UNITED STATES
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, 2019

Or

☐ **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, zip code and telephone number, including area code, of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	ON	The Nasdaq Stock Market LLC

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 x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act

			☐
Large Accelerated Filer	☒	Accelerated filer	
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

The number of shares outstanding of the issuer's class of common stock as of the close of business on July 31, 2019:

Title of Each Class	**Number of Shares**
Common Stock, par value $0.01 per share	410,479,398

ON SEMICONDUCTOR CORPORATION FORM 10-Q

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(See the glossary of selected terms immediately following this table of contents for definitions of certain abbreviated terms)

ON SEMICONDUCTOR CORPORATION
FORM 10-Q

GLOSSARY OF SELECTED ABBREVIATED TERMS*

Abbreviated Term	Defined Term
1.00% Notes	1.00% Convertible Senior Notes due 2020
1.625% Notes	1.625% Convertible Senior Notes due 2023
Amended Credit Agreement	Credit Agreement, dated as of April 15, 2016, as subsequently amended, by and among the Company, as borrower, the several lenders party thereto, Deutsche Bank AG, New York Branch, as administrative agent and collateral agent, and certain other parties, providing for the Revolving Credit Facility and the Term Loan “B” Facility
Amended and Restated SIP	ON Semiconductor Corporation Amended and Restated Stock Incentive Plan, as amended
AMIS	AMIS Holdings, Inc.
Aptina	Aptina, Inc.
ASU	Accounting Standards Update
ASC	Accounting Standards Codification
ASIC	Application specific integrated circuit
CMOS	Complementary metal oxide semiconductor
DSP	Digital signal processing
ESPP	ON Semiconductor Corporation 2000 Employee Stock Purchase Plan, as amended
Exchange Act	Securities Exchange Act of 1934, as amended
Fairchild	Fairchild Semiconductor International, Inc.
FASB	Financial Accounting Standards Board
Freescale	Freescale Semiconductor, Inc.
IC	Integrated circuit
IoT	Internet-of-Things
IP	Intellectual property
IPRD	In-process research and development
LED	Light-emitting diode
LIBOR	A base rate per annum equal to the London Interbank Offered Rate as administered by the International Exchange Benchmark Administration
LiDAR	Light detection and ranging
MCU	Microcontroller unit
MOSFET	Metal oxide semiconductor field effect transistor
Motorola	Motorola Inc.
OEM	Original equipment manufacturers
Revolving Credit Facility	A $1.9 billion revolving credit facility created pursuant to the Amended Credit Agreement
RSU	Restricted stock unit
SCI LLC	Semiconductor Components Industries, LLC, a wholly-owned subsidiary of ON Semiconductor Corporation
SEC	Securities and Exchange Commission
SoC	System on chip
Securities Act	Securities Act of 1933, as amended
Term Loan “B” Facility	A $2.4 billion term loan “B” facility created pursuant to the Amended Credit Agreement
Wi-Fi	Wireless radio technologies compliant with Institute of Electrical and Electronics Engineers Standard 802.11b and commonly used in wireless local area networking devices
WSTS	World Semiconductor Trade Statistics

* Terms used, but not defined, within the body of the Form 10-Q are defined in this Glossary.

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

ON SEMICONDUCTOR CORPORATION
CONSOLIDATED BALANCE SHEET
(in millions, except share and per share data)
(unaudited)

	June 28, 2019	December 31, 2018
Assets		
Cash and cash equivalents	$ 885.2	$ 1,069.6
Receivables, net	713.2	686.0
Inventories	1,273.8	1,225.2
Other current assets	192.0	187.0
Total current assets	3,064.2	3,167.8
Property, plant and equipment, net	2,620.0	2,549.6
Goodwill	1,552.5	932.5
Intangible assets, net	778.0	566.4
Deferred tax assets	242.0	266.2
Other assets	267.8	105.1
Total assets	$ 8,524.5	$ 7,587.6
Liabilities, Non-Controlling Interest and Stockholders’ Equity		
Accounts payable	$ 542.9	$ 671.7
Accrued expenses and other current liabilities	618.2	659.1
Current portion of long-term debt	105.7	138.5
Total current liabilities	1,266.8	1,469.3
Long-term debt	3,550.8	2,627.6
Deferred tax liabilities	58.9	54.8
Other long-term liabilities	350.1	241.8
Total liabilities	5,226.6	4,393.5
Commitments and contingencies (Note 11)		
ON Semiconductor Corporation stockholders’ equity:		
Common stock ($0.01 par value, 1,250,000,000 shares authorized, 563,192,019 and 558,701,620 issued, 410,050,898 and 413,834,227 outstanding, respectively)	5.6	5.6
Additional paid-in capital	3,757.6	3,702.3
Accumulated other comprehensive loss	(53.4)	(37.9)
Accumulated earnings	1,195.5	979.6
Less: Treasury stock, at cost: 153,141,121 and 144,867,393 shares, respectively	(1,631.0)	(1,478.0)
Total ON Semiconductor Corporation stockholders’ equity	3,274.3	3,171.6
Non-controlling interest	23.6	22.5
Total stockholders' equity	3,297.9	3,194.1
Total liabilities and stockholders' equity	$ 8,524.5	$ 7,587.6

See accompanying notes to consolidated financial statements

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

	Quarters Ended		Six Months Ended	
	June 28, 2019	June 29, 2018	June 28, 2019	June 29, 2018
Revenue	$ 1,347.7	$ 1,455.9	$ 2,734.3	$ 2,833.5
Cost of revenue (exclusive of amortization shown below)	848.7	900.9	1,721.6	1,761.1
Gross profit	499.0	555.0	1,012.7	1,072.4
Operating expenses:				
Research and development	147.0	167.1	298.8	322.3
Selling and marketing	73.6	81.7	150.7	159.5
General and administrative	74.1	74.6	147.0	145.5
Amortization of acquisition-related intangible assets	27.5	27.9	53.2	55.3
Restructuring, asset impairments and other, net	18.1	3.2	23.7	3.6
Goodwill and intangible asset impairment	0.4	3.3	1.6	3.3
Total operating expenses	340.7	357.8	675.0	689.5
Operating income	158.3	197.2	337.7	382.9
Other income (expense), net:				
Interest expense	(33.7)	(32.6)	(65.4)	(64.1)
Interest income	3.0	1.1	5.5	2.0
Loss on debt refinancing and prepayment	(0.4)	(4.0)	(0.4)	(4.0)
Gain on divestiture of business	—	4.6	—	4.6
Licensing income	—	28.1	—	31.9
Other income (expense)	(1.0)	(1.0)	1.1	(3.0)
Other income (expense), net	(32.1)	(3.8)	(59.2)	(32.6)
Income before income taxes	126.2	193.4	278.5	350.3
Income tax provision	(23.3)	(37.1)	(61.5)	(53.5)
Net income	102.9	156.3	217.0	296.8
Less: Net income attributable to non-controlling interest	(1.1)	(1.0)	(1.1)	(1.9)
Net income attributable to ON Semiconductor Corporation	$ 101.8	$ 155.3	$ 215.9	$ 294.9
Comprehensive income, net of tax:				
Net income	$ 102.9	$ 156.3	$ 217.0	$ 296.8
Foreign currency translation adjustments	0.5	(1.5)	0.6	0.9
Effects of cash flow hedges	(10.2)	1.0	(16.1)	4.8
Other comprehensive income (loss), net of tax	(9.7)	(0.5)	(15.5)	5.7
Comprehensive income	93.2	155.8	201.5	302.5
Comprehensive income attributable to non-controlling interest	(1.1)	(1.0)	(1.1)	(1.9)
Comprehensive income attributable to ON Semiconductor Corporation	$ 92.1	$ 154.8	$ 200.4	$ 300.6
Net income per common share attributable to ON Semiconductor Corporation:				
Basic	$ 0.25	$ 0.36	$ 0.52	$ 0.69
Diluted	$ 0.24	$ 0.35	$ 0.52	$ 0.66
Weighted-average common shares outstanding:				
Basic	411.9	427.0	411.3	426.5
Diluted	417.7	444.3	417.8	444.4

See accompanying notes to consolidated financial statements

ON SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in millions, except share data)
(unaudited)

	Common Stock					Treasury Stock			
	Number of shares	At Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Earnings	Number of shares	At Cost	Non-Controlling Interest	Total Equity
Balance at March 29, 2019	562,317,091	$ 5.6	$ 3,722.5	$ (43.7)	$ 1,093.7	(150,502,511)	$ (1,579.9)	$ 22.5	$ 3,220.7
Stock option exercises	86,480	—	0.4	—	—	—	—	—	0.4
Shares issued pursuant to the ESPP	527,489	—	7.4	—	—	—	—	—	7.4
RSUs and stock grant awards issued	260,959	—	—	—	—	—	—	—	—
Shares withheld for employee taxes on RSUs	—	—	—	—	—	(50,720)	(1.1)	—	(1.1)
Share-based compensation expense	—	—	27.3	—	—	—	—	—	27.3
Repurchase of common stock	—	—	—	—	—	(2,587,890)	(50.0)	—	(50.0)
Comprehensive (loss) income	—	—	—	(9.7)	101.8	—	—	1.1	93.2
Balance at June 28, 2019	563,192,019	$ 5.6	$ 3,757.6	$ (53.4)	$ 1,195.5	(153,141,121)	$ (1,631.0)	$ 23.6	$ 3,297.9
Balance at December 31, 2018	558,701,620	$ 5.6	$ 3,702.3	$ (37.9)	$ 979.6	(144,867,393)	$ (1,478.0)	$ 22.5	$ 3,194.1
Stock option exercises	157,197	—	0.9	—	—	—	—	—	0.9
Shares issued pursuant to the ESPP	527,489	—	7.4	—	—	—	—	—	7.4
RSUs and stock grant awards issued	3,805,713	—	—	—	—	—	—	—	—
Shares withheld for employee taxes on RSUs	—	—	—	—	—	(1,275,649)	(27.2)	—	(27.2)
Share-based compensation expense	—	—	47.0	—	—	—	—	—	47.0
Repurchase of common stock	—	—	—	—	—	(6,998,079)	(125.8)	—	(125.8)
Comprehensive (loss) income	—	—	—	(15.5)	215.9	—	—	1.1	201.5
Balance at June 28, 2019	563,192,019	$ 5.6	$ 3,757.6	$ (53.4)	$ 1,195.5	(153,141,121)	$ (1,631.0)	$ 23.6	$ 3,297.9
Balance at March 30, 2018	554,961,297	$ 5.5	$ 3,615.5	$ (34.4)	$ 491.7	(127,502,042)	$ (1,149.9)	$ 23.1	$ 2,951.5
Stock option exercises	69,975	—	0.7	—	—	—	—	—	0.7
Shares issued pursuant to the ESPP	384,047	—	6.8	—	—	—	—	—	6.8
RSUs and stock grant awards issued	204,585	0.1	—	—	—	—	—	—	0.1
Shares withheld for employee taxes on RSUs	—	—	—	—	—	(44,744)	(1.1)	—	(1.1)
Share-based compensation expense	—	—	23.1	—	—	—	—	—	23.1
Repurchase of common stock	—	—	—	—	—	(1,713,130)	(40.0)	—	(40.0)
Other	—	—	—	—	(0.1)	—	—	—	(0.1)
Comprehensive (loss) income	—	—	—	(0.5)	155.3	—	—	1.0	155.8
Balance at June 29, 2018	555,619,904	$ 5.6	$ 3,646.1	$ (34.9)	$ 646.9	(129,259,916)	$ (1,191.0)	$ 24.1	$ 3,096.8
Balance at December 31, 2017	551,873,115	$ 5.5	$ 3,593.5	$ (40.6)	$ 351.5	(126,754,921)	$ (1,131.1)	$ 22.2	$ 2,801.0
Impact of the adoption of ASU 2016-16	—	—	—	—	(1.4)	—	—	—	(1.4)
Impact of the adoption of ASC 606	—	—	—	—	2.1	—	—	—	2.1
Stock option exercises	614,676	—	4.3	—	—	—	—	—	4.3
Shares issued pursuant to the ESPP	384,047	—	6.8	—	—	—	—	—	6.8
RSUs and stock grant awards issued	2,748,066	0.1	—	—	—	—	—	—	0.1
Shares withheld for employee taxes on RSUs	—	—	—	—	—	(791,865)	(19.9)	—	(19.9)
Share-based compensation expense	—	—	41.5	—	—	—	—	—	41.5
Repurchase of common stock	—	—	—	—	—	(1,713,130)	(40.0)	—	(40.0)
Other	—	—	—	—	(0.2)	—	—	—	(0.2)
Comprehensive income	—	—	—	5.7	294.9	—	—	1.9	302.5
Balance at June 29, 2018	555,619,904	$ 5.6	$ 3,646.1	$ (34.9)	$ 646.9	(129,259,916)	$ (1,191.0)	$ 24.1	$ 3,096.8

See accompanying notes to consolidated financial statements

ON SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions)
(unaudited)

	Six Months Ended	
	June 28, 2019	June 29, 2018
Cash flows from operating activities:		
Net income	$ 217.0	$ 296.8
Adjustments to reconcile net income to net cash provided by operating activities and other adjustments:		
Depreciation and amortization	279.8	245.4
Loss on sale or disposal of fixed assets	0.4	2.4
Gain on divestiture of business	—	(4.6)
Loss on debt refinancing and prepayment	0.4	4.0
Amortization of debt discount and issuance costs	6.6	6.7
Payments for term debt modification	—	(1.1)
Share-based compensation expense	47.0	41.5
Non-cash interest on convertible notes	18.4	17.6
Goodwill and intangible asset impairment charges	1.6	3.3
Change in deferred taxes	32.3	43.2
Other	1.5	(1.0)
Changes in assets and liabilities (exclusive of the impact of acquisition and divestiture):		
Receivables	(3.7)	(28.8)
Inventories	(3.5)	(106.3)
Other assets	(8.4)	(4.9)
Accounts payable	(89.9)	21.3
Accrued expenses and other current liabilities	(133.8)	(29.8)
Other long-term liabilities	(4.9)	(10.7)
Net cash provided by operating activities	360.8	495.0
Cash flows from investing activities:		
Purchase of property, plant and equipment	(310.5)	(252.4)
Proceeds from sales of property, plant and equipment	1.4	6.0
Deposits made for purchase of property, plant and equipment	(0.3)	(13.7)
Purchase of business, net of cash acquired	(867.0)	(70.7)
Purchase of license and deposit made for manufacturing facility	(100.0)	—
Proceeds from divestiture of business and release of escrow	5.0	5.6
Proceeds from repayment of note receivable	—	10.2
Equity method investment	—	(19.8)
Net cash used in investing activities	(1,271.4)	(334.8)
Cash flows from financing activities:		
Proceeds for the issuance of common stock under the ESPP	13.8	6.9
Proceeds from exercise of stock options	0.9	4.3
Payment of tax withholding for RSUs	(27.2)	(19.9)
Repurchase of common stock	(125.8)	(40.0)
Borrowings under debt agreements	904.3	7.5
Payment of debt issuance and other financing costs	(4.7)	—
Repayment of long-term debt	(38.6)	(215.4)
Payment of finance lease obligations	(0.4)	(3.2)
Net cash provided by (used in) financing activities	722.3	(259.8)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	0.3	0.7
Net decrease in cash, cash equivalents and restricted cash	(188.0)	(98.9)
Cash, cash equivalents and restricted cash, beginning of period (Note 16)	1,087.1	966.6
Cash, cash equivalents and restricted cash, end of period (Note 16)	$ 899.1	$ 867.7

See accompanying notes to consolidated financial statements

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1: Background and Basis of Presentation

ON Semiconductor Corporation, together with its wholly and majority-owned subsidiaries ("ON Semiconductor," "we," “us,” “our,” or the "Company"), uses a thirteen-week fiscal quarter accounting period for the first three fiscal quarters of each year, with the second quarter of 2019 having ended on June 28, 2019 and each fiscal year ending on December 31. The quarters ended June 28, 2019 and June 29, 2018 each contained 91 days. The six months ended June 28, 2019 and June 29, 2018 contained 179 and 180 days, respectively. As of June 28, 2019, the Company was organized into the following three operating and reporting segments: the Power Solutions Group ("PSG"), the Analog Solutions Group ("ASG") and the Intelligent Sensing Group ("ISG"). Additional details on the Company’s operating and reporting segments are included in Note 2: "Revenue and Segment Information."

The accompanying unaudited financial statements as of and for the quarter and six months ended June 28, 2019 have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for unaudited interim financial information. Accordingly, the unaudited financial statements do not include all of the information and footnotes required by GAAP for audited financial statements. The balance sheet as of December 31, 2018 was derived from the Company's audited financial statements but does not include all disclosures required by GAAP for audited financial statements. In the opinion of the Company's management, the interim information includes all adjustments, which includes normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto for the year ended December 31, 2018 included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, which was filed with the SEC on February 20, 2019 (the “2018 Form 10-K”). Financial results for interim periods are not necessarily indicative of the results of operations that may be expected for a full fiscal year.

Use of Estimates

The preparation of financial statements in accordance with GAAP 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 revenue and expenses during the reporting period. Management evaluates these estimates and judgments on an ongoing basis and bases its estimates on experience, current and expected future conditions, third-party evaluations and various other assumptions that management believes are reasonable under the circumstances. Significant estimates have been used by management in conjunction with the following: (i) future payouts for customer incentives and amounts subject to allowances, returns and warranties; (ii) measurement of valuation allowances relating to inventories; (iii) fair values of share-based compensation and of financial instruments; (iv) assumptions used in business combinations; and (v) measurement of valuation allowances against deferred tax assets and evaluations of unrecognized tax benefits. Additionally, during periods where it becomes applicable, significant estimates will be used by management in determining the future cash flows used to assess and test for impairment of goodwill, indefinite-lived intangible assets and long-lived assets. Actual results may differ from the estimates and assumptions used in the consolidated financial statements and related notes.

Note 2: Revenue and Segment Information

The Company is organized into three operating and reporting segments consisting of PSG, ASG and ISG. Because many products are sold into different end-markets, the total revenue reported for a segment is not indicative of actual sales in the end-market associated with that segment, but rather is the sum of the revenue from the product lines assigned to that segment. These segments represent the Company’s view of the business and as such are used to evaluate progress of major initiatives and allocation of resources.

