reports;

(vi) formulate and implement personnel training programs, including apprenticeships and graduate training schemes;

(vii) manage external relations and sign economic contracts and other corporate documents as authorized by the Board; and

(viii) handle all other major issues as authorized and directed by the Board.

(c) The General Manager shall perform his or her duties on a full-time basis and shall not hold any operation or management related posts concurrently with other enterprises.

(d) The General Manager shall not be required to indemnify the Company for any acts performed in his or her official capacity (but the Company shall indemnify Third Parties for losses suffered as a result therefrom if liability exists by the Company), except for such acts which constitute willful misconduct, gross negligence or violations of criminal laws.

10.03 Deputy General Manager

(a) The Deputy General Manager shall be nominated by Party A and appointed by the Board of Directors. The Deputy General Manager shall assist the General Manager in the day-to-day operation and management of the Company.

(b) The Deputy General Manager shall perform his or her duties on a full-time basis and shall not hold any operation or management related posts concurrently with other enterprises.

(c) The Deputy General Manager shall not be required to indemnify the Company for any acts performed in his or her official capacity (but the Company shall indemnify Third Parties for losses suffered as a result therefrom if liability exists by the Company), except for such acts which constitute willful misconduct, gross negligence or violations of criminal laws.

ARTICLE 11 - SITE

11.01 Land Use Rights

(a) The Company has acquired the land use rights for the Site pursuant to the Land Use Rights Grant Contract and other relevant legal documents. The Company's land use rights of the Site and its ownership of the buildings and structures on the Site are evidenced by several Land Use Rights Certificates and Real Estate Certificates or equivalent documents issued by the relevant Chinese government authorities in the name of the Company.

11.02 Environmental Matters

(a) The Company shall strictly comply with all applicable environmental laws and regulations of the PRC in its operation activities.

(b) Each of the Parties and the Company shall have the right to have the Site tested in accordance with ON's "Due Diligence Environmental Policy" and the Site must pass such test.

(c) The Company will participate in and cooperate with ON's audit program, in which facilities are inspected on a periodic basis for compliance with environmental, safety, and health laws and regulations. Any such audit is subject to prior notice from Party C and shall be coordinated and scheduled by the Company and Party C. The Company must provide responses to any audit recommendations and complete corrective action.

ARTICLE 12 - MATERIALS, EQUIPMENT AND SERVICES

12.01 Sources of Supply

(a) The Company shall have the right to import materials and equipment not available in China in the qualities and quantities deemed necessary by the General Manager, except that items requiring import licenses shall be handled in accordance with the relevant import licensing regulations of China.

(b) Unless otherwise required by Chinese legal regulations, the Company shall have the right to appoint foreign architects, consultants, engineers and

contractors to undertake relevant work when, in the opinion of the General Manager, there are no Chinese units or individuals qualified or available to undertake such work.

12.02 Party A Services

Party A shall provide to the Company certain services and facilities required for the Company's operation, pursuant to the terms and conditions of the Services Contract.

12.03 Machinery and Equipment

The Company may purchase from Party C or its Affiliates machinery and equipment. The purchase price will be agreed upon by the Board.

ARTICLE 13 - LABOR MANAGEMENT

13.01 Governing Principle

Matters relating to the recruitment, employment, dismissal, resignation, wages and welfare of the staff and workers of the Company shall be handled in accordance with the Labor Law of the People's Republic of China (the "Labor Law") and related legislation. The Company shall have autonomy in determining its employment policies and related matters in accordance with Chinese legal regulations applicable to foreign invested enterprises. The Company shall seek to deal directly with its employees, without any external intermediary parties, and will cause the adoption of such personnel policies and practices as appropriate in order to reasonably achieve such results. The Company shall establish personnel practices that fairly reward employees for services rendered in a manner consistent with common business practices in their location of employment.

13.02 Working Personnel

Working Personnel shall be employed by the Company in accordance with the terms of individual employment contracts entered into between the Company and individual Working Personnel or relevant agreements entered into between the Company and Party A. The standard individual employment contract shall be filed with the local labor department.

13.03 Management Personnel

Management Personnel shall be employed by the Company in accordance with the terms of individual employment contracts or the terms of relevant agreements between the Company and Party A. Expatriate personnel (including those from the regions of Hong Kong, Macau and Taiwan) shall receive a salary and benefits commensurate with those provided to expatriate personnel employed by other foreign investment enterprises of a similar nature in China.

13.04 Conformity with Labor Protection

The Company shall conform to rules and regulations of the Chinese government concerning labor protection and ensure safe and civilized production. Labor insurance for the Working Personnel of the Company shall be handled in accordance with individual employment contracts and the relevant regulations of the Chinese government.