Revenue and gross profit for the Company’s operating and reporting segments were as follows (in millions):

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(unaudited)

	PSG	ASG	ISG	Total
For the quarter ended June 28, 2019:				
Revenue from external customers	$ 700.9	$ 462.0	$ 184.8	$ 1,347.7
Gross profit	$ 255.7	$ 184.7	$ 65.9	$ 506.3
For the quarter ended June 29, 2018:				
Revenue from external customers	$ 748.2	$ 513.2	$ 194.5	$ 1,455.9
Gross profit	$ 267.1	$ 219.3	$ 82.6	$ 569.0
For the six months ended June 28, 2019:				
Revenue from external customers	$ 1,405.1	$ 956.1	$ 373.1	$ 2,734.3
Gross profit	$ 504.7	$ 384.8	$ 140.8	$ 1,030.3
For the six months ended June 29, 2018:				
Revenue from external customers	$ 1,440.8	$ 1,009.4	$ 383.3	$ 2,833.5
Gross profit	$ 506.3	$ 426.1	$ 164.3	$ 1,096.7

Gross profit is exclusive of the amortization of acquisition-related intangible assets. Depreciation expense is included in segment gross profit. Reconciliations of segment gross profit to consolidated gross profit are as follows (in millions):

	Quarters Ended		Six Months Ended	
	June 28, 2019	June 29, 2018	June 28, 2019	June 29, 2018
Gross profit for reporting segments	$ 506.3	$ 569.0	$ 1,030.3	$ 1,096.7
Less: Unallocated manufacturing costs	(7.3)	(14.0)	(17.6)	(24.3)
Consolidated gross profit	$ 499.0	$ 555.0	$ 1,012.7	$ 1,072.4

Revenue for the Company's operating and reporting segments disaggregated into geographic locations and sales channels were as follows (in millions):

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(unaudited)

	Quarter Ended June 28, 2019			
	PSG	ASG	ISG	Total
Geographic Location				
Singapore	$ 213.3	$ 130.5	$ 36.1	$ 379.9
Hong Kong	206.2	108.3	33.9	348.4
United Kingdom	118.0	76.4	35.0	229.4
United States	99.6	93.0	30.9	223.5
Other	63.8	53.8	48.9	166.5
Total	$ 700.9	$ 462.0	$ 184.8	$ 1,347.7
Sales Channel				
Distributors	$ 433.5	$ 230.1	$ 116.8	$ 780.4
OEM	223.3	197.7	58.7	479.7
Electronic Manufacturing Service Providers	44.1	34.2	9.3	87.6
Total	$ 700.9	$ 462.0	$ 184.8	$ 1,347.7

	Six Months Ended June 28, 2019			
	PSG	ASG	ISG	Total
Geographic Location				
Singapore	$ 438.3	$ 283.5	$ 83.3	$ 805.1
Hong Kong	406.8	220.3	59.3	686.4
United Kingdom	243.8	155.9	76.6	476.3
United States	188.5	185.6	63.0	437.1
Other	127.7	110.8	90.9	329.4
Total	$ 1,405.1	$ 956.1	$ 373.1	$ 2,734.3
Sales Channel				
Distributors	$ 857.2	$ 464.9	$ 223.1	$ 1,545.2
OEM	459.5	418.8	130.2	1,008.5
Electronic Manufacturing Service Providers	88.4	72.4	19.8	180.6
Total	$ 1,405.1	$ 956.1	$ 373.1	$ 2,734.3

	Quarter Ended June 29, 2018			
	PSG	ASG	ISG	Total
Geographic Location				
Singapore	$ 244.1	$ 157.8	$ 31.9	$ 433.8
Hong Kong	229.4	133.1	42.4	404.9
United Kingdom	124.5	82.4	35.5	242.4
United States	98.2	85.9	33.4	217.5
Other	52.0	54.0	51.3	157.3
Total	$ 748.2	$ 513.2	$ 194.5	$ 1,455.9
Sales Channel				
Distributors	$ 482.0	$ 257.5	$ 115.3	$ 854.8
OEM	219.8	220.0	69.0	508.8
Electronic Manufacturing Service Providers	46.4	35.7	10.2	92.3
Total	$ 748.2	$ 513.2	$ 194.5	$ 1,455.9

	Six Months Ended June 29, 2018			
	PSG	ASG	ISG	Total
Geographic Location				
Singapore	$ 472.5	$ 319.0	$ 75.2	$ 866.7
Hong Kong	434.6	255.6	75.6	765.8
United Kingdom	243.1	161.5	71.4	476.0
United States	192.7	164.1	59.9	416.7
Other	97.9	109.2	101.2	308.3
Total	$ 1,440.8	$ 1,009.4	$ 383.3	$ 2,833.5
Sales Channel				
Distributors	$ 934.6	$ 511.6	$ 230.2	$ 1,676.4
OEM	417.9	427.6	133.5	979.0
Electronic Manufacturing Service Providers	88.3	70.2	19.6	178.1
Total	$ 1,440.8	$ 1,009.4	$ 383.3	$ 2,833.5

The Company operates in various geographic locations. Sales to unaffiliated customers have little correlation with the location of manufacturers. It is, therefore, not meaningful to present operating profit by geographical location. The Company's consolidated assets are not specifically ascribed to its individual reporting segments. Rather, assets used in operations are generally shared across the Company's operating and reporting segments.

Property, plant and equipment, net by geographic location, is summarized as follows (in millions):

	As of	
	June 28, 2019	December 31, 2018
United States	$ 631.9	$ 616.9
Other	625.7	597.6
Philippines	457.3	474.5
Korea	441.7	383.1
China	245.3	248.4
Malaysia	218.1	229.1
Total	$ 2,620.0	$ 2,549.6

Note 3: Recent Accounting Pronouncements

ASU Adopted:

ASU No. 2016-02 - Leases (Topic 842) ("ASU 2016-02"), ASU No. 2018-10 - Codification improvements to Topic 842, Leases ("ASU 2018-10"), ASU No. 2018-11 - Leases (Topic 842) ("ASU 2018-11") (collectively, the "New Leasing Standard")

In February 2016, the FASB issued ASU 2016-02, which amended the accounting treatment for leases. ASU 2016 -02 requires that a lessee should recognize on its balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. In July 2018, the FASB issued ASU 2018-10 and ASU 2018-11. ASU 2018-10 provides certain areas for improvement in ASU 2016-02 and ASU 2018-11 provides an additional optional transition method by allowing entities to initially apply the New Leasing Standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption (the "effective date method"). The New Leasing Standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

The Company adopted the New Leasing Standard as of January 1, 2019 using the effective date method by recording right-of-use assets of $112.3 million, net of deferred rent liabilities of $5.1 million that were reclassified to right-of-use assets, and lease liabilities of $117.4 million. Under this method, periods prior to 2019 remain unchanged. The Company applied the practical expedients relating to the leases that commenced before January 1, 2019 whereby the Company elected to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. See Note 7: "Balance Sheet Information" for further information and disclosures relating to the New Leasing Standard.

Note 4: Acquisitions

Acquisition of Quantenna

On June 19, 2019, the Company acquired 100% of the outstanding shares of Quantenna Communications, Inc. ("Quantenna"), a global leader and innovator of high performance Wi-Fi solutions, whereby Quantenna became a wholly-owned subsidiary of the Company. The acquisition of Quantenna creates a strong platform for addressing connectivity solutions for industrial IoT by combining the Company's expertise in power management and bluetooth technologies with Quantenna's Wi-Fi technologies and software capabilities.

The purchase price consideration for the acquisition totaled $1,039.3 million, of which $1,000.4 million was paid in cash during the quarter ended June 28, 2019. The remaining amount of $38.9 million associated with Quantenna employees' prior equity awards, will be paid in multiple intervals through 2023. The acquisition was funded by a draw of $900.0 million against the Company's Revolving Credit Facility, as well as with cash on hand. See Note 8: "Long-Term Debt" for further information on the Revolving Credit Facility.

From the closing date of the Quantenna acquisition through June 28, 2019, the Company recognized approximately $2.2 million in revenue and $17.2 million in net loss relating to Quantenna, which included the amortization of fair market value step-up of inventory and intangible assets and restructuring charges.

Following the acquisition, Quantenna changed its name to ON Semiconductor Connectivity Solutions, Inc.

The following table presents the provisional allocation of the purchase price of Quantenna for the assets acquired and liabilities assumed based on their relative fair values (in millions):

	Initial Estimate
Cash and cash equivalents	$ 133.4
Receivables	21.2
Inventories	45.0
Other current assets	4.3
Property, plant and equipment	16.3
Goodwill	620.0
Intangible assets (excluding IPRD)	180.9
IPRD	55.5
Deferred tax assets	3.3
Other non-current assets	10.5
Total assets acquired	1,090.4
Accounts payable	22.6
Other current liabilities	16.8
Deferred tax liabilities	3.9
Other non-current liabilities	7.8
Total liabilities assumed	51.1
Net assets acquired/purchase price	$ 1,039.3

Acquired intangible assets of $236.4 million include developed technology of $150.0 million (which are estimated to have an useful life of ten years). The total weighted average amortization period for the acquired intangibles is ten years.

IPRD assets are amortized over the estimated useful life of the assets upon successful completion of the related projects. The value assigned to IPRD was determined by estimating the net cash flows from the projects when completed and discounting the net cash flows to their present value using a discount rate of approximately 12%. The cash flows from IPRD's significant products are expected to commence from 2020 onwards.

The acquisition produced $620.0 million of goodwill, which has been assigned to a reporting unit within ASG. The goodwill is attributable to a combination of Quantenna's assembled workforce, expectations regarding a more meaningful engagement by the customers due to the scale of the combined company and other product and operating synergies. Goodwill arising from the Quantenna acquisition is not deductible for tax purposes.

The initial estimated purchase price allocation is subject to change as the Company finalizes its determination relating to the valuation of assets and liabilities and finalizes key assumptions, approaches and judgments with respect to intangible assets acquired from Quantenna and the related tax effects. Accordingly, future adjustments may impact the initial estimated amount of goodwill and other allocated amounts represented in the table above.

Pro-Forma Results of Operations

The following unaudited pro-forma consolidated results of operation for the quarters and six months ended June 28, 2019 and June 29, 2018 have been prepared as if the acquisition of Quantenna had occurred on January 1, 2018 and includes adjustments for amortization of intangibles, interest expense from financing, restructuring, and the effect of purchase accounting adjustments including the step-up of inventory (in millions):

	Quarters Ended		Six Months Ended	
	June 28, 2019	June 29, 2018	June 28, 2019	June 29, 2018
Revenue	$ 1,385.3	$ 1,509.3	$ 2,829.6	$ 2,932.0
Net income	96.7	135.7	198.5	241.7
Net income attributable to ON Semiconductor Corporation	95.6	134.7	197.4	239.8
Net income per common share attributable to ON Semiconductor Corporation:				
Basic	$ 0.23	$ 0.32	$ 0.48	$ 0.56
Diluted	$ 0.23	$ 0.30	$ 0.47	$ 0.54

Pending Acquisition of Manufacturing Facility and Related Assets

On April 22, 2019, through SCI LLC, the Company entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with GLOBALFOUNDRIES U.S. Inc. (“GFUS”) and GLOBALFOUNDRIES Inc., pursuant to which the Company will acquire GFUS’s East Fishkill, New York site and fabrication facilities, including a post-fabrication facility, support buildings and related assets (the “Transferred Assets”), and assume certain liabilities, including those relating to Company's ownership and operation of the Transferred Assets (collectively, the “Asset Purchase”). The closing of the Asset Purchase is expected to occur on or around December 31, 2022, subject to the satisfaction or waiver of the conditions to closing as specified in the Asset Purchase Agreement. The aggregate purchase price for the Asset Purchase is $400.0 million in cash, subject to adjustment as described in the Asset Purchase Agreement, of which a non-refundable deposit of $70.0 million, subject to downward adjustment, was paid by SCI LLC to GFUS in cash on April 22, 2019. The remaining $330.0 million will be paid on or around the closing date of the Asset Purchase.

In connection with the Asset Purchase Agreement, the parties entered into certain ancillary agreements (the "Ancillary Agreements") pursuant to which SCI LLC will be provided with technology transfer and development services as well as foundry services prior to the closing date, and GFUS will be provided foundry services for a limited period of time following the closing date. Pursuant to the Ancillary Agreements, on April 22, 2019, SCI LLC paid GFUS a license fee in the amount of $30.0 million in cash, subject to upward adjustment, for certain technology. This amount has been recorded as an intangible asset in our Consolidated Balance Sheet as of June 28, 2019 and will be amortized when the revenue from the sale of products under the Ancillary Agreement commences.

The Company incurred approximately $4.0 million of expenses in connection with these transactions and expects to incur an additional $5.0 million in legal fees, advisory fees and other third party costs on or around the closing date.

Note 5: Goodwill and Intangible Assets

Goodwill

The following table summarizes goodwill by operating and reporting segments (in millions):

	As of					
	June 28, 2019			December 31, 2018		
	Goodwill	Accumulated Impairment Losses	Carrying Value	Goodwill	Accumulated Impairment Losses	Carrying Value
Operating and Reporting Segments:						
PSG	$ 432.2	$ (31.9)	$ 400.3	$ 432.2	$ (31.9)	$ 400.3
ASG	1,456.7	(418.9)	1,037.8	836.7	(418.9)	417.8
ISG	114.4	—	114.4	114.4	—	114.4
	$ 2,003.3	$ (450.8)	$ 1,552.5	$ 1,383.3	$ (450.8)	$ 932.5

The following table summarizes the change in goodwill from December 31, 2018 through June 28, 2019 (in millions):

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Net balance as of December 31, 2018	$	932.5
Addition due to business combination		620.0
Net balance as of June 28, 2019	$	1,552.5

Goodwill is tested for impairment annually on the first day of the fourth quarter or more frequently if events or changes in circumstances (each, a "triggering event") would more likely than not reduce the carrying value of goodwill below its fair value. Management did not identify any triggering events during the quarter ended June 28, 2019 that would require an interim impairment analysis.

Intangible Assets

Intangible assets, net, were as follows (in millions):

	As of June 28, 2019			
	Original Cost	Accumulated Amortization	Accumulated Impairment Losses	Carrying Value
Customer relationships	$ 586.7	$ (371.9)	$ (20.1)	$ 194.7
Developed technology	852.5	(395.1)	(2.6)	454.8
IPRD	115.1	—	(24.1)	91.0
Licenses	30.0	—	—	30.0
Other intangibles	83.2	(60.5)	(15.2)	7.5
Total intangible assets	$ 1,667.5	$ (827.5)	$ (62.0)	$ 778.0

	As of December 31, 2018			
	Original Cost	Accumulated Amortization	Accumulated Impairment Losses	Carrying Value
Customer relationships	$ 556.7	$ (359.1)	$ (20.1)	$ 177.5
Developed technology	698.0	(356.4)	(2.6)	339.0
IPRD	64.1	—	(22.5)	41.6
Other intangibles	82.3	(58.8)	(15.2)	8.3
Total intangible assets	$ 1,401.1	$ (774.3)	$ (60.4)	$ 566.4

During the quarter ended June 28, 2019, the Company abandoned a previously capitalized IPRD project under ISG and recorded an impairment loss of $0.4 million. During the six months ended June 28, 2019, the Company abandoned two previously capitalized IPRD projects under ISG and recorded aggregate impairment losses for such projects in the amount of $1.6 million.

Amortization expense for acquisition-related intangible assets amounted to $27.5 million and $53.2 million for the quarter and six months ended June 28, 2019, respectively, and $27.9 million and $55.3 million for the quarter and six months ended June 29, 2018, respectively. Amortization expense for intangible assets, with the exception of the $91.0 million of IPRD assets that will be amortized once the corresponding projects have been completed, is expected to be as follows for the remainder of 2019, each of the next four years and thereafter (in millions):

Period	Amortization Expense
Remainder of 2019	$ 67.5
2020	126.9
2021	109.6
2022	93.0
2023	76.2
Thereafter	213.8
Total	687.0

Note 6: Restructuring, Asset Impairments and Other, Net

Summarized activity included in the "Restructuring, asset impairments and other, net" caption on the Company's Consolidated Statement of Operations and Comprehensive Income is as follows (in millions):

	Restructuring	Asset Impairments (1)	Other	Total
Quarter ended June 28, 2019				
General workforce reduction	$ 2.3	$ —	$ —	$ 2.3
Post-Quantenna acquisition restructuring	13.8	—	—	13.8
Other	—	2.9	(0.9)	2.0
Total	$ 16.1	$ 2.9	$ (0.9)	$ 18.1

	Restructuring	Asset Impairments (1)	Other	Total
Six months ended June 28, 2019				
General workforce reduction	$ 7.8	$ —	$ —	$ 7.8
Post-Quantenna acquisition restructuring	13.8	—	—	13.8
Other	—	2.9	(0.8)	2.1
Total	$ 21.6	$ 2.9	$ (0.8)	$ 23.7

(1) Includes, among others, charges for the impairment of right-of-use assets of $2.5 million.

Changes in accrued restructuring charges from December 31, 2018 to June 28, 2019 are summarized as follows (in millions):

	As of December 31, 2018	Charges	Usage	As of June 28, 2019
Estimated employee separation charges	$ 0.3	$ 21.8	$ (6.0)	$ 16.1
Other	0.2	—	(0.2)	—
Total	$ 0.5	$ 21.8	$ (6.2)	$ 16.1

General workforce reduction

During the first quarter of 2019, the Company approved and began to implement certain restructuring actions aimed at cost savings, primarily through workforce reductions. As of June 28, 2019, the Company had notified approximately 139 employees of their employment termination, 104 of which had exited by June 28, 2019. During the quarter and six months ended June 28, 2019, the expense for this program amounted to $2.3 million and $7.8 million, respectively, of which $2.1 million remained accrued as of June 28, 2019. The Company will continue to evaluate positions for redundancies and may incur additional charges in the future.

Post-Quantenna acquisition restructuring

Following the acquisition of Quantenna and during the quarter ended June 28, 2019, the Company implemented a cost-reduction plan resulting in the elimination of approximately eight executive positions from Quantenna's workforce, primarily as a result of redundancies. The restructuring expense of $13.8 million, which was attributable to the accelerated vesting of stock awards previously issued by Quantenna and other severance benefits, remained accrued as of June 28, 2019, and will be paid during the third quarter of 2019. The Company will continue to evaluate positions for redundancies and may incur additional charges in the future.

Note 7: Balance Sheet Information

Certain significant amounts included in the Company's Consolidated Balance Sheet consist of the following (in millions):

	As of	
	June 28, 2019	December 31, 2018
Inventories:		
Raw materials	$ 140.1	$ 137.3
Work in process	823.6	760.7
Finished goods	310.1	327.2
	$ 1,273.8	$ 1,225.2
Property, plant and equipment, net:		
Land	$ 125.2	$ 125.5
Buildings	841.3	820.4
Machinery and equipment	4,219.9	3,980.2
Property, plant and equipment, gross	5,186.4	4,926.1
Less: Accumulated depreciation	(2,566.4)	(2,376.5)
	$ 2,620.0	$ 2,549.6
Accrued expenses and other current liabilities:		
Accrued payroll and related benefits	$ 160.1	$ 240.8
Sales related reserves	271.2	294.8
Income taxes payable	30.5	38.2
Other	156.4	85.3
	$ 618.2	$ 659.1

Defined Benefit Plans

The Company maintains defined benefit plans for certain of its foreign subsidiaries. The Company recognizes the aggregate amount of all overfunded plans as assets and the aggregate amount of all underfunded plans as liabilities in its financial statements. As of June 28, 2019, the total accrued pension liability for underfunded plans was $119.3 million, of which the current portion of $0.3 million was classified as accrued expenses and other current liabilities. As of December 31, 2018, the total accrued pension liability for underfunded plans was $115.9 million, of which the current portion of $0.2 million was classified as accrued expenses and other current liabilities.

The components of the Company's net periodic pension expense are as follows (in millions):

	Quarters Ended		Six Months Ended	
	June 28, 2019	June 29, 2018	June 28, 2019	June 29, 2018
Service cost	$ 2.4	$ 2.4	$ 4.7	$ 4.9
Interest cost	1.2	1.2	2.5	2.4
Expected return on plan assets	(1.5)	(1.5)	(3.0)	(3.1)
Total net periodic pension cost	$ 2.1	$ 2.1	$ 4.2	$ 4.2

Leases

The Company determines if an arrangement is a lease at its inception. Operating lease arrangements are comprised primarily of real estate and equipment agreements for which the right-of-use assets are included in other assets and the corresponding lease liabilities, depending on their maturity, are included in accrued expenses and other current liabilities or other long-term liabilities in the Consolidated Balance Sheet. There are certain immaterial finance leases recorded in the Consolidated Balance Sheet. The Company has elected to account for the lease and non-lease components as a single lease component.

Right-of-use assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company uses its estimated incremental borrowing rate in determining the present value of lease payments considering the term of the lease, which is derived from information available at the lease commencement date, giving consideration to publicly available data for instruments with similar characteristics. The Company's existing leases do not contain significant restrictive provisions; however, certain leases contain renewal options and provisions for payment of real estate taxes, insurance and maintenance costs by the Company. The lease term includes options to extend the lease when it is reasonably certain that that the option will be exercised. Leases with a term of 12 months or less are not recorded on the Consolidated Balance Sheet. The lease agreements do not contain any residual value guarantees.

The components of lease expense are as follows (in millions):

	Quarter Ended	Six Months Ended
	June 28, 2019	June 28, 2019
Operating lease expense	$ 8.3	$ 16.6
Variable lease expense	1.0	2.1
Short-term lease expense	0.6	1.3
Total lease expense	$ 9.9	$ 20.0

The lease liabilities recognized in the Consolidated Balance Sheet are as follows (in millions):

	As of
	June 28, 2019
Accrued expenses and other current liabilities	$ 29.5
Other long-term liabilities	89.7
	$ 119.2

Operating lease assets of $110.3 million are included in other assets in the Consolidated Balance Sheet as of June 28, 2019. As of June 28, 2019 the weighted-average remaining lease-term was 6.7 years and the weighted-average discount rate was 5.4%.

As of June 28, 2019, there are additional operating lease commitments of approximately $1.1 million that have not yet commenced. The reconciliation of the maturities of the operating leases to the lease liabilities recorded in the Consolidated Balance Sheet as of June 28, 2019 are as follows (in millions):

Remainder of 2019	$ 17.8
2020	29.3
2021	22.5
2022	18.6
2023	13.2
Thereafter	49.0
Total lease payments (1)	$ 150.4
Less: Interest	(31.2)
Amounts recorded in the Consolidated Balance Sheet	$ 119.2

(1) Excludes $12.3 million of expected cash receipts from sublease income.

The following represents future minimum lease obligations under non-cancelable operating leases as of December 31, 2018 (in millions):

2019	$	36.8
2020		27.6
2021		21.9
2022		16.8
2023		12.3
Thereafter		45.4
Total (1)	$	160.8

(1) Excludes $12.3 million of expected sublease income.

See Note 16: "Supplemental Disclosures" for further information relating to the New Leasing Standard.

Note 8: Long-Term Debt

The Company's long-term debt consists of the following (annualized interest rates, in millions):

	As of			
	June 28, 2019		December 31, 2018	
Amended Credit Agreement:				
Revolving Credit Facility due 2022, interest payable monthly at 3.65% and 3.77%, respectively	$	1,300.0	$	400.0
Term Loan “B” Facility due 2023, interest payable monthly at 4.15% and 4.27%, respectively		1,134.5		1,134.5
1.00% Notes due 2020 (1)		690.0		690.0
1.625% Notes due 2023 (2)		575.0		575.0
Other long-term debt (3)		106.3		139.5
Gross long-term debt, including current maturities	$	3,805.8	$	2,939.0
Less: Debt discount (4)		(120.0)		(139.4)
Less: Debt issuance costs (5)		(29.3)		(33.5)
Net long-term debt, including current maturities	$	3,656.5	$	2,766.1
Less: Current maturities		(105.7)		(138.5)
Net long-term debt	$	3,550.8	$	2,627.6

(1) Interest is payable on June 1 and December 1 of each year at 1.00% annually.
(2) Interest is payable on April 15 and October 15 of each year at 1.625% annually.
(3) Consists of U.S. real estate mortgages, term loans, revolving lines of credit and other facilities at certain international locations where interest is payable weekly, monthly or quarterly, with interest rates ranging between 1.00% and 4.00% and maturity dates between 2019 and 2020.
(4) Debt discount of $31.2 million and $41.6 million for the 1.00% Notes, $80.5 million and $88.5 million for the 1.625% Notes and $8.3 million and $9.3 million for the Term Loan "B" Facility, in each case as of June 28, 2019 and December 31, 2018, respectively.
(5) Debt issuance costs of $4.4 million and $5.8 million for the 1.00% Notes, $7.7 million and $8.5 million for the 1.625% Notes and $17.2 million and $19.2 million for the Term Loan "B" Facility, in each case as of June 28, 2019 and December 31, 2018, respectively.

Fifth Amendment to the Amended Credit Agreement

On June 12, 2019, the Company entered into the Fifth Amendment to the Amended Credit Agreement (the "Fifth Amendment"), with the subsidiary guarantors party thereto, Deutsche Bank AG New York Branch, as administrative agent, collateral agent and issuing lender, the "2019 Incremental Revolving Lenders" party thereto and the "New Required Lenders" party thereto.

The Fifth Amendment provided for, among other things, modifications to the Amended Credit Agreement to: (i) increase the amount that may be borrowed pursuant to the Revolving Credit Facility to $1.9 billion; (ii) extend the maturity date of borrowings under the Revolving Credit Facility to the later of (x) December 30, 2022 or (y) June 12, 2024 so long as the borrowings under the Term Loan "B" Facility have been fully repaid or otherwise redeemed, discharged or defeased on or prior to December 30, 2022, or if the maturity date of borrowings under the Term Loan "B" Facility has been extended prior to December 30, 2022, to a date no earlier than June 12, 2024; and (iii) amend certain financial covenants, including deleting the minimum Interest Coverage Ratio and increasing the maximum Consolidated Total Net Leverage Ratio (as such terms are defined in the Amended Credit Agreement) from 4.00 to 1.00 to 4.50 to 1.00 during any period of four consecutive fiscal quarters commencing after a Permitted Acquisition (as defined in the Amended Credit Agreement) with consideration in excess of $250.0 million.

The Company incurred third party, legal and other fees of $6.5 million and recorded $0.4 million as loss on extinguishment of debt related to the Fifth Amendment. The remaining unamortized debt issuance costs along with the additional costs incurred for the Fifth Amendment will be amortized straight-line over the term of the Revolving Credit Facility.

Expected maturities relating to the Company's gross long-term debt (including current maturities) as of June 28, 2019 are as follows (in millions):

Period	Expected Maturities
Remainder of 2019	$ 52.1
2020	744.1
2021	—
2022	1,300.0
2023	1,709.6
Thereafter	—
Total	$ 3,805.8

The Company was in compliance with its covenants under all debt agreements as of June 28, 2019.

Note 9: Earnings Per Share and Equity

Earnings Per Share

Calculations of net income per common share attributable to ON Semiconductor Corporation are as follows (in millions, except per share data):

	Quarters Ended		Six Months Ended	
	June 28, 2019	June 29, 2018	June 28, 2019	June 29, 2018
Net income attributable to ON Semiconductor Corporation	$ 101.8	$ 155.3	$ 215.9	$ 294.9
Basic weighted-average common shares outstanding	411.9	427.0	411.3	426.5
Dilutive effect of share-based awards	1.9	4.6	2.6	5.2
Dilutive effect of convertible notes	3.9	12.7	3.9	12.7
Diluted weighted-average common shares outstanding	417.7	444.3	417.8	444.4
Net income per common share attributable to ON Semiconductor Corporation:				
Basic	$ 0.25	$ 0.36	$ 0.52	$ 0.69
Diluted	$ 0.24	$ 0.35	$ 0.52	$ 0.66

Basic income per common share is computed by dividing net income attributable to ON Semiconductor Corporation by the weighted average number of common shares outstanding during the period.

To calculate the diluted weighted-average common shares outstanding, the number of incremental shares from the assumed exercise of stock options and assumed issuance of shares relating to RSUs is calculated by applying the treasury stock method. Share-based awards whose impact is considered to be anti-dilutive under the treasury stock method were excluded from the diluted net income per share calculation. The excluded number of anti-dilutive share-based awards was 0.6 million and zero for the quarters ended June 28, 2019 and June 29, 2018, respectively, and 0.6 million and 0.3 million for the six months ended June 28, 2019 and June 29, 2018, respectively.

The dilutive impact related to the 1.00% Notes and 1.625% Notes is determined in accordance with the net share settlement requirements, under which the Company's convertible notes are assumed to be convertible into cash up to the par value, with the excess of par value being convertible into common stock. During the quarter ended June 28, 2019, the average share price exceeded the conversion price for the 1.00% Notes and the impact of the excess over par value is included in calculating the dilutive effect of the convertible notes.

Equity

Share Repurchase Program

Under the Company's share repurchase program announced on November 15, 2018 (the “Share Repurchase Program”), the Company may repurchase up to $1.5 billion (exclusive of fees, commissions and other expenses) of the Company’s common stock over a period of four years from December 1, 2018, subject to certain contingencies. The Share Repurchase Program expires on November 30, 2022.

There were $50.0 million and $125.7 million in repurchases of the Company's common stock under the Share Repurchase Program during the quarter and six months ended June 28, 2019, respectively. As of June 28, 2019, the authorized amount remaining under the Share Repurchase Program was $1,374.3 million. Also, under a previous share repurchase program, there were $40.0 million in repurchases during the quarter and six months ended June 29, 2018.

Information relating to the Share Repurchase Program during the quarter and six months ended June 28, 2019 is as follows (in millions, except per share data):

	Quarter Ended		Six Months Ended	
	June 28, 2019		June 28, 2019	
Number of repurchased shares (1)		2.6		7.0
Aggregate purchase price	$	50.0	$	125.7
Fees, commissions and other expenses		—		0.1
Total cash used for share repurchases	$	50.0	$	125.8
Weighted-average purchase price per share (2)	$	19.32	$	17.97

(1) None of these shares had been reissued or retired as of June 28, 2019, but may be reissued or retired by the Company at a later date.
(2) Exclusive of fees, commissions and other expenses.

Shares for Restricted Stock Units Tax Withholding

Shares with a fair market value equal to the applicable amount of the employee withholding taxes due are withheld by the Company upon the vesting of RSUs to pay the applicable amount of employee withholding taxes and are considered common stock repurchases. The Company then pays the applicable amount of withholding taxes in cash. The amount remitted in the quarter and six months ended June 28, 2019 was $1.1 million and $27.2 million, respectively, for which the Company withheld approximately 0.1 million and 1.3 million shares of common stock, respectively, that were underlying the RSUs that vested. The amount remitted in the quarter and six months ended June 29, 2018 was $1.1 million and $19.9 million, respectively, for which the Company withheld approximately 0.1 million and 0.8 million shares of common stock, respectively, that were underlying the RSUs that vested. Treasury stock is recorded at cost and is presented as a reduction of stockholders' equity in the accompanying consolidated financial statements. None of these shares had been reissued or retired as of June 28, 2019, but may be reissued or retired by the Company at a later date. These repurchases in connection with tax withholding upon vesting were not made under the Share Repurchase Program, and the amounts spent in connection with such deemed repurchases did not reduce the authorized amount remaining under the Share Repurchase Program.

Non-Controlling Interest

The Company owns 80% of the outstanding equity interests in a joint venture, Leshan-Phoenix Semiconductor Company Limited (“Leshan”), which operates assembly and test operations in Leshan, China. The results of Leshan have been consolidated in the Company's financial statements. As of December 31, 2018, the non-controlling interest balance was $22.5 million. This balance increased to $23.6 million as of June 28, 2019, resulting from the non-controlling interest’s $1.1 million share of the earnings for the six months ended June 28, 2019.

Note 10: Share-Based Compensation

Total share-based compensation expense related to the Company's stock options, RSUs, stock grant awards and the ESPP were recorded within the Consolidated Statements of Operations and Comprehensive Income as follows (in millions):

	Quarters Ended				Six Months Ended			
	June 28, 2019		June 29, 2018		June 28, 2019		June 29, 2018	
Cost of revenue	$	3.5	$	1.8	$	5.4	$	3.4
Research and development		5.4		4.0		9.0		7.2
Selling and marketing		4.6		4.0		8.4		7.2
General and administrative		13.8		13.3		24.2		23.7
Share-based compensation expense	$	27.3	$	23.1	$	47.0	$	41.5
Related income tax benefits at federal rate of 21%		(5.7)		(4.9)		(9.9)		(8.7)
Share-based compensation expense, net of taxes	$	21.6	$	18.2	$	37.1	$	32.8

At June 28, 2019, total unrecognized share-based compensation expense, net of estimated forfeitures, related to non-vested RSUs with time-based service conditions, market-based and performance-based vesting criteria was $112.2 million, which is expected to be recognized over a weighted-average period of 1.6 years. The total intrinsic value of stock options exercised during the quarter and six months ended June 28, 2019 was $1.4 million and $2.5 million, respectively. The Company received cash of $0.4 million and $0.9 million, respectively, during the quarter and six months ended June 28, 2019 from the exercise of stock options. Upon option exercise, vesting of RSUs, stock grant awards or completion of a purchase under the ESPP, the Company issues new shares of common stock.

Share-based compensation expense is based on awards that are ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The annualized pre-vesting forfeiture rate for RSUs was estimated to be 5% during the quarters and six months ended June 28, 2019 and June 29, 2018.

Shares Available

As of June 28, 2019 and December 31, 2018, there was an aggregate of 26.9 million and 33.7 million shares of common stock, respectively, available for grant under the Amended and Restated SIP. As of June 28, 2019 and December 31, 2018, there was an aggregate of 5.9 million and 6.5 million shares of common stock, respectively, available for issuance under the ESPP.

Stock Options

The number of options outstanding at December 31, 2018 was 0.3 million at a weighted average exercise price of $6.41 per option, of which 0.2 million options were exercised at a weighted average exercise price of $6.33 per option during the six months ended June 28, 2019. The number of options outstanding at June 28, 2019 was 0.1 million at a weighted average exercise price of $6.58 per option and had an aggregate intrinsic value of $1.6 million. All outstanding options had exercise prices below $20.21 per share, the closing price of the Company's common stock at June 28, 2019, and will expire at varying times between 2019 and 2021.

Restricted Stock Units

RSUs generally vest ratably over three years for service-based equity awards and over two years for performance-based equity awards and market-based equity awards, or a combination thereof, and are settled in shares of the Company's common stock upon vesting. A summary of the RSU transactions for the six months ended June 28, 2019 is as follows (in millions, except per share data):

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested RSUs at December 31, 2018	8.6	$ 16.59
Granted	4.6	21.77
Released	(3.7)	12.62
Forfeited	(0.3)	19.49
Non-vested RSUs at June 28, 2019	9.2	20.67

Note 11: Commitments and Contingencies

Environmental Contingencies

The Company’s headquarters in Phoenix, Arizona are located on property that is a “Superfund” site, which is a property listed on the National Priorities List and subject to clean-up activities under the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”). Motorola and Freescale (acquired by NXP Semiconductors N.V.) have been involved in the clean-up activities of on-site solvent contaminated soil and groundwater and off-site contaminated groundwater pursuant to consent decrees with the State of Arizona. As part of the Company’s separation from Motorola in 1999, Motorola retained responsibility for this contamination, and Motorola and Freescale have agreed to indemnify the Company with respect to remediation costs and other costs or liabilities related to this matter. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be, material.

The Company’s former front-end manufacturing location in Aizu, Japan is located on property where soil and ground water contamination was detected. The Company believes that the contamination originally occurred during a time when the facility

was operated by a prior owner. The Company worked with local authorities to implement a remediation plan and has completed remaining remediation. The majority of the cost of remediation was covered by insurance. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be, material.

The Company's manufacturing facility in the Czech Republic has undergone remediation to respond to releases of hazardous substances that occurred during the years that this facility was operated by government-owned entities. The remediation projects consisted primarily of monitoring groundwater wells located on-site and off-site with additional action plans developed to respond in the event certain levels of contamination are exceeded. The government of the Czech Republic has agreed to indemnify the Company and its respective subsidiaries, subject to specified limitations, for remediation costs associated with this historical contamination. The Company has completed remediation on this project and, accordingly, has ceased all related monitoring efforts. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be, material.

The Company's design center in East Greenwich, Rhode Island is located on property that has localized soil contamination. In connection with the purchase of the facility, the Company entered into a Settlement Agreement and Covenant Not to Sue with the State of Rhode Island. This agreement requires that remedial actions be undertaken and a quarterly groundwater monitoring program be initiated by the former owners of the property. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be, material.

As a result of the acquisition of AMIS in 2008, the Company is a "primary responsible party" to an environmental remediation and clean-up plan at AMIS's former corporate headquarters in Santa Clara, California. Costs incurred by AMIS include implementation of the clean-up plan, operations and maintenance of remediation systems, and other project management costs. However, AMIS's former parent company, a subsidiary of Nippon Mining, contractually agreed to indemnify AMIS and the Company for any obligations relating to environmental remediation and clean-up activities at this location. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be, material.

Through its acquisition of Fairchild, the Company acquired a facility in South Portland, Maine. This facility has ongoing environmental remediation projects to respond to certain releases of hazardous substances that occurred prior to the leveraged recapitalization of Fairchild from its former parent company, National Semiconductor Corporation, which is now owned by Texas Instruments Incorporated. Although the Company may incur certain liabilities with respect to these remediation projects, pursuant to a 1997 asset purchase agreement entered into in connection with the Fairchild recapitalization, National Semiconductor Corporation agreed to indemnify Fairchild, without limitation and for an indefinite period of time, for all future costs related to these projects. Under a 1999 asset purchase agreement pursuant to which Fairchild purchased the power device business of Samsung, Samsung agreed to indemnify Fairchild in an amount up to $150.0 million for remediation costs and other liabilities related to historical contamination at Samsung's Bucheon, South Korea operations. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be, material.

Under a 2001 asset purchase agreement pursuant to which Fairchild purchased a manufacturing facility in Mountain Top, Pennsylvania, Intersil Corp. (subsequently acquired by Renesas Electronics Corporation) agreed to indemnify Fairchild for remediation costs and other liabilities related to historical contamination at the facility. Any costs to the Company incurred to respond to the above conditions and projects have not been, and are not expected to be, material and any future payments the Company makes in connection with such liabilities are not expected to be material.