13.05 Number of Employees

The qualifications and number of employees shall be determined in accordance with the operating needs of the Company. The Company shall refer to the guidelines provided by Party C as to staffing experience in similar types of facilities in other countries.

13.06 Employee Examination and Recruitment

(a) The Company shall observe the Labor Law, labor regulations and other relevant regulations and the Company shall have autonomy in determining its employment policies and relevant matters.

(b) Employees will be selected from candidates for employment according to their professional qualifications and work experience. Each Working Personnel may be examined and interviewed by the General Manager or his designated representative prior to commencement of employment by the Company. The General Manager shall have the absolute right to decide, on behalf of the Company, whether to employ any such person. All candidates hired by the Company must complete satisfactorily a probationary period of employment before they will be officially considered permanent employees of the Company.

ARTICLE 14 - FINANCIAL AFFAIRS AND ACCOUNTING

14.01 Accounting System

(a) The Financial Controller of the Company, under the leadership of the General Manager, shall be responsible for the financial management of the Company.

(b) The General Manager and the Financial Controller shall prepare the accounting system and procedures in accordance with the relevant regulations. The accounting system and procedures to be adopted by the Company shall be submitted to the Board for approval. Once approved by the Board, the accounting system and procedures shall be filed with the department in charge of the Company and with the relevant local department of finance and the tax authorities for the record. The accounting system and procedures approved by the Board shall to the maximum extent possible comport with the accounting requirements of Party C.

(c) The Company shall adopt Renminbi as its bookkeeping base currency, but may also adopt the United States Dollar as a supplementary bookkeeping currency.

(d) All accounting records, vouchers, books and statements of the Company shall be made and kept in Chinese. All accounting statements of the Company shall also be made and kept in English.

(e) For the purposes of preparing the Company's accounts and statements, calculating declared dividends to be distributed to the Parties, and for any other purposes where it may be necessary to effect a currency conversion, such conversion shall be in accordance with the median rate for buying and selling announced by the People's Bank of China, or other rate recognized by the Chinese government, on the date of actual receipt or payment.

14.02 Financial Reports

(a) The Company shall furnish to the Parties financial reports (in Chinese and English) on at least a monthly basis so that they may continuously be informed about the Company's performance.

(b) The Company shall submit to the Parties an annual financial report (which shall include an audited profit and loss statement and balance sheet for the fiscal year) within one (1) month after the end of the fiscal year, together with an audit report from the Company's auditor.

14.03 Audits

(a) An independent accountant registered in China shall be engaged as the Company's auditor to examine and verify the annual financial report, investment certificates to be issued to the Parties, financial reports on the liquidation of the Company and other financial documents as required by the Board.

(b) Each of the parties shall have the right to inspect, audit, and copy, from time to time, the books and other financial records and documents of the Company at its own expense. The Party wishing to exercise its right to audit shall be free to use its own internal auditors to perform said audit, if it so chooses. Said internal auditors shall also have the right to audit the Company's system of internal control and the Company's compliance with the Code of Conduct approved by the Company. The audit of these systems may result in recommendations to management. Management shall be required to provide responses to the recommendations and complete corrective action. Audit reports, consisting of an introduction, conclusion, recommendations, and responses will be issued to the Company and the Parties.

(c) Each Party may, at its own expense, appoint an accountant (which may be either an accountant registered abroad or registered in China) to audit the accounts of the Company on behalf of such Party. Reasonable access to the Company's financial records shall be given to such auditor and such auditor shall keep confidential all documents examined while conducting audits.

14.04 Bank Accounts and Foreign Exchange Control

(a) The Company shall open foreign exchange and Renminbi bank accounts at authorized banks in China and may also open foreign exchange account(s) outside China with the approval of SAFE for the furtherance of its business purposes.

(b) The Company's foreign exchange transactions shall be handled in accordance with relevant Chinese regulations relating to foreign exchange control.

14.05 Foreign Exchange Balance

(a) The Company shall be responsible to maintain a balance in its foreign exchange receipts and expenditures through the sale of its products and services and through other methods permitted under the laws of China.

(b) If there is a foreign exchange deficiency, the Board will consider various plans and alternatives to balance foreign exchange receipts and expenditures, which, subject to obtaining the relevant government approvals, may include all means permitted under the relevant regulations, including but not limited to export of domestically produced products and, when permitted by law, borrowing from foreign exchange banks.

(c) All costs incurred in converting Renminbi to foreign exchange required for the Company's operations shall be treated as operating expenses of the Company.