The Company was notified by the Environmental Protection Agency ("EPA") that it has been identified as a "potentially responsible party" ("PRP") under CERCLA in the Chemetco Superfund matter. Chemetco, a defunct reclamation services supplier that operated in Hartford, Illinois, which is now a Superfund site, has performed reclamation services for the Company in the past. The EPA is pursuing Chemetco customers for contribution to the site clean-up activities. The Company has joined a PRP group, which is cooperating with the EPA in the evaluation and funding of the clean-up activities. Any costs to the Company in connection with this matter have not been, and, based on the information available, are not expected to be, material.

Financing Contingencies

In the ordinary course of business, the Company provides standby letters of credit or other guarantee instruments to certain parties initiated by either the Company or its subsidiaries, as required for transactions, including, but not limited to, material purchase commitments, agreements to mitigate collection risk, leases, utilities or customs guarantees. As of June 28, 2019, the Revolving Credit Facility included $15.0 million of availability for the issuance of letters of credit. As of June 28, 2019, there were letters

of credit in the amount of $1.0 million outstanding under the Revolving Credit Facility, which reduces the Company's borrowing capacity. As of June 28, 2019, the Company also had outstanding guarantees and letters of credit outside of its Revolving Credit Facility totaling $11.4 million.

As part of obtaining financing in the ordinary course of business, the Company issued guarantees related to certain of its subsidiaries' finance lease obligations, equipment financing, lines of credit and real estate mortgages, which totaled $53.9 million as of June 28, 2019.

Based on historical experience and information currently available, the Company believes that it will not be required to make payments under the standby letters of credit or guarantee arrangements for the foreseeable future.

Indemnification Contingencies

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

The Company faces risk of exposure to warranty and product liability claims in the event that its products fail to perform as expected or such failure of its products results, or is alleged to result, in economic damage, bodily injury or property damage. In addition, if any of the Company's designed products are alleged to be defective, the Company may be required to participate in their recall. Depending on the significance of any particular customer and other relevant factors, the Company may agree to provide more favorable rights to such customer for valid defective product claims.

The Company and its subsidiaries provide for indemnification of directors, officers and other persons in accordance with limited liability company operating agreements, certificates of incorporation, by-laws, articles of association or similar organizational documents, as the case may be. Section 145 of the Delaware General Corporation Law ("DGCL") authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers under certain circumstances and subject to certain limitations. The terms of Section 145 of the DGCL are sufficiently broad to permit indemnification under certain circumstances for liabilities, including reimbursement of expenses incurred, arising under the Exchange Act. As permitted by the DGCL, the Company's Amended and Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), contains provisions relating to the limitation of liability and indemnification of directors and officers. The Certificate of Incorporation eliminates the personal liability of each of the Company's directors to the fullest extent permitted by Section 102(b)(7) of the DGCL, as it may be amended or supplemented, and provides that the Company will indemnify its directors and officers to the fullest extent permitted by Section 145 of the DGCL, as amended from time to time.

The Company has entered into indemnification agreements with each of its directors and executive officers. The form of agreement (the "Indemnification Agreement") provides, subject to certain exceptions and conditions specified in the Indemnification Agreement, that the Company will indemnify each indemnitee to the fullest extent permitted by Delaware law against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with a proceeding or claim in which such person is involved because of his or her status as one of the Company's directors or executive officers. In addition, the Indemnification Agreement provides that the Company will, to the extent not prohibited by law and subject to certain exceptions and repayment conditions, advance specified indemnifiable expenses incurred by the indemnitee in connection with such proceeding or claim. The foregoing description of the Indemnification Agreement does not purport to be complete and is qualified in its entirety by reference to the full and complete terms of the Indemnification Agreement, which is filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on February 25, 2016 and is incorporated by reference herein.

The Company also maintains directors' and officers' insurance policies that indemnify its directors and officers against various liabilities, including certain liabilities under the Exchange Act that might be incurred by any director or officer in his or her capacity as such.

The agreement and plan of merger relating to the acquisition of Fairchild (the "Fairchild Agreement") provides for indemnification and insurance rights in favor of Fairchild's then current and former directors, officers and employees. Specifically, the Company has agreed that, for no fewer than six years following the Fairchild acquisition, the Company will: (a) indemnify and hold harmless each such indemnitee against losses and expenses (including advancement of attorneys' fees and expenses) in connection with

any proceeding asserted against the indemnified party in connection with such person’s servings as a director, officer, employee or other fiduciary of Fairchild or its subsidiaries prior to the effective time of the acquisition; (b) maintain in effect all provisions of the certificate of incorporation or bylaws of Fairchild or any of its subsidiaries or any other agreements of Fairchild or any of its subsidiaries with any indemnified party regarding elimination of liability, indemnification of officers, directors and employees and advancement of expenses in existence on the date of the Fairchild Agreement for acts or omissions occurring prior to the effective time of the acquisition; and (c) subject to certain qualifications, deliver to Fairchild’s then current directors and officers an insurance and indemnification policy that provides coverage for events occurring prior to the effective time of the acquisition that is no less favorable than Fairchild’s then-existing policy; or, if insurance coverage that is no less favorable is unavailable, the best available coverage.

Similarly, the agreement and plan of merger relating to the acquisition of Quantenna (the “Quantenna Agreement”) provides for indemnification and insurance rights in favor of Quantenna’s then current and former directors, officers, employees and agents. Specifically, the Company has agreed that, for no fewer than six years following the Quantenna acquisition, the Company will: (a) indemnify and hold harmless each such indemnified party to the fullest extent permitted by Delaware law in the event of any threatened or actual claim suit, action, proceeding or investigation against the indemnified party based in whole or in part on, or pertaining to, such person’s serving as a director, officer, employee or agent of Quantenna or its subsidiaries or predecessors prior to the effective time of the acquisition or in connection with the Quantenna Agreement; (b) maintain in effect provisions of the certificate of incorporation and bylaws of Quantenna and each of its subsidiaries regarding the elimination of liability of directors and indemnification of officers, directors and employees that are no less advantageous to the intended beneficiaries than the corresponding provisions in the certificate of incorporation and bylaws of Quantenna and each of its subsidiaries in existence on the date of the Quantenna Agreement; and (c) obtain and fully pay the premium for a non-cancelable extension of directors’ and officers’ liability coverage of Quantenna’s directors’ and officers’ policies and Quantenna’s fiduciary liability insurance policies in effect as of the date of the Quantenna Agreement.

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

Legal Matters

From time to time, the Company is party to various legal proceedings arising in the ordinary course of business, including indemnification claims, claims of alleged infringement of patents, trademarks, copyrights and other intellectual property rights, claims of alleged non-compliance with contract provisions and claims related to alleged violations of laws and regulations. The Company regularly evaluates the status of the legal proceedings in which it is involved to assess whether a loss is probable or there is a reasonable possibility that a loss, or an additional loss, may have been incurred and determines if accruals are appropriate. If accruals are not appropriate, the Company further evaluates each legal proceeding to assess whether an estimate of possible loss or range of possible loss can be made for disclosure. Although litigation is inherently unpredictable, the Company believes that it has adequate provisions for any probable and estimable losses. Nevertheless, it is possible that the Company’s consolidated financial position, results of operations or liquidity could be materially and adversely affected in any particular period by the resolution of a legal proceeding. The Company’s estimates do not represent its maximum exposure. Legal expenses related to defense, negotiations, settlements, rulings and advice of outside legal counsel are expensed as incurred.

The Company is currently involved in a variety of legal matters that arise in the ordinary course of business. Based on information currently available, except as disclosed below, the Company is not involved in any pending or threatened legal proceedings that it believes could reasonably be expected to have a material adverse effect on its financial condition, results of operations or liquidity. The litigation process and the administrative process at the United States Patent and Trademark Office (the “USPTO”) are inherently uncertain, and the Company cannot guarantee that the outcome of these matters will be favorable to it.

Patent Litigation with Power Integrations, Inc.

There are eight outstanding civil litigation proceedings with Power Integrations, Inc. (“PI”), five of which were pending between PI and various Fairchild entities (including Fairchild Semiconductor International, Inc., Fairchild Semiconductor Corporation,

and Fairchild (Taiwan) Corporation, f/k/a System General Corporation (collectively referred to in this sub-section as "Fairchild"), prior to the acquisition of Fairchild. The Company is vigorously defending the lawsuits filed by PI and believes that it has strong defenses. There are also numerous outstanding administrative proceedings between the parties at the USPTO in which each party is challenging the validity of the other party's patents.

The outcome of any litigation is inherently uncertain and difficult to predict. Any estimate or statement regarding any reserve or the estimated range of possible losses is made solely in compliance with applicable GAAP requirements and is not a statement or admission that the Company is or should be liable in any amount, or that any arguments, motions or appeals before any Court lack merit or are subject to impeachment. To the contrary, the Company believes that it has significant and meritorious grounds for judgment in its favor with respect to all of the PI cases and that the Company's appeals or motions currently pending at the district court level will significantly reduce or eliminate all prior adverse jury verdicts. Subject to the foregoing, as of the date of the filing of this Form 10-Q, the Company estimates its range of possible losses for all PI cases to be between approximately $4.0 million and $20.0 million in the aggregate.

Power Integrations, Inc. v. Fairchild Semiconductor International, Inc. et al. (October 20, 2004, Delaware, 1:04-cv-01371-LPS): PI filed this lawsuit in 2004 in the U.S. District Court for the District of Delaware against Fairchild, alleging that certain of Fairchild's pulse width modulation ("PWM") integrated circuit products infringed U.S. patents owned by PI. The lawsuit sought a permanent injunction as well as money damages for Fairchild's alleged infringement. In October 2006, a jury returned a willful infringement verdict and assessed damages against Fairchild. Fairchild voluntarily stopped U.S. sales and importation of those products in 2007 and has been offering replacement products since 2006. In December 2008, the judge overseeing the case reduced the jury's 2006 damages award from $34.0 million to approximately $6.1 million and ordered a new trial on the issue of willfulness. Following the new trial held in June 2009, the court found Fairchild's infringement to have been willful, and in January 2011 the court awarded PI final damages in the amount of $12.2 million. Fairchild appealed the final damages award, willfulness finding, and other issues to the U.S. Court of Appeals for the Federal Circuit. In March 2013, the Court of Appeals vacated substantially all of the damages award, ruling that there was no basis upon which a reasonable jury could find Fairchild liable for induced infringement. The Court of Appeals also vacated the earlier judgment of willful patent infringement. The full Court of Appeals and the Supreme Court of the United States later denied PI's request to review the Court of Appeals ruling. The Court of Appeals instructed the lower court to conduct further proceedings to determine damages based on approximately $0.8 million worth of sales and imports of affected products, and to re-assess its finding that the infringement was willful. In December 2017, the lower court reinstated the willfulness finding but stayed resolution of the other outstanding issues, including damages. In June 2018, the Supreme Court of the United States decided *WesternGeco LLC v. ION Geophysical Corp.*, in which the Court determined that certain extraterritorial conduct may be relevant to some United States patent litigation. On October 4, 2018, the lower court issued an order finding that *WesternGeco* implicitly overruled the Court of Appeals' 2013 decision in this case and stated that PI would be allowed to seek recovery of worldwide damages in a future retrial on damages. The lower court also, however, certified its October 4, 2018 order for interlocutory review by the Court of Appeals. The Court of Appeals has accepted the interlocutory appeal. Briefing in that appeal is completed, and the parties are awaiting the scheduling of oral argument.

Power Integrations, Inc. v. Fairchild Semiconductor International, Inc. et al. (May 23, 2008, Delaware, 1:08-cv-00309-LPS): This lawsuit was initiated by PI in 2008 in the U.S. District Court for the District of Delaware against Fairchild, alleging that certain other PWM products infringed several U.S. patents owned by PI. On October 14, 2008, Fairchild filed a patent infringement lawsuit against PI in the U.S. District Court for the District of Delaware, alleging that certain PI products infringed U.S. patents owned by Fairchild. Each lawsuit included claims for money damages and a request for a permanent injunction. These two lawsuits were consolidated and heard together in a jury trial in April 2012, during which the jury found that PI infringed one of the two U.S. patents owned by Fairchild and upheld the validity of both of the Fairchild patents. In the same verdict, the jury found that Fairchild infringed two of four U.S. patents asserted by PI and that Fairchild had induced its customers to infringe the asserted patents. (The court later ruled that Fairchild infringed one other asserted PI patent that the jury found was not infringed.) The jury also upheld the validity of the asserted PI patents, and the court entered a permanent injunction against Fairchild. Willfulness and damages were not considered in the April 2012 trial but were reserved for subsequent proceedings. Fairchild and PI appealed the liability phase of this litigation to the U.S. Court of Appeals for the Federal Circuit, which heard arguments in July 2016 and issued a decision in December 2016. In the decision, the appeals court vacated the jury's finding that Fairchild induced infringement of PI's patents, held that one of PI's patents was invalid, vacated the permanent injunction against Fairchild, reversed the jury's finding that PI infringed the Fairchild patent, and remanded the case back to the lower court for further proceedings consistent with these rulings. A second jury trial was held in this matter in November 2018, with the jury finding that Fairchild induced infringement of both remaining PI patents and that Fairchild's infringement was willful. The jury also awarded PI damages in the amount of $24.3 million. In the parties' post-trial motions, PI sought a trebling of the jury verdict in view of the jury's willfulness finding, pre- and post-judgment interest, and its attorneys' fees, whereas Fairchild sought judgment as a matter of law in its favor,

or a new trial, on inducement, willfulness, and damages. On July 22, 2019, the court denied all post-trial motions other than PI's request for pre-judgment interest, which the court granted and awarded PI $7.1 million, resulting in a total judgment for PI in the amount of approximately $32.0 million. The Company disagrees with the court's denial of the Company's post-trial motions and is preparing an appeal.

Power Integrations, Inc. v. Fairchild Semiconductor International Inc. et al. (November 4, 2009, Northern District of California, 3:09-cv-05235-MMC): In 2009, PI sued Fairchild in the U.S. District Court for the Northern District of California, alleging that several of Fairchild's products infringe three of PI's patents. Fairchild filed counterclaims asserting that PI infringed two Fairchild patents. During the initial trial on this matter in 2014, a jury found that Fairchild willfully infringed two PI patents, awarded PI $105.0 million in damages and found that PI did not infringe any Fairchild patent. In September 2014, the court granted a motion filed by Fairchild that sought to set aside the jury's determination that it acted willfully, and held that, as a matter of law, Fairchild's actions were not willful. In November 2014, in response to another post-trial motion filed by Fairchild, the trial court ruled that the jury lacked sufficient evidence on which to base its damages award and, consequently, vacated the $105.0 million verdict and ordered a second trial on damages. The second damages trial was held in December 2015, in which a jury awarded PI $139.8 million in damages. Fairchild filed a number of post-trial motions challenging the second damages verdict, but the court ruled against Fairchild on these motions and awarded PI approximately $7.0 million in pre-judgment interest. Following the court's rulings on these issues, PI moved the court to reinstate the jury's willfulness finding and sought enhanced damages and attorneys' fees. On January 23, 2017, the court reinstated the jury's willful infringement finding, but denied PI's motion for enhanced damages and attorneys' fees in its entirety. The Company appealed the infringement and damages judgments, and in July 2018, the U.S. Court of Appeals for the Federal Circuit affirmed the judgment with respect to infringement of both PI patents but vacated the damages judgment because PI had presented legally insufficient evidence to support its damages claim. The appellate court thus remanded the case back to the lower court for a new trial on damages. In August 2018, PI requested that the Federal Circuit rehear, *en banc*, the issues of the vacated damages award, but this request was denied in September 2018. In December 2018, PI filed a petition for certiorari in the Supreme Court of the United States for review of the Federal Circuit's decision, but that request was denied in February 2019. All claims of the two PI patents found to be infringed by Fairchild were previously determined to be unpatentable in several *inter partes* review administrative proceedings ("IPRs") described below. The unpatentability findings, however, were recently vacated by the Court of Appeals for the Federal Circuit, as also described below. The impact of the USPTO's unpatentability determinations on the district court judgment is uncertain at this stage of the proceedings.

Fairchild Semiconductor International Inc. et al. v. Power Integrations, Inc. (May 1, 2012, Delaware, 1:12-cv-00540-LPS): In May 2012, Fairchild sued PI in the U.S. District Court for the District of Delaware, and alleged that various PI products infringe Fairchild's U.S. patents. PI filed counterclaims of patent infringement against Fairchild, asserting five PI patents. Of those five patents, the court granted Fairchild summary judgment of no infringement on one, and PI voluntarily withdrew a second and was forced to remove a third patent during the trial, which began in May 2015. In that trial, the jury found that PI induced infringement of Fairchild's patent rights and awarded Fairchild $2.4 million in damages. The same jury found that Fairchild infringed a PI patent and awarded PI damages of $0.1 million. Based on the December 2016 appellate court decision in the litigation filed in Delaware in 2008 (described above), on July 13, 2017, the District Court vacated the jury's finding that PI infringed Fairchild's patent. A jury trial was held in November 2018 to resolve several outstanding issues prior to appeal in this case. The jury in that trial found that Fairchild induced infringement of the sole PI patent Fairchild had previously been found to infringe and awarded PI damages in the amount of $0.7 million. In the parties' post-trial motions, PI sought pre- and post-judgment interest and a permanent injunction, whereas Fairchild sought judgment as a matter of law in its favor, or a new trial, on inducement and damages. On July 22, 2019, the court denied all post-trial motions. The Company disagrees with the court's denial of the Company's post-trial motions and is preparing an appeal.

Power Integrations, Inc. v. Fairchild Semiconductor International Inc. et al. (October 21, 2015, Northern District of California, 3:15-cv-04854 MMC): In 2015, PI filed another complaint for patent infringement against Fairchild in the U.S. District Court for the Northern District of California, alleging Fairchild's products willfully infringe two PI patents. In the complaint, PI sought a permanent injunction, unspecified damages, a trebling of damages, and an accounting of costs and fees. Fairchild answered and counterclaimed, alleging infringement by PI of four Fairchild patents related to aspects of PI's products, and also seeking damages and a permanent injunction. The lawsuit is in its earliest stages, and had previously been stayed pending the outcome of the Company's administrative challenges, which are described below, to the two PI patents asserted against Fairchild. In March 2019, however, the stay was lifted and this case was set for trial in November 2020. Fact discovery is ongoing in this lawsuit. PI has also filed administrative challenges to Fairchild's asserted patents.