(d) Liquid funds in the Company's foreign exchange account shall be used in the following order of priority:

(i) payments of principal and interest on foreign exchange loans taken out by the Company from Third Parties;

(ii) payment for imported materials and equipment;

(iii) payment for imported services;

(iv) payments due under the Technology License Contract;

(v) payment of the Company's expatriate staff salaries;

(vi) payment of principal and interest on foreign exchange loans and advances provided by the Parties or Affiliates;

(vii) maintenance of foreign currency reserves determined by the Board of Directors;

(viii) remittance of profits to Party B and Party C; and

(ix) payment of profits to Party A.

(e) Upon government approval, the Company may source components and equipment from local suppliers for the Parties' Affiliates inside and outside China.

14.06 Fiscal Year

The Company shall adopt the calendar year as its fiscal year, which shall begin on January 1 and end on December 31 of the same year, except that the first fiscal year of the Company shall commence on the date that the Company is granted its Business License and shall end on the immediately succeeding December 31.

14.07 Profits Distribution

(a) After the payment of income tax by the Company, the Board will determine the annual allocations from after-tax net profits to the reserve fund and expansion fund of the Company and the bonus and welfare fund for the workers and staff members. The sum of the annual allocations to the three funds shall be determined by the Board.

(b) The Board shall once every year by a formally adopted resolution decide the amount of after-tax net profit of the Company (after the deduction of the allocations to the three funds mentioned in paragraph (a) above) to be retained in the Company for expanding the production and operation of the Company and the amount to be distributed to the Parties in proportion to their respective shares in the registered capital.

(c) If the Company carries losses from previous years, the after-tax net profits of the current year shall first be used to cover the losses after deductions for the three funds mentioned in 14.07(a). No profit shall be distributed unless the deficit from the previous years is made up. Profits retained by the Company and carried over from the previous years may be distributed together with the distributable profits of the current year, or after the deficit of the current year is made up therefrom.

(d) When the Company has foreign currency available for profit distribution, Party B and Party C will have a priority right to receive their respective shares of the distributable profit in foreign exchange.

ARTICLE 15 - TAXATION AND INSURANCE

15.01 Income Tax, Customs Duties and Other Taxes

(a) The Company shall pay tax under the relevant tax laws of China, subject to any further tax holidays, waivers, exemptions, or exclusions granted to the Company from time to time by any local, regional or national tax authorities.

(b) No later than six (6) months before the expiration of the preferential income tax treatment currently enjoyed by the Company, the Company may submit an application for confirmation of the Company's status as a Technologically Advanced Enterprise and Export-oriented Enterprise in accordance with the Implementing Measures of the Ministry of Foreign Trade and Economic Cooperation on the Confirmation and Examination of Export-Oriented and Technologically Advanced Enterprises with Foreign Investment and other relevant regulations. Upon receiving such confirmation, the Company shall be

entitled to all preferential tax treatment granted to such enterprise under PRC law.

(c) The Chinese and expatriate employees of the Company shall pay tax on their individual incomes in accordance with the relevant provisions of the tax laws of China.

15.02 Insurance

(a) The Company shall, at its own cost and expense, at all times take out and maintain full and adequate insurance for the Company against loss or damage by fire and such other risks as are customarily insured against.

(b) The property, transportation and other items of insurance of the Company will be denominated in Chinese and foreign currencies, as appropriate. The types and amounts of insurance coverage shall be determined by the General Manager.

(c) The Company shall take out the required insurance from the People's Insurance Company of China or any other insurance company authorized to do business in China.

ARTICLE 16 - CONFIDENTIALITY

16.01 Confidentiality

(a) Prior to and during the term of this Contract, each Party has disclosed or may disclose confidential and proprietary information to the other Parties. In addition, the Parties may, during the term of this Contract, obtain confidential and proprietary information of the Company in connection with the operation of the Company. Each of the Parties receiving such information shall, during the term of this Contract and for three (3) years thereafter:

(i) maintain the confidentiality of such information; and

(ii) not disclose it to any person or entity, except to their employees who need to know such information to perform their responsibilities.

(b) The provisions of paragraph (a) above shall not apply to information that:

(i) can be shown to be known by the receiving Party by written records made prior to disclosure by the disclosing Party;

(ii) is or becomes public knowledge otherwise than through the receiving Party's breach of this Contract; or

(iii) was obtained by the receiving Party from a Third Party having no obligation of confidentiality with respect to such information.

(c) If required by Party B or Party C, the Company shall execute a separate confidentiality agreement with provisions similar to those in paragraphs (a), (b) and (c) above with respect to confidential and proprietary information

obtained by the Company from Party B or Party C, as the case may be, or their respective Affiliates.

(d) Each of the Parties and the Company shall formulate rules and regulations to cause its directors, senior staff, and other employees, and those of their Affiliates also to comply with the confidentiality obligation set forth in this Article 16.

(e) The technology and any other technical information licensed or provided in any way by Party B, Party C or their Affiliates to the Company or otherwise acquired or developed by the Company shall be used by the Company only in the Plant for the production of Joint Venture Products.

(f) The Company shall be liable for damages accrued to any Party as a result of a breach of any provision of this Article 16 by the Company, which damages shall be determined in accordance with the relevant provisions of the contract law of China. The payment of damages by the Company to any Party shall be without prejudice to any right or rights of action or other remedies accrued to such Party at the date of such breach.

(g) This Article 16 and the obligations and benefits hereunder shall survive for three (3) years after the expiration or termination of this Contract, notwithstanding the termination, dissolution or liquidation of the Company.

(h) Notwithstanding the foregoing provisions of this Article 16, each of the Parties shall be permitted to make any disclosure required by applicable law.

ARTICLE 17 - JOINT VENTURE TERM

17.01 Joint Venture Term

The Joint Venture Term established under this Contract shall be fifty (50) years, commencing on March 28, 1995.

17.02 Extension of the Joint Venture Term

If the Board unanimously approves the extension of the Joint Venture Term, the Company shall apply to the Examination and Approval Authority for approval no less than six (6) months prior to the expiration of the Joint Venture Term. The Joint Venture Term may be extended only upon approval by the Examination and Approval Authority.

ARTICLE 18 - TERMINATION AND LIQUIDATION

18.01 Termination

(a) This Contract shall terminate upon the expiration of the Joint Venture Term set forth in Article 17.01 hereof unless extended pursuant to Article 17.02 hereof.

(b) This Contract may be terminated at any time by the written agreement of the Parties and after obtaining approval from the relevant Chinese government authorities.

(c) This Contract may be terminated by the written notice of a Party to the other Parties of an intention to terminate this Contract, followed by a vote of the Board to terminate this Contract pursuant to the procedure set forth in paragraph (d) below and after obtaining approval from the relevant Chinese government authorities, if:

(i) any other Party materially breaches this Contract (except for a breach involving capital contributions per 5.04(b)) or violates the Articles of Association causing the Company's inability to continue operating or otherwise undermining the desired objectives of the Parties, and such breach or violation is not cured within three (3) months of written notice to the breaching Party;

(ii) the Technology License Contract or any other technology contract or the Land Use Rights Contract is materially breached by the Company;

(iii) the Services Contract is materially breached by Party A causing the Company's inability to continue operating or otherwise undermining the desired objectives of the Parties, (in these cases only Party B and Party C may terminate this Contract) or the Services Contract is materially breached by the Company causing the Company's inability to continue operating or otherwise undermining the desired objectives of the Parties, (in these cases only Party A may terminate this Contract);

(iv) the Technology License Contract is materially breached by the licensor thereunder (in this case only the Parties which are not the licensor or Affiliates of such licensor may terminate this Contract);

(v) the Company or any Party becomes bankrupt, is the subject of proceedings for liquidation or dissolution, ceases to carry on business or becomes unable to pay its debts as they become due;

(vi) the Company qualifies but is unable to secure or retain the appropriate certificate from the Examination and Approval Authorities granting the Company status as a Technologically Advanced Enterprise in an economic development area or as a Technologically Intensive or Knowledge Intensive Manufacturing Foreign Investment Enterprise and qualifying the Company for the 15% regular tax rate;

(vii) the Company is not allowed to import raw materials and equipment which it deems necessary to carry out its operations.

(viii) under the requirements specified in the relevant Chinese legal regulations, the Company is qualified but unable to obtain or retain duty and tax exemption on imported production equipment, spare parts, production tools, construction and production materials, and other

necessary goods and "bonded" treatment on the imported raw materials for the Company's normal production use or is unable to obtain or retain approval of bonded factory, bonded manufacturing area, or bonded warehouse status when the import/export volume of the Company meets the requirements specified in the relevant Chinese regulations.

(ix) any other Party has failed to provide its contribution to the registered capital of the Company on or before the expiration of the time period stipulated in Article 5.04(b) or 5.08 hereof;

(x) any other Party transfers its share of the registered capital in the Company in violation of the provisions of this Contract;

(xi) the conditions or consequences of Force Majeure (as hereinafter defined in Article 20) significantly interfere with the normal functioning of the Company for a period in excess of six (6) months causing the Company's inability to continue operating or otherwise undermines the desired objectives of the Parties, and the Parties have been unable to find an equitable solution pursuant to Article 21 hereof;

(xii) if the Board determines that the Company is unable obtain its desired objectives such as quantity, quality, cost, rate of production, supply of regional market preferences or requirements, delivery needs or any other objective;

(xiii) if market conditions change such that the Board determines that the Company may no longer sell Joint Venture Products on a competitive basis;

(xiv) the Parties cannot implement the economic adjustment set forth in Article 22.02.