Power Integrations, Inc. v. ON Semiconductor Corporation, and Semiconductor Components Industries, LLC (November 1, 2016, Northern District of California, 5:16-cv-06371-BLF and 5:17-cv-03189): On August 11, 2016, ON Semiconductor Corporation

and SCI, LLC (collectively referred to in this sub-section as “ON Semi”) filed a lawsuit against PI in the U.S. District Court for the District of Arizona, alleging that PI infringed six patents and seeking a permanent injunction and money damages for the alleged infringement. The lawsuit also sought a claim for a declaratory judgment that ON Semi does not infringe several of PI’s patents. Rather than responding to ON Semi’s lawsuit in Arizona, PI filed a separate lawsuit in the U.S. District Court for the Northern District of California in November 2016, alleging that ON Semi infringes six PI patents, including two of the three PI patents in ON Semi’s declaratory judgment claims from Arizona. PI also moved the Arizona court to dismiss ON Semi’s lawsuit, or in the alternative to transfer the lawsuit to California. Following various procedural motions, ON Semi’s Arizona action has been transferred to the U.S. District Court for the Northern District of California and consolidated with PI’s November 2016 lawsuit, in which PI has subsequently asserted a claim for infringement on the last of the three PI patents in ON Semi’s original declaratory judgment claims. In late 2018, the parties received a claim construction order, which included a finding that claims from several of PI’s asserted patents are invalid. Fact discovery is complete, and summary judgment motions have been filed and argued. Expert discovery concerning infringement, validity, and damages is ongoing. The trial is scheduled for December 2019.

ON Semiconductor Corporation, Inc. and Semiconductor Components Industries, LLC v. Power Integrations, Inc. (March 9, 2017, District of Delaware, 1:17-cv-00247-LPS-CJB): On March 9, 2017, ON Semi filed a lawsuit against PI in the U.S. District Court for the District of Delaware, alleging that PI’s InnoSwitch family of products infringe six of ON Semi’s U.S. patents. Following some procedural motions, PI has since counterclaimed alleging infringement by ON Semi of seven of PI’s U.S. patents. One of those seven patents was dropped by PI because it is asserted against ON Semi in a separate litigation. Both parties seek money damages and a permanent injunction. In late 2018, the parties received a claim construction order, following which ON Semi was forced to stipulate to non-infringement of two of ON Semi’s original six patents. In January 2019, PI voluntarily dropped their claims of infringement on two of PI’s patents, leaving each party with four asserted patents. Fact discovery is complete, and expert discovery concerning infringement, validity, and damages is ongoing, with summary judgment motions due to be filed in August 2019. The trial is scheduled for February 2020.

Semiconductor Components Industries, LLC v. Power Integrations, Inc. (November 2017, Taiwan Intellectual Property Court, 106-Ming-min-bu-Tzu-238): In November 2017, Semiconductor Components Industries, LLC filed a lawsuit against PI in Taiwan, alleging infringement by PI of three of ON Semi’s Taiwanese patents. On April 16, 2019, a first-instance judgment was rendered finding that none of the asserted patents were infringed by PI. The Company disagrees with this first-instance finding and has filed a second-instance review by the Taiwanese IP Court to appeal the adverse first-instance judgment.

Administrative Challenges to PI’s Patents:

In addition to the eight court proceedings described above, there are presently numerous IPRs between PI and ON Semi/Fairchild. Each of these IPRs seeks to invalidate certain claims asserted in the various court proceedings. For the two IPRs filed by ON Semi involving claims asserted in the case filed in 2009 in the Northern District of California, the USPTO previously issued a Final Written Decision finding that all of the claims challenged in those proceedings are unpatentable. The USPTO also previously issued Final Written Decisions in ON Semi’s favor for seven additional IPRs initiated by ON Semi. PI appealed the adverse unpatentability decisions in all but one of these nine initial IPRs brought by ON Semi, and the Court of Appeals for the Federal Circuit recently held that ON Semi’s initial IPRs were time-barred by 35 U.S.C. § 315(b). ON Semi disagrees with that finding and plans to further appeal. In the meantime, the Supreme Court of the United States recently granted certiorari in an unrelated case, *Dex Media, Inc. v. Click-to-Call*, in which the Supreme Court will determine whether time-bar determinations under 35 U.S.C. § 315(b) are appealable. The impact of the unpatentability determinations in these initial IPRs remains uncertain at this time.

Following the initial round of ON Semi IPRs described immediately above, both PI and ON Semi have filed several additional IPRs (none of which implicate the 35 U.S.C. § 315(b) time-bar issue described above). In six of the proceedings initiated by PI, the USPTO has instituted a review of six ON Semi/Fairchild patents that are being asserted against PI. In two of those six proceedings, the USPTO recently found all of the claims challenged by PI to be unpatentable. In one of those two cases, ON Semi has filed an appeal to challenge the unpatentability finding, but elected to forego an appeal in the other case. With regard to a third instituted proceeding initiated by PI, the USPTO found one challenged patent claim unpatentable over the prior art and two claims patentable. PI is pursuing an appeal for this third administrative proceeding, but ON Semi decided to forego an appeal with respect to the claim that was found unpatentable. With regard to a fourth instituted proceeding initiated by PI, the USPTO recently found some patent claims unpatentable over the prior art and some claims patentable, and ON Semi has appealed the unpatentability findings. With regard to a fifth instituted proceeding, the UPSTO recently found some patent claims unpatentable and one claim patentable, and ON Semi is evaluating whether to appeal. In two proceedings initiated by ON Semi, the USPTO found all of the claims challenged by ON Semi to be unpatentable. In another proceeding initiated by ON Semi, the USPTO found some patent

claims unpatentable and some claims patentable. All of the other administrative proceedings between PI and the Company remain pending or were terminated without institution of an administrative trial by the USPTO.

Litigation with Acbel Polytech, Inc.

On November 27, 2013, Fairchild and Fairchild Semiconductor Corporation were named as defendants in a complaint filed by Acbel Polytech, Inc. ("Acbel") in the U.S. District Court for the District of Massachusetts. The lawsuit alleged a number of causes of action, including breach of warranty, fraud, negligence and strict liability, and has been docketed as *Acbel Polytech, Inc. v. Fairchild Semiconductor International, Inc. et al*, Case # 1:13-CV-13046-DJC. On December 10, 2016, the Court issued an order on the Company's motion for summary judgment dismissing all of Acbel's claims except for claims alleging breach of implied warranties. A bench trial was held in June 2017. On December 27, 2017, the Court rendered a verdict in favor of the Fairchild defendants on the remaining implied warranty claims. Acbel appealed the Court's ruling, and on September 11, 2018, the U.S. Court of Appeals for the First Circuit heard arguments in this matter from Fairchild and Acbel. On June 20, 2019, the First Circuit vacated the decision of the District Court in favor of Fairchild and remanded the matter for additional discovery and a new trial. The First Circuit also reversed the District Court's dismissal of the fraud, fraudulent misrepresentation and negligent misrepresentation claims at the summary judgment phase and remanded those claims for trial. The Company will continue to vigorously defend itself in this matter.

In parallel to the litigation with Acbel, Fairchild filed an arbitration against its distributor, Synnex Technology International Corp ("Synnex"), in Hong Kong in response to Synnex's failure to pass along Fairchild's limited warranty to Acbel. The arbitration was held in December 2017. On August 17, 2018, the arbitrator ruled in favor of Fairchild and ordered Synnex to indemnify Fairchild for any damages Fairchild is required to pay Acbel in connection with the litigation between Fairchild and Acbel. On November 16, 2018, Synnex appealed the arbitrator's ruling.

Intellectual Property Matters

The Company faces risk of exposure from claims of infringement of the IP rights of others. In the ordinary course of business, the Company receives letters asserting that the Company's products or components breach another party's rights. Such letters may request royalty payments from the Company, that the Company cease and desist using certain intellectual property or other remedies.

Note 12: Fair Value Measurements

Fair Value of Financial Instruments

The following table summarizes the Company's financial assets and liabilities, excluding pension assets, measured at fair value on a recurring basis (in millions):

Description	As of June 28, 2019	Fair Value Hierarchy Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents:				
Demand and time deposits	$ 21.7	$ 21.7	$ —	$ —
Money market funds	0.4	0.4	—	—

Description	As of December 31, 2018	Fair Value Hierarchy Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents:				
Demand and time deposits	$ 21.2	$ 21.2	$ —	$ —
Money market funds	0.2	0.2	—	—

Other

The carrying amounts of other current assets and liabilities, such as accounts receivable and accounts payable, approximate fair value based on the short-term nature of these instruments.

Fair Value of Long-Term Debt, Including Current Portion

The carrying amounts and fair values of the Company’s long-term borrowings (excluding finance lease obligations, real estate mortgages and equipment financing) are as follows (in millions):

	As of			
	June 28, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion				
Convertible notes	$ 1,141.2	$ 1,554.9	$ 1,120.6	$ 1,368.5
Long-term debt	2,487.7	2,446.2	1,615.1	1,585.9

The fair values of the Company's 1.00% Notes and 1.625% Notes were estimated based on market prices in active markets (Level 1). The fair value of other long-term debt was estimated based on discounting the remaining principal and interest payments using current market rates for similar debt (Level 2) at June 28, 2019 and December 31, 2018.

Note 13: Financial Instruments

Foreign Currencies

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

The Company primarily hedges existing assets and liabilities associated with transactions currently on its balance sheet, which are undesignated hedges for accounting purposes.

As of June 28, 2019 and December 31, 2018, the Company had net outstanding foreign exchange contracts with notional amounts of $205.2 million and $157.3 million, respectively. Such contracts were obtained through financial institutions and were scheduled to mature within one to three months from the time of purchase. Management believes that these financial instruments should not subject the Company to increased risks from foreign exchange movements because gains and losses on these contracts should offset losses and gains on the underlying assets, liabilities and transactions to which they are related.

The following summarizes the Company’s net foreign exchange positions in U.S. Dollars (in millions):

	As of			
	June 28, 2019		December 31, 2018	
	Buy (Sell)	Notional Amount	Buy (Sell)	Notional Amount
Euro	$ 7.5	$ 7.5	$ 13.1	$ 13.1
Japanese Yen	73.5	73.5	29.9	29.9
Philippine Peso	31.7	31.7	30.1	30.1
Chinese Yuan	23.6	23.6	20.4	20.4
Czech Koruna	12.2	12.2	9.2	9.2
Other Currencies - Buy	52.1	52.1	47.1	47.1
Other Currencies - Sell	(4.6)	4.6	(7.5)	7.5
	$ 196.0	$ 205.2	$ 142.3	$ 157.3

Amounts receivable or payable under the contracts are included in other current assets or accrued expenses and other current liabilities in the accompanying Consolidated Balance Sheet. For the quarters ended June 28, 2019 and June 29, 2018, realized and unrealized foreign currency transactions totaled a loss of $1.0 million and $2.2 million, respectively. For the six months ended June 28, 2019 and June 29, 2018, realized and unrealized foreign currency transactions totaled a loss of $4.1 million and $6.6 million, respectively. The realized and unrealized foreign currency transactions are included in other income and expenses in the Company's Consolidated Statement of Operations and Comprehensive Income.

Cash Flow Hedges

All derivatives are recognized on the Company’s Consolidated Balance Sheet at their fair value and classified based on the instrument's maturity date.

Interest rate risk

The Company uses interest rate swap contracts to mitigate its exposure to interest rate fluctuations. The Company does not use such swap contracts for speculative or trading purposes. These contracts effectively hedge some of the future variable rate LIBOR interest expense to a fixed rate interest expense. The derivative instruments qualified for accounting as a cash flow hedge, and the Company designated it as such. On February 25, 2019, the Company entered into additional interest rate swap agreements for notional amounts totaling $1.0 billion (effective as of December 31, 2019) and $750.0 million (effective as of December 31, 2020) with expiry dates of December 31, 2020 and December 31, 2021, respectively. The notional amounts of the interest rate swap agreements outstanding as of June 28, 2019 and June 29, 2018 amounted to $1.0 billion and $750.0 million, respectively. The Company performed effectiveness assessments and concluded that there was no ineffectiveness during the quarters ended June 28, 2019 and June 29, 2018.

Foreign currency risk

The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual cash flows resulting from transactions in foreign currencies will be adversely affected by changes in exchange rates. The Company enters into forward contracts that are designated as foreign currency cash flow hedges of selected forecasted payments denominated in currencies other than U.S. Dollars.

For the quarters and six months ended June 28, 2019 and June 29, 2018, the Company did not have outstanding derivatives for its foreign currency exposure designated as cash flow hedges.

Convertible Note Hedges

The Company entered into convertible note hedges in connection with the issuance of the 1.00% Notes and 1.625% Notes.

Other

At June 28, 2019, the Company had no outstanding commodity derivatives, currency swaps or options relating to either its debt instruments or investments. The Company does not hedge the value of its equity investments in its subsidiaries or affiliated companies. The Company is exposed to credit-related losses if counterparties to hedge contracts fail to perform their obligations. As of June 28, 2019, the counterparties to the Company’s hedge contracts are held at financial institutions, which the Company believes to be highly-rated, and no credit-related losses are anticipated.

Note 14: Income Taxes

The Company determines its interim income tax provision by applying the estimated effective income tax rate expected to be applicable for the full fiscal year to the income before income taxes for the period. In determining the full year estimate, the Company does not include the estimated impact of unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes. Significant judgment is exercised in determining the income tax provision due to transactions, credits and calculations where the ultimate tax determination is uncertain.

The Company’s effective tax rate for the quarter ended June 28, 2019 was 18.5%, which differs from the U.S. federal income tax rate of 21.0%, primarily due to the release of reserves and interest for uncertain tax positions in foreign jurisdictions.

The Company’s effective tax rate for the six months ended June 28, 2019 was 22.1%, which differs from the U.S. federal income tax rate of 21.0%, primarily due to foreign taxes for which the Company will not receive a U.S. tax credit.

The Company recognizes interest and penalties related to unrecognized tax benefits in tax expense on the Company's Consolidated Statement of Operations and Comprehensive Income. The Company had approximately $4.2 million and $4.0 million of net interest and penalties accrued at June 28, 2019 and June 29, 2018, respectively.

Although the Company cannot predict the timing of resolution with taxing authorities, if any, it believes it is reasonably possible that $6.8 million of its unrecognized tax benefits will be reduced in the next 12 months due to settlement with tax authorities or expiration of the applicable statute of limitations.

Tax years prior to 2015 are generally not subject to examination by the Internal Revenue Service (the “IRS”) except for items involving tax attributes that have been carried forward to tax years whose statute of limitations remains open. The Company is not currently under IRS examination. For state tax returns, the Company is generally not subject to income tax examinations for tax years prior to 2014. The Company is also subject to routine examinations by various foreign jurisdictions in which it operates. With respect to jurisdictions outside the United States, the Company's subsidiaries are generally no longer subject to income tax audits for tax years prior to 2008. The Company is currently under audit in certain jurisdictions, including, but not limited to, China, the Czech Republic, and the Philippines.

Note 15: Changes in Accumulated Other Comprehensive Loss

Amounts comprising the Company's accumulated other comprehensive loss and reclassifications are as follows (in millions):

	Currency Translation Adjustments	Effects of Cash Flow Hedges	Total
Balance as of December 31, 2018	$ (42.5)	$ 4.6	$ (37.9)
Other comprehensive income prior to reclassifications	0.6	(18.8)	(18.2)
Amounts reclassified from accumulated other comprehensive loss	—	2.7	2.7
Net current period other comprehensive income (1)	0.6	(16.1)	(15.5)
Balance as of June 28, 2019	$ (41.9)	$ (11.5)	$ (53.4)

(1) Effects of cash flow hedges are net of $4.3 million of tax benefit for the six months ended June 28, 2019.

Amounts which were reclassified from accumulated other comprehensive loss to the Company's Consolidated Statement of Operations and Comprehensive Income are as follows (net of tax of $0.3 million and $0.2 million for the quarter and six months ended June 28, 2019 and June 29, 2018, respectively, in millions):

	Amounts Reclassified from Accumulated Other Comprehensive Loss				
	Quarters Ended		Six Months Ended		
	June 28, 2019	June 29, 2018	June 28, 2019	June 29, 2018	Statements of Operations and Comprehensive Income Line Item
Interest rate swaps	$ (1.3)	$ (0.7)	$ (2.7)	$ (0.8)	Interest expense
Total reclassifications	$ (1.3)	$ (0.7)	$ (2.7)	$ (0.8)	

Note 16: Supplemental Disclosures

Supplemental Disclosure of Cash Flow Information

Certain of the Company's cash and non-cash activities are as follows (in millions):

ON SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(unaudited)

	Six Months Ended	
	June 28, 2019	June 29, 2018
Non-cash investing activities:		
Liability incurred for purchase of business	$ 38.9	$ —
Non-cash activities:		
Capital expenditures in accounts payable and other liabilities	$ 173.0	$ 199.5
Right-of-use assets obtained in exchange of lease liabilities (1)	4.8	
Cash (received) paid for:		
Interest income	$ (3.0)	$ (2.0)
Interest expense	40.3	41.0
Income taxes	32.1	32.4
Operating lease payments in operating cash flows (1)	17.5	

(1) These disclosures are not applicable for the six months ended June 29, 2018 due to the method of adoption of the New Leasing Standard.

The following is a reconciliation of the captions in the Consolidated Balance Sheets to the Consolidated Statements of Cash Flows (in millions):

	As of			
	June 28, 2019	December 31, 2018	June 29, 2018	December 31, 2017
Consolidated Balance Sheets:				
Cash and cash equivalents	$ 885.2	$ 1,069.6	$ 850.2	$ 949.2
Restricted cash (included in other current assets)	13.9	17.5	17.5	17.4
Cash, cash equivalents and restricted cash in Consolidated Statements of Cash Flows	$ 899.1	$ 1,087.1	$ 867.7	$ 966.6

The restricted cash balance relates to the consideration held in escrow for the acquisition of Aptina in 2014 to be released upon satisfaction of certain outstanding items contained in the merger agreement.

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

You should read the following discussion in conjunction with our audited historical consolidated financial statements, which are included in the 2018 Form 10-K and our unaudited consolidated financial statements for the fiscal quarter ended June 28, 2019, included elsewhere in this Form 10-Q. Management's Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risk, uncertainties and other factors. Actual results could differ materially because of the factors discussed below or elsewhere in this Form 10-Q. See Part II, Item 1A. "Risk Factors" of this Form 10-Q and Part I, Item 1A. "Risk Factors" of the 2018 Form 10-K.

Company Highlights for the Quarter Ended June 28, 2019

- Total revenue of $1,347.7 million
- Gross margin of 37.0%
- Net income of $0.24 per diluted share
- Cash and cash equivalents of $885.2 million

Executive Overview

Industry Overview

We participate in unit and revenue surveys and use data summarized by WSTS (an industry research firm) to evaluate overall semiconductor market trends and to track our progress against the market in the areas we provide semiconductor components. The most recently published estimates from WSTS project a compound annual growth rate in our serviceable addressable market of approximately 2.8% through 2021. These are not our projections and may not be indicative of actual results. We, like many of our competitors, view this information as helpful third party projections and estimates.

ON Semiconductor Overview

ON Semiconductor is driving innovation in energy-efficient electronics. Our extensive portfolio of sensors, power management, connectivity, custom and SoC, analog, logic, timing and discrete devices helps customers efficiently solve their design challenges in advanced electronic systems and products. Our power management and motor driver semiconductor components control, convert, protect and monitor the supply of power to the different elements within a wide variety of electronic devices. Our custom ASICs and SoC devices use analog, MCU, DSP, mixed-signal and advanced logic capabilities to enable the application and uses of many of our automotive, medical, aerospace/defense, consumer and industrial customers' products. Our signal management semiconductor components provide high-performance clock management and data flow management for precision computing, communications and industrial systems. Our growing portfolio of sensors, including image sensors, radar and LiDAR, provide advanced solutions for automotive, industrial and IoT applications. Our standard semiconductor components serve as "building blocks" within virtually all types of electronic devices. These various products fall into the logic, analog, discrete, image sensors, IoT, Wi-Fi and memory categories used by the WSTS group.