(d) In the event that any Party gives notice pursuant to Article 18.01(c) hereof of a desire to terminate this Contract, the Parties shall within a two (2)-month period after such notice is given conduct negotiations and endeavor to resolve the situation which resulted in the giving of such notice. In the event matters are not resolved to the satisfaction of all the Parties within two (2) months of such notice or any non-notifying Party definitely refuses to commence negotiations within the period stated above, each Party shall cause its appointed directors to vote to terminate this Contract, and the Board shall submit a termination application to the Examination and Approval Authority for approval.

(e) For purposes of this Article 18, the "date of termination" shall be (i) the date of expiration of the Joint Venture Term, if the termination is effected pursuant to paragraph (a) above; (ii) the date of the written agreement of the Parties, if the termination is effected pursuant to paragraph (b) above; or (iii) the date that the Board votes to terminate this Contract, if the termination is effected pursuant to paragraph (c) above.

18.02 Buy-out Options

(a) In the event that any Party gives notice pursuant to Article 18.01(c) hereof of a desire to terminate this Contract, the other Parties (except for the Party in breach or is bankrupt or insolvent) shall have the right to purchase the equity interest of such Party in proportion to their respective interests in the registered capital. A Party that wishes to exercise such buy-out option shall notify the other Parties in writing of its decision no later than thirty (30) days after the end of the two-month negotiation period referred to in Article 18.01(d).

(b) In the event that this Contract is terminated pursuant to Article 18.01(a) or 18.01(b) hereof, any Party shall have the option to purchase the equity interest of the other Parties. A Party that wishes to exercise such buy-out option shall notify the other Parties in writing of its decision no later than thirty (30) days after the date of termination.

(c) Absent any buy-out notice, the Parties shall liquidate the Company in accordance with applicable law and Article 18.03 hereof.

(d) In the event a buy-out option is exercised, the Parties shall within two (2) weeks of receipt of the buy-out notice jointly appoint one Sino-foreign joint venture accounting or appraisal firm qualified in China to value the Company. All costs and expenses of such accounting or appraisal firm shall be borne equally by Party A, Party B and Party C.

(e) The valuation of the Company as provided in paragraph (d) above shall be completed within four (4) weeks and shall be based on the assumption that (i) the Company shall continue as a going concern and (ii) subject to the terms and conditions of and to the extent permitted by the relevant agreements, the Company shall enjoy the right to use the Site and the Plant and the right to use the technology and know-how provided to the Company by each of the Parties.

(f) The purchase price shall be equal to an amount determined by multiplying the value of the Company by the percentage of registered capital then held by the selling Party.

(g) The purchase price shall be paid to the selling Party within sixty (60) days after the later to occur of (i) the determination of such purchase price and (ii) the receipt of any governmental approvals in respect of the relevant purchase then required under applicable law. If Party B or Party C is the selling Party, the purchase price shall be paid in United States Dollars.

(h) Upon a buy-out pursuant to this Article 18.02, each Party agrees to take (and to cause the Company and the Board to take) whatever action may be necessary to consummate such buy-out, including but not limited to (i) obtaining the approval of the Examination and Approval Authority and all other necessary approvals, (ii) in the case of a buy-out of Party A, taking all actions required to convert the Company into a wholly foreign-owned enterprise, and (iii) causing the Business License and registration records of the Company to be changed or canceled with SAIC.

18.03 Liquidation

(a) If the Parties are required to liquidate the Company pursuant to Article 18.02(c) hereof, or if the Parties otherwise agree that the Company shall no longer operate as a going concern, then the Board shall, within a period of thirty (30) days, appoint a liquidation committee which shall have the power to represent the Company in all legal matters. The liquidation committee shall value and liquidate the Company's assets in accordance with the Foreign Investment Enterprises Liquidation Procedures and other applicable Chinese law and regulations and the principles set out herein.

(b) The liquidation committee shall consist of seven (7) members, of which two (2) members shall be nominated by Party A, one (1) member shall be nominated by Party B, and four (4) members including the chairman of the liquidation committee shall be nominated by Party C. Members of the liquidation committee may, but need not be, Board directors or senior employees of the Company. When permitted by Chinese law or regulations, each Party may also appoint professional advisors to be members of or to assist the liquidation committee. The Board shall report the formation of the liquidation committee to the department in charge of the Company. In principle, the liquidation committee shall resolve all issues by consensus. In the event that consensus cannot be reached, matters shall be decided by a majority vote of all members of the liquidation committee.

(c) The liquidation committee shall conduct a thorough examination of the Company's assets and liabilities, on the basis of which it shall, in accordance with the relevant provisions of this Contract, develop a liquidation plan which, if approved by the Board, shall be executed under the liquidation committee's supervision. The liquidation plan shall provide that the Parties will have the right to purchase any of the machinery and equipment and other facilities on a priority basis. In the event that two or more Parties offer the same terms and conditions for such purchases, competitive bidding shall take place. If the Company is liquidated, ON shall have the right to terminate the Technology License Contract and Party A shall have the right to terminate the Services Contract so that these contracts shall not be deemed to be assets of the Company.

(d) In developing and executing the liquidation plan, the liquidation committee shall use every effort to obtain the highest possible price in United States Dollars for the Company's assets.

(e) The liquidation expenses, including remuneration to members and advisors to the liquidation committee, shall be paid out of the Company's assets in priority to the claims of other creditors.

(f) After the liquidation of the Company's assets and the settlement of all of its outstanding debts, the balance shall be divided and paid over to Party A, Party B and Party C in proportion to their respective shares of the registered capital of the Company.

(g) On completion of all liquidation procedures, the liquidation committee shall submit a final report approved by an independent accountant registered abroad or in China to the Examination and Approval Authority, hand in the Business License to the original registration authority and complete all other formalities for canceling the Company's registration. Each of Party B and Party C shall have the right to obtain copies of all of the Company's accounting books and other documents at its own expense, but the originals thereof shall be left in the care of Party A.

(h) Party A hereby agrees Party B and Party C shall have priority in obtaining the foreign currency portion of the balance to be distributed under paragraph (f) above.

18.04 Continuing Obligations

The obligations and benefits stipulated in the confidentiality provisions of Article 16, in the provisions on settlement of disputes of Article 21 and in the provisions on termination and liquidation of this Article 18 shall survive the termination of this Contract with approval from the relevant authorities of the PRC government and the termination, dissolution or liquidation of the Company.

ARTICLE 19 - BREACH OF CONTRACT

19.01 Liability for Breach of Contract

In the event that a breach of contract committed by a Party to this Contract results in the non-performance of or inability to fully perform this Contract or its Appendices, the liabilities arising from the breach of contract shall be borne by the Party in breach as provided in this Contract and its Appendices. In the event that a breach of contract is committed by more than one Party, each such Party shall bear its individual share of the liabilities arising from the breach of contract.

19.02 Limitations on Liability

Notwithstanding the foregoing, and except for any liability arising under Article 11 hereof, the aggregate liability of each Party under this Contract shall not exceed such Party's investment in the registered capital of the Company.

ARTICLE 20 - FORCE MAJEURE

20.01 Definition of Force Majeure

"Force Majeure" shall mean any event which is beyond the control of the affected Party, and which is unforeseen, unavoidable or insurmountable, and which arises after the Effective Date and which prevent total or partial performance by such Party. Such events shall include earthquakes, typhoons, flood, fire, war, failures of international or domestic transportation, acts of government or public agencies, epidemics, civil disturbances, strikes or any other events which cannot be foreseen, prevented or controlled, including events which are accepted as Force Majeure in general international commercial practice.

20.02 Consequences of Force Majeure

(a) If an event of Force Majeure occurs, a Party's contractual obligations affected by such an event under this Contract shall be suspended during the period of delay caused by the Force Majeure.

(b) The Party claiming Force Majeure shall promptly inform the other Parties in writing and shall furnish the other Parties within fifteen (15) days thereafter sufficient proof of the occurrence and duration of such Force Majeure. The Party claiming Force Majeure shall also use all reasonable endeavors to eliminate or mitigate the effects of such Force Majeure.

(c) In the event of Force Majeure, the Parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable endeavours to minimize the consequences of such Force Majeure.

ARTICLE 21 - SETTLEMENT OF DISPUTES

21.01 Friendly Consultations

In the event any dispute arises between the Parties out of or in relation to this Contract, including any dispute regarding its breach, termination or validity, the Parties shall attempt in the first instance to resolve such dispute through friendly consultations.