We serve a broad base of end-user markets, including automotive, communications, computing, consumer, medical, industrial, networking, telecom and aerospace/defense. Our devices are found in a wide variety of end products, including automobiles, smartphones, data center and enterprise servers, wearable medical devices, personal computers, industrial building and home automation systems, factory automation, consumer white goods, security and surveillance systems, machine vision and robotics, LED lighting, power supplies, networking and telecom equipment, medical diagnostics and imaging and hearing health.

Our portfolio of devices enables us to offer advanced ICs and the "building block" components that deliver system level functionality and design solutions. We shipped approximately 31.9 billion units during the six months ended June 28, 2019, as compared to 36.7 billion units during the six months ended June 29, 2018. We offer micro packages, which provide increased performance characteristics while reducing the critical board space inside today's ever shrinking electronic devices and power modules, delivering improved energy efficiency and reliability for a wide variety of medium and high power applications. We believe that our ability to offer a broad range of products, combined with our applications and global manufacturing and logistics network, provides our customers with single source purchasing on a cost-effective and timely basis.

Acquisition of Quantenna

On June 19, 2019, we completed our acquisition of Quantenna Communications, Inc. ("Quantenna") pursuant to the definitive Agreement and Plan of Merger with each of Quantenna and Raptor Operations Sub, Inc., our wholly-owned subsidiary ("Raptor"), which provided for the merger of Quantenna with Raptor, whereby Quantenna continued as the surviving corporation and our wholly-owned subsidiary. The purchase price totaled $1,039.3 million in cash and was funded by a $900.0 million draw against our Revolving Credit Facility, as well as with cash on hand. We believe the acquisition of Quantenna creates a strong platform for addressing connectivity solutions for industrial IoT by combining our expertise in power management and bluetooth technologies with Quantenna's Wi-Fi technologies and software capabilities.

Operating and Reporting Segments

As many products are sold into different end-markets, the total revenue reported for a segment is not indicative of actual sales in the end-market associated with that segment, but rather is the sum of the revenue from the product lines assigned to that segment. From time to time, we reassess the alignment of our product families and devices to our operating segments and may move product families or individual devices from one operating segment to another. As of June 28, 2019, we were organized into the following three operating and reporting segments: PSG, ASG and ISG.

Business and Macroeconomic Environment

The semiconductor industry has traditionally been highly cyclical, has often experienced significant downturns in connection with, or in anticipation of, declines in general economic conditions, and may experience significant uncertainty and volatility in the future. We believe our business today is driven more by secular growth drivers and not solely by macroeconomic and industry cyclicality, as was the case historically. However, in the future, we could again experience period-to-period fluctuations in operating results due to general industry or economic conditions.

During the quarter ended June 28, 2019, geopolitical and macroeconomic factors adversely impacted product demand in the semiconductor industry. In light of these factors, we expect that such demand for our products could be adversely affected in the short-term. We also believe, however, that secular megatrends in the automotive, industrial, and cloud-power end-markets will continue to drive long-term growth in the semiconductor industry.

In response to the above industry trends, we are investing and taking other measures to further strengthen our position in the automotive, industrial, and cloud-power end-markets. In an effort to mitigate adverse demand trends in the semiconductor industry, we have focused on maintaining our high standards for operational excellence. Additionally, we have historically pursued, and expect to continue to pursue, cost-saving initiatives to align our overall cost structure, capital investments and other expenditures with our expected revenue, spending and capacity levels based on our current sales and manufacturing projections. We have recognized efficiencies from previously implemented restructuring activities and programs and continue to implement profitability enhancement programs to improve our cost structure. We have historically taken significant actions to align our overall cost structure with our expectations of market conditions by focusing on synergies-related cost reductions arising from each of our acquisitions. However, there can be no assurances that we will adequately forecast economic conditions or that we will effectively align our cost structure, capital investments and other expenditures with our revenue, spending and capacity levels in the future.

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Results of Operations

Quarter Ended June 28, 2019 compared to the Quarter Ended June 29, 2018

The following table summarizes certain information relating to our operating results that has been derived from our unaudited consolidated financial statements (in millions):

	Quarters Ended		
	June 28, 2019	June 29, 2018	Dollar Change
Revenue	$ 1,347.7	$ 1,455.9	$ (108.2)
Cost of revenue (exclusive of amortization shown below)	848.7	900.9	(52.2)
Gross profit	499.0	555.0	(56.0)
Operating expenses:			
Research and development	147.0	167.1	(20.1)
Selling and marketing	73.6	81.7	(8.1)
General and administrative	74.1	74.6	(0.5)
Amortization of acquisition-related intangible assets	27.5	27.9	(0.4)
Restructuring, asset impairments and other, net	18.1	3.2	14.9
Goodwill and intangible asset impairment	0.4	3.3	(2.9)
Total operating expenses	340.7	357.8	(17.1)
Operating income	158.3	197.2	(38.9)
Other income (expense), net:			
Interest expense	(33.7)	(32.6)	(1.1)
Interest income	3.0	1.1	1.9
Loss on debt refinancing and prepayment	(0.4)	(4.0)	3.6
Gain on divestiture of business	—	4.6	(4.6)
Licensing income	—	28.1	(28.1)
Other income (expense)	(1.0)	(1.0)	—
Other income (expense), net	(32.1)	(3.8)	(28.3)
Income before income taxes	126.2	193.4	(67.2)
Income tax provision	(23.3)	(37.1)	13.8
Net income	102.9	156.3	(53.4)
Less: Net income attributable to non-controlling interest	(1.1)	(1.0)	(0.1)
Net income attributable to ON Semiconductor Corporation	$ 101.8	$ 155.3	$ (53.5)

Revenue

Revenue was $1,347.7 million and $1,455.9 million for the quarters ended June 28, 2019 and June 29, 2018, respectively, representing a decrease of $108.2 million, or approximately 7%.

Revenue by operating and reporting segments was as follows (dollars in millions):

	Quarter Ended June 28, 2019	As a % of Total Revenue (1)	Quarter Ended June 29, 2018	As a % of Total Revenue (1)
PSG	$ 700.9	52.0%	$ 748.2	51.4%
ASG	462.0	34.3%	513.2	35.2%
ISG	184.8	13.7%	194.5	13.4%
Total revenue	$ 1,347.7		$ 1,455.9	

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

Revenue from PSG decreased by $47.3 million, or approximately 6%, for the quarter ended June 28, 2019 compared to the quarter ended June 29, 2018. The revenue in our High Power Division, Protection and Signal Division and Integrated Circuits Division decreased by $36.0 million, $26.7 million and $19.0 million, respectively while the revenue from our Foundry Services and Power MOSFET Division increased by $15.5 million and $10.6 million, respectively. This was due to the change in demand in some end-markets and softening of demand experienced in certain other end-markets.

Revenue from ASG decreased by $51.2 million, or approximately 10%, for the quarter ended June 28, 2019 compared to the quarter ended June 29, 2018. The revenue from our Industrial and Offline Power Division and our Signal Processing, Wireless and Medical Division decreased by $21.7 million and $15.9 million, respectively, both reflective of the end-user demand in the markets served.

Revenue from ISG decreased by $9.7 million, or approximately 5%, for the quarter ended June 28, 2019 compared to the quarter ended June 29, 2018. The revenue in our Industrial Solutions Division decreased by $8.2 million due to decreased demand.

Revenue by geographic location, including local sales made by operations within each area, based on sales billed from the respective country, was as follows (dollars in millions):

	Quarter Ended June 28, 2019	As a % of Total Revenue (1)	Quarter Ended June 29, 2018	As a % of Total Revenue (1)
Singapore	$ 379.9	28.2%	$ 433.8	29.8%
Hong Kong	348.4	25.9%	404.9	27.8%
United Kingdom	229.4	17.0%	242.4	16.6%
United States	223.5	16.6%	217.5	14.9%
Other	166.5	12.4%	157.3	10.8%
Total	$ 1,347.7		$ 1,455.9	

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

Gross Profit and Gross Margin (exclusive of amortization of acquisition-related intangible assets described below)

Our gross profit by operating and reporting segments was as follows (dollars in millions):

	Quarter Ended June 28, 2019	As a % of Segment Revenue (1)	Quarter Ended June 29, 2018	As a % of Segment Revenue (1)
PSG	$ 255.7	36.5 %	$ 267.1	35.7 %
ASG	184.7	40.0 %	219.3	42.7 %
ISG	65.9	35.7 %	82.6	42.5 %
Gross profit	$ 506.3		$ 569.0	
Unallocated manufacturing costs	(7.3)	(0.5)%	(14.0)	(1.0)%
Consolidated gross profit	$ 499.0	37.0 %	$ 555.0	38.1 %

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

Our gross profit was $499.0 million for the quarter ended June 28, 2019 compared to $555.0 million for the quarter ended June 29, 2018. Gross profit decreased by $56.0 million, or approximately 10%.

Gross profit as a percentage of revenue decreased to approximately 37.0% for the quarter ended June 28, 2019 from approximately 38.1% for the quarter ended June 29, 2018. The decrease was primarily due to a decrease in sales volume and product mix.

Operating Expenses

Research and development expenses were $147.0 million for the quarter ended June 28, 2019, as compared to $167.1 million for the quarter ended June 29, 2018, representing a decrease of $20.1 million, or approximately 12%. This was primarily related to a decrease in variable compensation.

Selling and marketing expenses were $73.6 million for the quarter ended June 28, 2019, as compared to $81.7 million for the quarter ended June 29, 2018, representing a decrease of $8.1 million, or approximately 10%. This was primarily the result of a decrease in variable compensation for the period.

General and administrative expenses were $74.1 million for the quarter ended June 28, 2019, as compared to $74.6 million in the quarter ended June 29, 2018, representing a decrease of $0.5 million, or approximately 1%. The decrease in variable compensation was partially offset by an increase in acquisition-related expenses.

Other Operating Expenses

Amortization of Acquisition-Related Intangible Assets

Amortization of acquisition-related intangible assets was $27.5 million and $27.9 million for the quarters ended June 28, 2019 and June 29, 2018, respectively, representing a period-over-period decrease of $0.4 million, or approximately 1%.

Restructuring, Asset Impairments and Other, Net

Restructuring, asset impairments and other, net was $18.1 million for the quarter ended June 28, 2019, as compared to $3.2 million for the quarter ended June 29, 2018, representing an increase of $14.9 million, which was primarily attributable to post-Quantenna acquisition restructuring charges incurred during the quarter ended June 28, 2019. The restructuring expense amounted to $13.8 million which remains accrued as of June 28, 2019.

Goodwill and Intangible Asset Impairment

Intangible asset impairment was $0.4 million for the quarter ended June 28, 2019, as compared to $3.3 million for the quarter ended June 29, 2018. During the quarter ended June 28, 2019, we abandoned one of our previously capitalized IPRD projects and recorded an impairment charge of $0.4 million.

Interest Expense

Interest expense increased by $1.1 million to $33.7 million during the quarter ended June 28, 2019, as compared to $32.6 million during the quarter ended June 29, 2018, primarily due to an increase in the outstanding balances of long-term debt incurred for the acquisition of Quantenna offset by lower interest rates. Our average gross long-term debt balance (including current maturities) for the quarter ended June 28, 2019 was $3,368.5 million at a weighted-average interest rate of approximately 4.0%, as compared to $3,003.8 million at a weighted-average interest rate of approximately 4.3% for the quarter ended June 29, 2018.

Loss on debt refinancing and prepayment

Loss on debt refinancing and prepayment was $0.4 million for the quarter ended June 28, 2019, as compared to $4.0 million for the quarter ended June 29, 2018. During the quarter ended June 28, 2019, we recorded a loss on debt refinancing and prepayment of $0.4 million related to the Fifth Amendment. We recorded a debt extinguishment charge of $2.6 million related to the refinancing of the Term Loan "B" Facility and expensed $1.4 million of unamortized debt discount and issuance costs attributed to the partial pay-down of the Term Loan "B" Facility during the quarter ended June 29, 2018.

Gain on Divestiture of business

Gain on divestiture of business was zero for the quarter ended June 28, 2019, as compared to $4.6 million for the quarter ended June 29, 2018. We divested the transient voltage diodes business we acquired from Fairchild to TSC America, Inc. and recorded a gain of $4.6 million during the quarter ended June 29, 2018.

Licensing Income

Licensing income was zero for the quarter ended June 28, 2019, as compared to $28.1 million for the quarter ended June 29, 2018. The licensing income during the quarter ended June 29, 2018 was attributable to various licensing agreements.

Other Expense

Other expense was unchanged with an expense of $1.0 million for the quarter ended June 28, 2019 and June 29, 2018, respectively.

Income Tax Provision

We recorded an income tax provision of $23.3 million and $37.1 million during the quarters ended June 28, 2019 and June 29, 2018, respectively.

The income tax provision for the quarter ended June 28, 2019 consisted of $25.6 million for income and withholding taxes of certain of our foreign and domestic operations and $1.4 million of new reserves and interest on existing reserves for uncertain tax positions in foreign jurisdictions. These amounts were offset by discrete benefits of $3.4 million relating to the release of reserves and interest for uncertain tax positions in foreign jurisdictions related to prior years and $0.3 million relating to equity award excess tax benefits.

The income tax provision for the quarter ended June 29, 2018 consisted of $48.2 million for income and withholding taxes of certain of our foreign and domestic operations and $1.0 million of new reserves and interest on existing reserves for uncertain tax positions in the U.S. and foreign jurisdictions. These amounts were offset by discrete benefits of $8.9 million relating to the release of reserves and interest for uncertain tax positions in foreign jurisdictions related to prior years, $2.8 million relating to the release of a valuation allowance against deferred tax assets expected to be realized in the foreseeable future and $0.4 million relating to equity award excess tax benefits.

We expect our effective tax rate, before discrete items, to be between 22% and 26% until we fully utilize all of our U.S. federal net operating losses. The primary difference between our effective tax rate and the federal statutory rate of 21% is due to foreign taxes for which we will not receive a U.S. tax credit until our U.S. federal net operating losses are fully utilized. Once our U.S. federal net operating losses are fully utilized, we expect our future effective tax rate, before discrete items, to approximate, or be lower than, the federal statutory rate of 21%. We anticipate our U.S. federal net operating losses and credits will be fully utilized by 2021.

Our cash tax, as a percentage of income before income taxes (“Cash Tax Rate”), is significantly lower than our effective tax rate due to the current utilization of our U.S. federal net operating losses and credits. We expect our future Cash Tax Rate to approximate our effective tax rate once our U.S. federal net operating losses and credits are fully utilized.

We continue to maintain a full valuation allowance on our U.S. state deferred tax assets and a valuation allowance on foreign net operating losses and tax credits in certain other foreign jurisdictions, a substantial portion of which relate to Japan net operating losses which are projected to expire prior to utilization.

For additional information, see Note 14: "Income Taxes" in the notes to the unaudited consolidated financial statements included elsewhere in this Form 10-Q.

Results of Operations

Six Months Ended June 28, 2019 compared to the Six Months Ended June 29, 2018

The following table summarizes certain information relating to our operating results that has been derived from our unaudited consolidated financial statements (in millions):

	Six Months Ended		
	June 28, 2019	June 29, 2018	Dollar Change
Revenue	$ 2,734.3	$ 2,833.5	$ (99.2)
Cost of revenue (exclusive of amortization shown below)	1,721.6	1,761.1	(39.5)
Gross profit	1,012.7	1,072.4	(59.7)
Operating expenses:			
Research and development	298.8	322.3	(23.5)
Selling and marketing	150.7	159.5	(8.8)
General and administrative	147.0	145.5	1.5
Amortization of acquisition-related intangible assets	53.2	55.3	(2.1)
Restructuring, asset impairments and other, net	23.7	3.6	20.1
Goodwill and intangible asset impairment	1.6	3.3	(1.7)
Total operating expenses	675.0	689.5	(14.5)
Operating income	337.7	382.9	(45.2)
Other income (expense), net:			
Interest expense	(65.4)	(64.1)	(1.3)
Interest income	5.5	2.0	3.5
Loss on debt refinancing and prepayment	(0.4)	(4.0)	3.6
Gain on divestiture of business	—	4.6	(4.6)
Licensing income	—	31.9	(31.9)
Other income (expense)	1.1	(3.0)	4.1
Other income (expense), net	(59.2)	(32.6)	(26.6)
Income before income taxes	278.5	350.3	(71.8)
Income tax provision	(61.5)	(53.5)	(8.0)
Net income	217.0	296.8	(79.8)
Less: Net income attributable to non-controlling interest	(1.1)	(1.9)	0.8
Net income attributable to ON Semiconductor Corporation	$ 215.9	$ 294.9	$ (79.0)

Revenue

Revenue was $2,734.3 million and $2,833.5 million for the six months ended June 28, 2019 and June 29, 2018, respectively, representing a decrease of $99.2 million, or approximately 3.5%.

Revenue by operating and reporting segments was as follows (dollars in millions):

	Six Months Ended June 28, 2019	As a % of Total Revenue (1)	Six Months Ended June 29, 2018	As a % of Total Revenue (1)
PSG	$ 1,405.1	51.4%	$ 1,440.8	50.8%
ASG	956.1	35.0%	1,009.4	35.6%
ISG	373.1	13.6%	383.3	13.5%
Total revenue	$ 2,734.3		$ 2,833.5	

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

Revenue from PSG decreased by $35.7 million, or approximately 2.5%, for the six months ended June 28, 2019 compared to the six months ended June 29, 2018. The revenue in our High Power Division, Integrated Circuits Division and Protection and Signal Division decreased by $40.7 million, $35.9 million and $34.8 million, respectively, which was partially offset by an increase of $34.9 million and $33.4 million in revenue in our Power MOSFET Division and Foundry services, respectively. These revenue changes were due to the change in demand in the respective end-markets.

Revenue from ASG decreased by $53.3 million, or approximately 5.3%, for the six months ended June 28, 2019 compared to the six months ended June 29, 2018. The revenue from our Industrial and Offline Power Division and our Signal Processing, Wireless and Medical Division decreased by $41.7 million and $18.1 million, respectively which amounts were partially offset by an increase of $10.4 million in revenue in our Mobile and Computing Division, all reflective of the end-user demand in the markets served.

Revenue from ISG decreased by $10.2 million, or approximately 2.7%, for the six months ended June 28, 2019 compared to the six months ended June 29, 2018. The revenue in our Industrial Solutions Division decreased by $15.8 million and was partially offset by an increase in our Automotive Solutions Division revenue by $3.2 million.