21.02 Joint Conciliation

If the dispute has not been resolved by friendly consultations within sixty (60) days after one Party has served written notice on the other Party or Parties requesting the commencement of such consultations, then the Parties shall attempt to reach a settlement through conciliation conducted in Beijing in accordance with the Conciliation Rules of the Beijing Conciliation Center of the China International Economic and Trade Arbitration Commission. If the dispute is resolved through conciliation, the Parties agree to enter into a written settlement contract.

21.03 Arbitration

If the dispute is not resolved pursuant to Article 21.02 within sixty (60) days after conciliation proceedings have commenced, or if a Party fails to comply with any settlement reached by conciliation conducted pursuant to Article 21.02 within sixty (60) days after a settlement is reached, then

(a) any Party involved may submit the dispute for arbitration in Stockholm at the Arbitration Institute of the Stockholm Chamber of Commerce in accordance with the Arbitration Rules of that Institute with instructions that the arbitration be conducted in English and that the arbitrators may refer to both the English and Chinese texts of this Joint Venture Contract;

(b) there shall be three (3) arbitrators all of whom shall be fluent in English and Mandarin. Party A shall select one (1) arbitrator, and Party B and Party C shall select one (1) arbitrator. The third arbitrator shall be appointed by agreement between the arbitrators selected by Party A, Party B and Party C, and such third arbitrator shall serve as chairman of the panel;

(c) the arbitration award shall be final and binding on the Parties and shall be enforced in accordance with its terms;

(d) the arbitration fee shall be borne by the losing party.

(e) each Party may require the other Parties to enter into a written contract which sets forth the terms of the arbitration award.

21.04 Continuous Performance of Joint Venture Contract

In the course of the arbitration, this Contract shall be continuously performed in accordance with its terms and the Articles of Association except for the part which is under, or which is directly and substantially affected by, the arbitration.

21.05 Enforceability of Award

Any award of the arbitrators shall be enforceable by any court having jurisdiction over the Party against which the award has been rendered, or wherever assets of the Party against which the award has been rendered can be located, and such award shall be enforceable in accordance with the "United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958)" (except where reservations are made by the People's Republic of China).

21.06 Jurisdiction of Chinese Courts

Any dispute arising under this Contract shall be settled in accordance with this Article 21, except that either party may apply to the courts of China to enforce an arbitration award rendered or contract executed in accordance with this Article.

ARTICLE 22 - APPLICABLE LAW

22.01 Applicable Law

The formation, validity, interpretation and implementation of this Contract shall be governed by the laws of the People's Republic of China which are published and publicly available, but in the event that there is no published and publicly available law in China governing a particular matter relating to this Contract, reference shall be made to general international commercial practices.

22.02 Economic Adjustment

If any Party's or the Company's economic benefits are adversely and materially affected by the promulgation of any new laws, rules or regulations of China or the amendment or interpretation of any existing laws, rules or regulations of China after the signature date of this Contract, or if the Company subsequently fails to continue to qualify for preferential treatment, the Parties shall promptly consult with each other and use their best endeavors to implement any adjustments necessary to maintain each Party's and the Company's economic benefits derived from this Contract on a basis no less favorable than the economic benefits it would have derived if such laws, rules or regulations had not been promulgated, amended or so interpreted. If the economic benefits approved by the Parties following consultations cannot be obtained after such adjustments are implemented, a Party may terminate this Contract under Article 18.

22.03 Preferential Treatment

The Company and the Parties shall be entitled according to the law to any tax, investment or other benefits or preferences that become available or publicly known after the signing of this Contract and which are more favorable than those set forth in this Contract.

22.04 Continuity of Contract

The Parties agree that in the event of the promulgation of any new laws, rules or regulations of China, this Contract shall continue to be performed in accordance with its terms to the largest extent permitted under PRC law.

ARTICLE 23 - MISCELLANEOUS PROVISIONS

23.01 Non-Competition

Because the Company will be manufacturing components with commodity characteristics, the Parties agree that Party A or Party C shall not, directly or indirectly, through any other joint venture, manufacture in China the Joint Venture Products including the New Products listed in Appendix A that are being manufactured and to be manufactured by the Company, unless the Company cannot meet demand for such products (whether due to demands of quantity, quality, cost, rate of production, regional market preferences or requirements, delivery needs or any other reason).

In order to strengthen their relationship with Party A, Party C and their Affiliates have no present intention of producing the products in Appendix A in China other than through the Company unless the Company cannot meet demand for such products.

In order to strengthen its relationship with Party C, Party A is willing to give Party C first right of refusal for Party A's future semi-conductor projects. Party A shall give written notice to Party C describing such project. Party C shall have sixty (60) days to either agree to participate therein or to decline to participate and Party C shall be deemed to have declined if it fails to respond in such time. If Party C declines to participate, Party A may conduct such activities on its own or with other parties on the terms described to Party C.