Revenue by geographic location, including local sales made by operations within each area, based on sales billed from the respective country, was as follows (dollars in millions):

	Six Months Ended June 28, 2019	As a % of Total Revenue (1)	Six Months Ended June 29, 2018	As a % of Total Revenue (1)
Singapore	$ 805.1	29.4%	$ 866.7	30.6%
Hong Kong	686.4	25.1%	765.8	27.0%
United Kingdom	476.3	17.4%	476.0	16.8%
United States	437.1	16.0%	416.7	14.7%
Other	329.4	12.0%	308.3	10.9%
Total	$ 2,734.3		$ 2,833.5	

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

Gross Profit and Gross Margin (exclusive of amortization of acquisition-related intangible assets described below)

Our gross profit by operating and reporting segments was as follows (dollars in millions):

	Six Months Ended June 28, 2019	As a % of Segment Revenue (1)	Six Months Ended June 29, 2018	As a % of Segment Revenue (1)
PSG	$ 504.7	35.9 %	$ 506.3	35.1 %
ASG	384.8	40.2 %	426.1	42.2 %
ISG	140.8	37.7 %	164.3	42.9 %
Gross profit	$ 1,030.3		$ 1,096.7	
Unallocated manufacturing costs	(17.6)	(0.6)%	(24.3)	(0.9)%
Consolidated gross profit	$ 1,012.7	37.0 %	$ 1,072.4	37.8 %

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

Our gross profit was $1,012.7 million for the six months ended June 28, 2019 compared to $1,072.4 million for the six months ended June 29, 2018. Gross profit decreased by $59.7 million, or approximately 5.6%.

Gross profit as a percentage of revenue decreased to approximately 37.0% for the six months ended June 28, 2019 from approximately 37.8% for the six months ended June 29, 2018. The decrease was primarily due to a decrease in sales volume and product mix.

Operating Expenses

Research and development expenses were $298.8 million for the six months ended June 28, 2019, as compared to $322.3 million for the six months ended June 29, 2018, representing a decrease of $23.5 million, or approximately 7.3%. This was primarily related to a decrease in variable compensation.

Selling and marketing expenses were $150.7 million for the six months ended June 28, 2019, as compared to $159.5 million for the six months ended June 29, 2018, representing a decrease of $8.8 million, or approximately 5.5%. This was primarily related to a decrease in variable compensation.

General and administrative expenses were $147.0 million for the six months ended June 28, 2019, as compared to $145.5 million in the six months ended June 29, 2018, representing an increase of $1.5 million, or approximately 1.0%. The decrease in variable compensation was partially offset by an increase in acquisition-related expenses.

Other Operating Expenses

Amortization of Acquisition-Related Intangible Assets

Amortization of acquisition-related intangible assets was $53.2 million and $55.3 million for the six months ended June 28, 2019 and June 29, 2018, respectively, representing a period-over-period decrease of $2.1 million, or approximately 3.8%.

Restructuring, Asset Impairments and Other, Net

Restructuring, asset impairments and other, net was $23.7 million for the six months ended June 28, 2019, as compared to $3.6 million for the six months ended June 29, 2018, representing an increase of $20.1 million. The increase was primarily attributable to post-Quantenna restructuring activities as well as certain restructuring actions undertaken by us aimed at cost savings, primarily through workforce reductions.

As part of the general workforce reduction, we notified approximately 139 employees of their employment termination, of which 104 had exited by June 28, 2019. The expense for this program amounted to $7.8 million, of which $2.1 million remains accrued as of June 28, 2019. We will continue to evaluate positions for redundancies and may incur additional charges in the future.

Following the acquisition of Quantenna, we implemented a cost-reduction plan resulting in the elimination of approximately eight executive positions from Quantenna’s workforce, primarily as a result of redundancies. The restructuring expense of $13.8 million, which was attributable to the accelerated vesting of stock awards previously issued by Quantenna and other severance benefits, remained accrued as of June 28, 2019, and will be paid during the third quarter of 2019. We will continue to evaluate positions for redundancies and may incur additional charges in the future.

Goodwill and Intangible Asset Impairment

Intangible asset impairment was $1.6 million for the six months ended June 28, 2019, as compared to $3.3 million for the six months ended June 29, 2018. During the six months ended June 28, 2019, we abandoned two of our previously capitalized IPRD projects and recorded an impairment charge of $1.6 million. We recorded a goodwill impairment charge of $3.3 million during the six months ended June 29, 2018.

Interest Expense

Interest expense increased by $1.3 million to $65.4 million during the six months ended June 28, 2019, as compared to $64.1 million during the six months ended June 29, 2018, primarily due to an increase in the outstanding long-term debt balance related to the acquisition of Quantenna partially offset by a decrease in interest rates. Our average gross long-term debt balance (including current maturities) for the six months ended June 28, 2019 was $3,372.4 million at a weighted-average interest rate of approximately 3.9%, as compared to $3,069.5 million at a weighted-average interest rate of approximately 4.2% for the six months ended June 29, 2018.

Loss on Debt Refinancing and Prepayment

Loss on debt refinancing was $0.4 million for the six months ended June 28, 2019, as compared to $4.0 million for the six months ended June 29, 2018.

During the six months ended June 28, 2019, we recorded a loss on debt refinancing and prepayment of $0.4 million related to the Fifth Amendment. We recorded a debt extinguishment charge of $2.6 million related to the refinancing of the Term Loan "B"

Facility and expensed $1.4 million of unamortized debt discount and issuance costs attributed to the partial pay-down of the Term Loan "B" Facility during the six months ended June 29, 2018.

Gain on Divestiture of Business

Gain on divestiture of business was zero for the six months ended June 28, 2019, as compared to $4.6 million for the six months ended June 29, 2018. During the six months ended June 29, 2018, we divested the transient voltage suppressing diodes business we acquired from Fairchild to TSC America, Inc. and recorded a gain of $4.6 million.

Licensing Income

Licensing income was zero for the six months ended June 28, 2019, as compared to $31.9 million for the six months ended June 29, 2018. The licensing income during the six months ended June 29, 2018 was attributable to various licensing agreements.

Other Income (Expense)

Other income (expense) increased by $4.1 million to income of $1.1 million for the six months ended June 28, 2019, compared to an expense of $3.0 million for the six months ended June 29, 2018. The increase is primarily attributable to the $4.9 million indemnification gain on the resolution of a foreign tax dispute.

Income Tax Provision

We recorded an income tax provision of $61.5 million and $53.5 million during the six months ended June 28, 2019 and June 29, 2018, respectively.

The income tax provision for the six months ended June 28, 2019 consisted of $61.6 million for income and withholding taxes of certain of our foreign and domestic operations, $6.0 million relating to the resolution of a foreign tax dispute, $2.3 million of new reserves and interest on existing reserves for uncertain tax positions in foreign jurisdictions, and $0.4 million of prior year adjustments. These amounts were offset by discrete benefits of $3.4 million relating to the release of reserves and interest for uncertain tax positions in foreign jurisdictions related to prior years and $5.4 million relating to equity award excess tax benefits.

The income tax provision for the six months ended June 29, 2018 consisted of $88.1 million for income and withholding taxes of certain of our foreign and domestic operations and $1.3 million of new reserves and interest on existing reserves for uncertain tax positions in foreign jurisdictions. These amounts were offset by discrete benefits of $8.9 million relating to the release of reserves and interest for uncertain tax positions in the U.S. and foreign jurisdictions related to prior years, $19.9 million relating to an increase in deferred tax assets and release of valuation allowance against deferred tax assets expected to be realized in the foreseeable future and $7.1 million relating to equity award excess tax benefits.

We expect our effective tax rate, before discrete items, to be between 22% and 26% until we fully utilize all of our U.S. federal net operating losses. The primary difference between our effective tax rate and the federal statutory rate of 21% is due to foreign taxes for which we will not receive a U.S. tax credit until our U.S. federal net operating losses are fully utilized. Once our U.S. federal net operating losses are fully utilized, we expect our future effective tax rate, before discrete items, to approximate, or be lower than, the federal statutory rate of 21%. We anticipate our U.S. federal net operating losses and credits will be fully utilized by 2021.

Our cash tax, as a percentage of income before income taxes (“Cash Tax Rate”), is significantly lower than our effective tax rate due to the current utilization of our U.S. federal net operating losses and credits. We expect our future Cash Tax Rate to approximate our effective tax rate once our U.S. federal net operating losses and credits are fully utilized.

We continue to maintain a full valuation allowance on our U.S. state deferred tax assets and a valuation allowance on foreign net operating losses and tax credits in certain other foreign jurisdictions, a substantial portion of which relate to Japan net operating losses which are projected to expire prior to utilization.

For additional information, see Note 14: "Income Taxes" in the notes to the unaudited consolidated financial statements included elsewhere in this Form 10-Q.

Liquidity and Capital Resources

This section includes a discussion and analysis of our cash requirements, off-balance sheet arrangements, contingencies, sources and uses of cash, operations, working capital and long-term assets and liabilities.

Contractual Obligations

During the quarter ended June 28, 2019, we incurred additional commitments of $330.0 million relating to the pending acquisition of a manufacturing facility in addition to the commitments disclosed in the contractual obligations table, including the notes thereto, contained in the 2018 Form 10-K. See 4: "Acquisitions" for further information on the pending acquisition of a manufacturing facility and see Note 7: "Balance Sheet Information" for information with respect to operating leases and pension plan, in each case, in the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q.

Our balance of cash and cash equivalents was $885.2 million as of June 28, 2019. We believe that our cash flows from operations, coupled with our existing cash and cash equivalents, and cash available from our Revolving Credit Facility, will be adequate to fund our operating and capital needs for at least the next 12 months. Total cash and cash equivalents as of June 28, 2019 include approximately $360.3 million available within the United States. While we hold a significant amount of cash and cash equivalents outside the United States in various foreign subsidiaries, we have the ability to obtain cash in the United States in order to cover our domestic needs, through distributions from our foreign subsidiaries, by utilizing existing credit facilities or through new bank loans or debt obligations.

Off-Balance Sheet Arrangements

In the ordinary course of business, we provide standby letters of credit or other guarantee instruments to certain parties in connection with certain transactions, including, but not limited to: material purchase commitments, agreements to mitigate collection risk, leases, utilities or customs guarantees. As of June 28, 2019, our Revolving Credit Facility included $15.0 million of availability for the issuance of letters of credit. There were letters of credit in the amount of $1.0 million outstanding under our Revolving Credit Facility as of June 28, 2019, which reduces our borrowing capacity dollar-for-dollar. As of June 28, 2019, we also had outstanding guarantees and letters of credit outside of our Revolving Credit Facility in the amount of $11.4 million.

As part of securing financing in the ordinary course of business, we have issued guarantees related to certain of our subsidiaries' finance lease obligations, equipment financing, lines of credit and real estate mortgages which totaled $53.9 million as of June 28, 2019. Based on historical experience and information currently available, we believe that we will not be required to make payments under the standby letters of credit or guarantee arrangements for the foreseeable future.

We have not recorded any liability in connection with these letters of credit and guarantee arrangements. See Note 3: "Recent Accounting Pronouncements," Note 8: "Long-Term Debt" and Note 11: "Commitments and Contingencies" in the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q for additional information.

Contingencies

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

We face risk of exposure to warranty and product liability claims in the event that our products fail to perform as expected or such failure of our products results, or is alleged to result, in economic damage, bodily injury or property damage. In addition, if any of our designed products are alleged to be defective, we may be required to participate in their recall. Depending on the significance of any particular customer and other relevant factors, we may agree to provide more favorable rights to such customer for valid defective product claims.

We maintain directors’ and officers’ insurance policies that indemnify our directors and officers against various liabilities, including certain liabilities under the Exchange Act, that might be incurred by any director or officer in his or her capacity as such.

The Fairchild Agreement provides for indemnification and insurance rights in favor of Fairchild’s then current and former directors, officers and employees. Specifically, we have agreed that, for no fewer than six years following the Fairchild acquisition, we will: (a) indemnify and hold harmless each such indemnitee against losses and expenses (including advancement of attorneys’ fees and expenses) in connection with any proceeding asserted against the indemnified party in connection with such person’s servings as a director, officer, employee or other fiduciary of Fairchild or its subsidiaries prior to the effective time of the acquisition;

(b) maintain in effect all provisions of the certificate of incorporation or bylaws of Fairchild or any of its subsidiaries or any other agreements of Fairchild or any of its subsidiaries with any indemnified party regarding elimination of liability, indemnification of officers, directors and employees and advancement of expenses in existence on the date of the Fairchild Agreement for acts or omissions occurring prior to the effective time of the acquisition and; (c) subject to certain qualifications, provide to Fairchild's then current directors and officers an insurance and indemnification policy that provides coverage for events occurring prior to the effective time of the acquisition that is no less favorable than Fairchild's then-existing policy, or, if insurance coverage that is no less favorable is unavailable, the best available coverage.

Similarly, the Quantenna Agreement provides for indemnification and insurance rights in favor of Quantenna's then current and former directors, officers, employees and agents. Specifically, the Company has agreed that, for no fewer than six years following the Quantenna acquisition, the Company will: (a) indemnify and hold harmless each such indemnified party to the fullest extent permitted by Delaware law in the event of any threatened or actual claim suit, action, proceeding or investigation against the indemnified party based in whole or in part on, or pertaining to, such person's serving as a director, officer, employee or agent of Quantenna or its subsidiaries or predecessors prior to the effective time of the acquisition or in connection with the Quantenna Agreement; (b) maintain in effect provisions of the certificate of incorporation and bylaws of Quantenna and each of its subsidiaries regarding the elimination of liability of directors and indemnification of officers, directors and employees that are no less advantageous to the intended beneficiaries than the corresponding provisions in the certificate of incorporation and bylaws of Quantenna and each of its subsidiaries in existence on the date of the Quantenna Agreement; and (c) obtain and fully pay the premium for a non-cancelable extension of directors' and officers' liability coverage of Quantenna's directors' and officers' policies and Quantenna's fiduciary liability insurance policies in effect as of the date of the Quantenna Agreement.

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

See Note 11: "Commitments and Contingencies" in the notes to our unaudited consolidated financial statements under the heading "Legal Matters" included elsewhere in this Form 10-Q for possible contingencies related to legal matters. See also Part I, Item 1 "Business - Government Regulation" of the 2018 Form 10-K for information on certain environmental matters.

Sources and Uses of Cash

We require cash to fund our operating expenses and working capital requirements, including outlays for strategic acquisitions and investments, for research and development, to make capital expenditures, to repurchase our common stock and other Company securities and to pay debt service, including principal and interest and finance lease payments. We expect interest expense to remain significant in future periods as we continue to service our debt. Our principal sources of liquidity are cash on hand, cash generated from operations and funds from external borrowings and equity issuances. In the near term, we expect to fund our primary cash requirements through cash generated from operations and with cash and cash equivalents on hand. We also have the ability to utilize our Revolving Credit Facility.

As part of our business strategy, we review acquisition and divestiture opportunities and proposals on a regular basis. During the quarter ended June 28, 2019, we completed the acquisition of Quantenna. See Note 4: "Acquisitions" in the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q for additional information.

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 the impact on our business and operations as a result of changes in demand for our products, competitive pricing pressures, effective management of our manufacturing capacity, our ability to achieve further reductions in operating expenses, the impact of our restructuring programs on our production and cost efficiency and our ability to make the research and development expenditures required to remain competitive in our business; and
- Factors that affect our access to bank financing and the debt and equity capital markets that could impair our ability to obtain needed financing on acceptable terms or to respond to business opportunities and developments as they arise, including interest rate fluctuations, macroeconomic conditions, sudden reductions in the general availability of lending from banks or the related increase in cost to obtain bank financing and our ability to maintain compliance with covenants under our debt agreements in effect from time to time.

Our ability to service our long-term debt, including our 1.625% Notes, 1.00% Notes, Revolving Credit Facility and Term Loan "B" Facility, to remain in compliance with the various covenants contained in our debt agreements and to fund working capital, capital expenditures and business development efforts will depend on our ability to generate cash from operating activities, which is subject to, among other things, our future operating performance, as well as to general economic, financial, competitive, legislative, regulatory and other conditions, some of which may be beyond our control.

If we fail to generate sufficient cash from operations, we may need to raise additional equity or borrow additional funds to achieve our longer term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to us. We believe that cash flow from operating activities coupled with existing cash and cash equivalents and existing credit facilities will be adequate to fund our operating and capital needs, as well as enable us to maintain compliance with our various debt agreements, through at least the next 12 months. To the extent that results or events differ from our financial projections or business plans, our liquidity may be adversely impacted.

During the ordinary course of business, we evaluate our cash requirements and, if necessary, adjust our expenditures for inventory, operating expenditures and capital expenditures to reflect the current market conditions and our projected sales and demand. Our capital expenditures are primarily directed toward production equipment and capacity expansion. Our capital expenditure levels can materially influence our available cash for other initiatives. For example, during the six months ended June 28, 2019, we paid $310.5 million for capital expenditures, while during the six months ended June 29, 2018, we paid $252.4 million for capital expenditures. Our current minimum contractual capital expenditure commitment for the remainder of 2019 is approximately $55.1 million. Our current minimum contractual capital expenditure commitment for 2020 and thereafter is approximately $26.7 million. We expect to incur capital expenditures of approximately 10% to 11% of annual revenue for the remainder of 2019 and 2020 to further improve our manufacturing cost structure. Future capital expenditures may be impacted by events and transactions that are not currently forecasted.

Primary Cash Flow Sources

Our long-term cash generation is dependent on the ability of our operations to generate cash. Our cash flows from operating activities were $360.8 million and $495.0 million for the six months ended June 28, 2019 and June 29, 2018, respectively. The decrease of $134.2 million was primarily attributable to a reduction in net income as well as a change in working capital during the period. Our ability to maintain positive operating cash flows is dependent on, among other factors, our success in achieving our revenue goals and manufacturing and operating cost targets.

Our management of our assets and liabilities, including both working capital and long-term assets and liabilities, also influences our operating cash flows, and each of these components is discussed below.

Working Capital

Working capital, calculated as total current assets less total current liabilities, fluctuates depending on end-market demand and our effective management of certain items such as receivables, inventory and payables. In times of escalating demand, our working capital requirements may be affected as we purchase additional manufacturing materials and increase production. Our working capital may also be affected by restructuring programs, which may require us to use cash for severance payments, asset transfers and contract termination costs. In addition, our working capital may be affected by acquisitions and transactions involving our convertible notes and other debt instruments. Our working capital, excluding cash and cash equivalents and the current portion of long-term debt, was $1,017.9 million at June 28, 2019 and has fluctuated between $1,017.9 million and $743.4 million at the end of each of our last eight fiscal quarters. Our working capital, including cash and cash equivalents and the current portion of long-term debt, was $1,797.4 million at June 28, 2019 and has fluctuated between $1,797.4 million and $1,022.0 million at the end of each of our last eight fiscal quarters.

Although investments made to fund working capital will reduce our cash balances, these investments are necessary to support business and operating initiatives. During the six months ended June 28, 2019, our working capital was most significantly impacted by payments for variable compensation and capital expenditures.

Long-Term Assets and Liabilities

Our long-term assets consist primarily of property, plant and equipment, intangible assets, deferred taxes and goodwill.