23.02 Waiver

To the extent permitted by Chinese law or regulations, failure or delay on the part of any Party hereto to exercise a right, power or privilege under this Contract and the Appendices hereto shall not operate as a waiver thereof; nor shall any single or partial exercise of a right, power or privilege preclude any other future exercise thereof.

23.03 Assignability

This Contract may not be assigned in whole or in part by any Party without the prior written consent of each of the other Parties hereto and the approval of the Examination and Approval Authority.

23.04 Binding Effect

This Contract is made for the benefit of each of the Parties and their respective lawful successors and assignees and is legally binding on them. This Contract may not be changed orally, but only by a written instrument signed by each of the Parties and approved by the Examination and Approval Authority.

23.05 Severability

Subject to the provisions of Article 22.02 hereof, the invalidity of any provision of this Contract shall not affect the validity of any other provision of this Contract.

23.06 Language

This Contract is executed in the Chinese language in five (5) originals and in the English language in five (5) originals. Both language versions shall be equally authentic.

23.07 Entire Agreement

This Contract and the Appendices hereto constitute the entire agreement among Party A, Party B and Party C with respect to the subject matter of this Contract and supersede all prior discussions, negotiations and agreements among them. In the event of any conflict between the terms and provisions of this Contract, the Articles of Association and the Feasibility Study, the terms and provisions of this Contract shall prevail.

23.08 Notices

Any notice or written communication provided for in this Contract by one Party to the other Parties, including but not limited to any and all offers, writings, or notices to be given hereunder, shall be made in English or Chinese by facsimile, or by courier service delivered letter, promptly transmitted or addressed to the appropriate Party. The date of receipt of a notice or communication hereunder shall be deemed to be fifteen (15) days after the letter is given to the courier service in the case of a courier service delivered letter and one (1) working day after dispatch of a facsimile if evidenced by a transmission report. All notices and communications shall be sent to the appropriate address set forth below, until the same is changed by notice given in writing to the other Parties.

PARTY A:
Leshan Radio Company, Ltd.
27 West People's Road
Leshan, Sichuan Province 614000
People's Republic of China
Attention: Chairman
Facsimile No: 86-833-213-2060

PARTY B:
Motorola (China) Investment Limited
No. 108 Jian Guo Road
Chao Yang District

Beijing 100022
People's Republic of China
Attention: Corporate Law Department
Facsimile No: 86-10-6566-8449

PARTY C:
SCG (China) Holding Corporation
5005 East McDowell Road
Phoenix, Arizona 85008
U.S.A.
Attention: General Counsel
Facsimile No: 1-602-244-5500

The sending Party shall send confirmation to the other Parties by telephone or facsimile at an appropriate time.

23.09 Appendices

The Appendices hereto listed below are made an integral part of this Contract and are equally binding with these Articles 1 through 23.

List of Joint Venture Products (Appendix A)
Schedule of Capital Contributions (Appendix B)

23.10 Effectiveness

This Contract shall become effective on the Effective Date.

IN WITNESS WHEREOF, each of the Parties hereto have caused this Contract to be executed by their duly authorized representatives on the date first set forth above.

LESHAN RADIO COMPANY, LTD.

By: /s/ Pan Min-zhi

Name: Pan Min-Zhi
Title: Chairman of the Board

MOTOROLA (CHINA) INVESTMENT LIMITED

By: /s/ Larry Cheng

Name: Larry Cheng
Title: Authorized Representative

SCG (CHINA) HOLDING CORPORATION

By: /s/ Steve Hanson

Name: Steve Hanson
Title: President

APPENDIX A

LIST OF JOINT VENTURE PRODUCTS

Assembly Test Products

SOT23, SC59, SC88, SC75, SC89, SC70, SOD323, SOIC, SOD523, SOD723 and other miniature surface mount semiconductor packages.

Wafer Fab Products
IC and Discrete wafers

APPENDIX B

SCHEDULE OF CAPITAL CONTRIBUTIONS

The total amount of the registered capital of the Company is US$101.86 million. As of the date hereof, the Parties have paid in US$52,039,207. The specific timing and amounts for each future installment payment by each Party shall be determined by the decision of the Board of the Company.

EXHIBIT 99

CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18,
UNITED STATES CODE)

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

The Quarterly Report on Form 10-Q for the quarter ended June 28, 2002 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2002

/S/ STEVEN P. HANSON

Steven P. Hanson
President and Chief Executive Officer

Dated: August 9, 2002

/S/ JOHN T. KURTZWEIL

John T. Kurtzweil
Senior Vice President and
Chief Financial Officer