Our manufacturing rationalization plans have included efforts to utilize our existing manufacturing assets and supply arrangements more efficiently. We believe that near-term access to additional manufacturing capacity, should it be required, could be readily

obtained on reasonable terms through manufacturing agreements with third parties. We will continue to look for opportunities to make strategic purchases in the future for additional capacity.

Our long-term liabilities, excluding long-term debt and deferred taxes, consist of liabilities under our foreign defined benefit pension plans and contingent tax reserves. In regard to our foreign defined benefit pension plans, our annual funding of these obligations is equal to the minimum amount legally required in each jurisdiction in which the plans operate. This annual amount is dependent upon numerous actuarial assumptions. For additional information, see Note 7: "Balance Sheet Information" and Note 14: "Income Taxes" in the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q.

Key Financing and Capital Events

Overview

For the past several years, we have undertaken various measures to secure liquidity to pursue acquisitions, repurchase shares of our common stock, reduce interest costs, amend existing key financing arrangements and, in some cases, extend a portion of our debt maturities to continue to provide us additional operating flexibility.

Cash Management

Our ability to manage cash is limited, as our primary cash inflows and outflows are dictated by the terms of our sales and supply agreements, contractual obligations, debt instruments and legal and regulatory requirements. While we have some flexibility with respect to the timing of capital equipment purchases, we must invest in capital equipment on a timely basis to allow us to maintain our manufacturing efficiency and support our platforms for new products.

Debt Guarantees and Related Covenants

As of June 28, 2019, we were in compliance with the indentures relating to our 1.00% Notes and 1.625% Notes and with covenants in the Amended Credit Agreement, including those relating to our Term Loan “B” Facility and Revolving Credit Facility, and covenants in our other debt agreements. Our 1.00% Notes and our 1.625% Notes are senior to the existing and future subordinated indebtedness of ON Semiconductor and its guarantor subsidiaries and rank equally in right of payment to all of our existing and future senior debt and as unsecured obligations are subordinated to all of our existing and future secured debt to the extent of the assets securing such debt. See Note 8: "Long-Term Debt" in the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q for additional information.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 3: "Recent Accounting Pronouncements" in the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q.

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, 2019, our long-term debt (including current maturities) totaled $3,805.8 million. We have no interest rate exposure to rate changes on our fixed rate debt, which totaled $2,292.6 million as of June 28, 2019. We do have interest rate exposure with respect to the $1,513.2 million balance of our variable interest rate debt outstanding as of June 28, 2019. A 50 basis point increase in interest rates, including the impact of interest rate swaps, would impact our expected annual interest expense for the next 12 months by approximately $7.6 million. However, some of this impact would be offset by additional interest earned on our cash and cash equivalents should rates on deposits and investments also increase. We entered into interest rate swaps to hedge some of the risk of variability in cash flows resulting from future interest payments on our variable interest rate debt under the Term Loan "B" Facility.

Except as described above, our exposure to market risk from December 31, 2018 to June 28, 2019 has not changed materially from the information provided in the 2018 Form 10-K.

To ensure the adequacy and effectiveness of our foreign exchange hedge positions, we continually monitor our foreign exchange forward positions, both on a stand-alone basis and in conjunction with their underlying foreign currency exposures, from an

accounting and economic perspective. However, given the inherent limitations of forecasting and the anticipatory nature of exposures intended to be hedged, we cannot provide any assurances that such programs will offset more than a portion of the adverse financial impact resulting from unfavorable movements in foreign exchange rates.

We are subject to risks associated with transactions that are denominated in currencies other than our functional currencies, as well as the effects of translating amounts denominated in a foreign currency to the U.S. Dollar as a normal part of the reporting process. Some of our Japanese operations utilize Japanese Yen as the functional currency, which results in a translation adjustment that is included as a component of accumulated other comprehensive income.

We enter into forward foreign currency contracts that economically hedge the gains and losses generated by the re-measurement of certain recorded assets and liabilities in a non-functional currency. Changes in the fair value of these undesignated hedges are recognized in other income and expense immediately as an offset to the changes in the fair value of the assets or liabilities being hedged. The notional amount of foreign exchange contracts at June 28, 2019 and December 31, 2018 was $205.2 million and $157.3 million, respectively. Our policies prohibit speculation on financial instruments, trading in currencies for which there are no underlying exposures or entering into trades for any currency to intentionally increase the underlying exposure.

Substantially all of our revenue is transacted in U.S. Dollars. However, a significant amount of our operating expenditures and capital purchases are transacted in local currencies, including Japanese Yen, Euros, Korean Won, Malaysian Ringgit, Philippines Peso, Singapore Dollars, Swiss Francs, Chinese Renminbi and Czech Koruna. Due to the materiality of our transactions in these local currencies, our results are impacted by changes in currency exchange rates measured against the U.S. Dollar. For example, we determined that based on a hypothetical weighted-average change of 10% in currency exchange rates, our results would have impacted our income before taxes by approximately $49.9 million as of June 28, 2019, assuming no offsetting hedge positions or correlated activities.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

We also carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the fiscal quarter ended June 28, 2019.

On June 19, 2019, we acquired Quantenna, which operated under its own set of systems and internal controls. We are separately maintaining Quantenna's systems and much of its control environment until we are able to incorporate Quantenna's processes into our own systems and control environment. We currently expect to complete the integration of Quantenna's operations into our systems and control environment by the fourth quarter of 2019.

Other than as described above, there have been no changes to our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended June 28, 2019 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

See Note 11: "Commitments and Contingencies" under the heading "Legal Matters" in the notes to the consolidated unaudited financial statements included elsewhere in this Form 10-Q for a discussion of our legal proceedings and related matters. See also Part I, Item 1 "Business - Government Regulation" of the 2018 Form 10-K for information on certain environmental matters.

Item 1A. Risk Factors

Our business, financial condition and results of operations are subject to a number of trends, risks and uncertainties. We review and, where applicable, update our risk factors each quarter. There have been no material changes from the risk factors disclosed in Part I, Item 1A of the 2018 Form 10-K.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes “forward-looking statements,” as that term is defined in Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements, other than statements of historical facts, included or incorporated in this Form 10-Q could be deemed forward-looking statements, particularly statements about our plans, strategies and prospects under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” 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 our current expectations, forecasts, estimates and assumptions and involve risks, uncertainties and other factors that could cause results or events to differ materially from those expressed in the forward-looking statements. Among these factors are our revenue and operating performance; economic conditions and markets (including current financial conditions); risks related to our ability to meet our assumptions regarding outlook for revenue and gross margin as a percentage of revenue; effects of exchange rate fluctuations; the cyclical nature of the semiconductor industry; changes in demand for our products; changes in inventories at our customers and distributors; technological and product development risks; enforcement and protection of our IP rights and related risks; risks related to the security of our information systems and secured network; availability of raw materials, electricity, gas, water and other supply chain uncertainties; our ability to effectively shift production to other facilities when required in order to maintain supply continuity for our customers; variable demand and the aggressive pricing environment for semiconductor products; our ability to successfully manufacture in increasing volumes on a cost-effective basis and with acceptable quality for our current products; risks associated with our acquisitions and dispositions generally, including our ability to realize the anticipated benefits of our acquisitions and dispositions, including our acquisition of Quantenna; risks that acquisitions or dispositions may disrupt our current plans and operations, the risk of unexpected costs, charges or expenses resulting from acquisitions or dispositions and difficulties arising from integrating and consolidating acquired businesses, our timely filing of financial information with the SEC for acquired businesses and our ability to accurately predict the future financial performance of acquired businesses; competitor actions, including the adverse impact of competitor product announcements; pricing and gross profit pressures; risks associated with the addition of Huawei Technologies Co., Ltd. and its non-U.S. affiliates and subsidiaries to the U.S. Department of Commerce, Bureau of Industry Security Entity list; loss of key customers; risks associated with restructuring actions and workforce reductions; order cancellations or reduced bookings; changes in manufacturing yields; control of costs and expenses and realization of cost savings and synergies from restructurings; the costs to defend against or pursue litigation and the potential significant costs associated with adverse litigation outcomes; risks associated with decisions to expend cash reserves for various uses in accordance with our capital allocation policy such as debt prepayment, stock repurchases or acquisitions rather than to retain such cash for future needs; risks associated with our substantial leverage and restrictive covenants in our debt agreements that may be in place from time to time; risks associated with our worldwide operations, including changes in trade policies, foreign employment and labor matters associated with unions and collective bargaining arrangements, as well as man-made and/or natural disasters affecting our operations or financial results; the threat or occurrence of international armed conflict and terrorist activities both in the United States and internationally; risks of changes in U.S. or international tax rates or legislation; risks and costs associated with increased and new regulation of corporate governance and disclosure standards; risks related to new legal requirements; and risks and expenses involving environmental or other governmental regulation. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information, except as may be required by law. Additional factors that could affect our future results or events are described under Part II, Item 1A “Risk Factors” in this Form 10-Q, 2018 Form 10-K and from time to time in our other SEC reports. You should carefully consider the trends, risks and uncertainties described in this Form 10-Q, Part I, Item 1A “Risk Factors” in the 2018 Form 10-K and subsequent reports filed with or furnished to the SEC before making any investment decision with respect to our securities. If any of these trends, risks or uncertainties actually occurs or continues, our business, financial condition or operating results could be materially adversely affected, the trading prices of our securities could decline and you could lose all or part of your i

nvestment. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information regarding repurchases of our common stock during the quarter ended June 28, 2019:

Period [1]	Total Number of Shares Purchased [2]	Average Price Paid per Share ($) [3]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar value of Shares that May Yet be Purchased Under the Plans or Programs (in millions) ($)
March 30, 2019 - April 26, 2019	24,737	22.07	—	1,424.3
April 27, 2019 - May 24, 2019	239,467	18.00	227,486	1,420.2
May 25, 2019 - June 28, 2019	2,374,406	19.48	2,360,404	1,374.3
Total	2,638,610	19.37	2,587,890	

(1) These time periods represent our fiscal month start and end dates for the second quarter of 2019.
(2) The number of shares purchased represents shares of common stock held by employees who tendered owned shares of common stock to the Company to satisfy the employee withholding taxes due upon the vesting of RSUs and shares purchased under the Share Repurchase Program.
(3) The price per share is based on the fair market value at the time of tender or repurchase, respectively.

Share Repurchase Program

During the quarter ended June 28, 2019, we repurchased 2.6 million shares of our common stock for $50.0 million under the Share Repurchase Program.

Under the Share Repurchase Program, we may repurchase up to $1.5 billion (exclusive of fees, commissions and other expenses) of our common stock over a period of four years from December 1, 2018, subject to certain contingencies. We may repurchase our common stock from time to time in privately negotiated transactions or open market transactions, including pursuant to a trading plan in accordance with Rule 10b5-1 and Rule 10b-18 of the Exchange Act, or by any combination of such methods or other methods. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including our stock price, corporate and regulatory requirements, restrictions under our debt obligations, the availability of capital and other market and economic conditions. The Share Repurchase Program does not require us to purchase any particular amount of common stock and is subject to a variety of factors including the discretion of our board of directors. As of June 28, 2019, the authorized amount remaining under the Share Repurchase Program was $1,374.3 million.

See Note 9: "Earnings Per Share and Equity" of the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q for further information on shares of common stock tendered to the Company by employees to satisfy applicable employee withholding taxes due upon vesting of RSUs and the Share Repurchase Program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Exhibit Description*
10.1	Asset Purchase Agreement, dated April 22, 2019, by and among Semiconductor Components Industries, LLC, a Delaware limited liability company and a wholly owned subsidiary of ON Semiconductor Corporation, GLOBALFOUNDRIES U.S. Inc., a Delaware corporation, and GLOBALFOUNDRIES Inc., an exempted company incorporated under the laws of the Cayman Islands(1) †
10.2	Fifth Amendment to Credit Agreement, dated as of June 12, 2019, by and among ON Semiconductor, as borrower, the subsidiary guarantors party thereto, Deutsche Bank AG New York Branch, as administrative agent, collateral agent and issuing lender, the 2019 Incremental Revolving Lenders and the New Required Lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 17, 2019)
31.1	Certification by CEO pursuant to Rule 13(a)-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002(1)
31.2	Certification by CFO pursuant to Rule 13(a)-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002(1)
32	Certification by CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(2)
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.(1)
101.SCH	XBRL Taxonomy Extension Schema Document(1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document(1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document(1)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document(1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document(1)

* Reports filed under the Exchange Act (Form 10-K, Form 10-Q and Form 8-K) are filed under File No. 000-30419.

† ON Semiconductor has omitted certain schedules and exhibits pursuant to Item 601(b)(2) of Regulation S-K and, upon request by the SEC, agrees to furnish supplementally to the SEC a copy of any omitted schedule or exhibit.

(1) Filed herewith.

(2) Furnished herewith.

SIGNATURES

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

ON SEMICONDUCTOR CORPORATION
(Registrant)

Date: August 5, 2019

By: /s/ BERNARD GUTMANN

Bernard Gutmann

Executive Vice President, Chief Financial Officer & Treasurer (Principal Financial Officer and officer duly authorized to sign this report)

By: /s/ BERNARD R. COLPITTS JR.

Bernard R. Colpitts Jr.

Chief Accounting Officer (Principal Accounting Officer and officer duly authorized to sign this report)

Exhibit 10.1

ASSET PURCHASE AGREEMENT

dated as of April 22, 2019

by among

GLOBALFOUNDRIES U.S. INC.,

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC

and, solely for the purposes of Section 6.07 and Article XII,

GLOBALFOUNDRIES INC.

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EXHIBITS

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Exhibit B – Accounts

Exhibit C – Form of Memorandum

Exhibit D – Form of Bill of Sale and Assignment and Assumption Agreement

Exhibit E – Seller Marks

Exhibit F – NYS Incentives

Exhibit G – Permitted Exceptions

This ASSET PURCHASE AGREEMENT, dated as of April 22, 2019 (this "Agreement"), is made by and among GLOBALFOUNDRIES U.S. Inc., a Delaware corporation ("Seller"), Semiconductor Components Industries, LLC, a Delaware limited liability company ("Buyer") and, solely for the purposes of Section 6.07 and Article XII of this Agreement, GLOBALFOUNDRIES Inc., an exempted company incorporated under the laws of the Cayman Islands ("Seller Insurance Affiliate").

RECITALS

WHEREAS, Seller and certain of its Subsidiaries (collectively, the "Seller Parties") own the Transferred Assets (as defined herein) and are subject to the Assumed Liabilities (as defined herein);

WHEREAS, Seller wishes to sell, transfer and assign (or cause each of the other applicable Seller Parties to sell, transfer and assign) to Buyer, and Buyer wishes to purchase, acquire and assume, the Transferred Assets and the Assumed Liabilities, at the Closing (as defined herein), upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, from the date hereof until the Closing Date, Seller will operate the EFK Facility and the other Transferred Assets in a manner consistent with performance of Seller's or its Affiliates' obligations pursuant to this Agreement, the Foundry Transition Services Agreement and the Technology Transfer and Development Agreement, in the case of the Foundry Transition Services Agreement and the Technology Transfer and Development Agreement, by and between GLOBALFOUNDRIES U.S. 2 LLC and Buyer, dated as of the date hereof; and

WHEREAS, Seller will provide to Buyer licenses to certain Intellectual Property and Technology, all in accordance with and upon the terms and subject to the conditions set forth in that certain Technology License Agreement by and between Seller and Buyer, dated as of the date hereof.

NOW, THEREFORE, in consideration of the foregoing and the premises and mutual covenants, representations, warranties and agreements hereinafter set forth and intending to be legally bound, the parties to this Agreement agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms. Capitalized terms used in this Agreement shall have the meanings specified in Exhibit A to, or elsewhere in, this Agreement.

ARTICLE II

PURCHASE AND SALE

Section 2.01. Transferred Assets. On the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller shall (or shall cause each of the other applicable Seller

Parties to) sell, convey, assign, transfer and deliver, as legal and beneficial owner, to Buyer (or any Affiliate(s) of Buyer to be designated by Buyer in writing to Seller no later than ten (10) Business Days prior to the Closing Date), and Buyer (or such Affiliate(s)) shall purchase, acquire and accept from each such Seller Party, free and clear of all Liens (other than any Permitted Exceptions), all of the Seller Parties' right, title and interest in and to those assets described in the following clauses (a) through (k) (collectively, the "Transferred Assets"):

(a) the facility complex located at the Owned Property (the "EFK Facility");

(b) (i) all Tools and (ii) any related spare parts, consumables and raw materials (including substrates, gases and chemicals) that are used or held for use or employed for use with such Tools (the "Related Materials"), in each case, other than the tools listed on Section 2.01(b)(ii) of the Seller Disclosure Letter (the "Excluded Tools");

(c) all Inventory (other than Excluded WIP);

(d) the Transferred Contracts (but excluding the Designated Agreement, subject to Section 2.03(f));

(e) all Furniture and Equipment;

(f) all (i) Documents (A) exclusively relating to the EFK Facility, Transferred IT Systems and Transferred Contracts and (B) primarily relating to the Owned Properties, Well Fields Properties, and Tool Data, and (ii) other files, books of account, general, financial and tax records (including non-income Tax Returns exclusively related to the Transferred Assets, but excluding income Tax Returns of Seller or any of its Affiliates), supplier lists, records, literature and correspondence that are (A) exclusively related to the operation and ownership of the Transferred Assets, whether or not physically located on the EFK Facility and (B) to the extent not otherwise covered by clause (ii)(A), primarily related to the Owned Properties, Well Fields Properties and Tool Data, but in any case of clauses (i) and (ii) hereof, not including any Documents exclusively related to any of the Seller Parties' commercial business dealings conducted from the EFK Facility; provided that, except as set forth in the Employee Matters Agreement, such Documents shall not include any personnel files or employment records;

(g) all Seller Permits, including all Environmental Permits which are required for or utilized in connection with the ownership and operation of the Transferred Assets, to the extent transferable, other than those listed on Section 2.01(g) of the Seller Disclosure Letter, and all rights and incidents of interest therein;

(h) except for any proceeds or rights that are the subject matter of Section 6.07, all third party property and casualty insurance proceeds and all rights to third party property and casualty insurance proceeds, in each case to the extent received by any of the Seller Parties after the date hereof, whether received before, on or after the Closing Date, in respect of any of the Transferred Assets but only to the extent such proceeds were not utilized to repair and restore the Transferred Asset(s) with respect to which such insurance proceeds were received;

(i) the hardware for computer systems, servers, network equipment and other computer hardware located or used at the Owned Properties or the Well Fields Properties,

including those listed on Section 2.01(i) of the Seller Disclosure Letter, and the laptops, engineering workstations and tool controller laptops exclusively used or held for use by the Transferred Employees in connection with the Transferred Assets (collectively, the "Transferred IT Systems");

(j) the Owned Properties; and

(k) the Well Fields Properties.

It is acknowledged by Buyer that, subject to Section 2.03(d), the assets constituting the Transferred Assets under clauses (c), (d), (e), (f), (g) and (i) of this Section 2.01 as of the Closing Date may be different (including in quantities) from the assets that would constitute the Transferred Assets under such clauses as of the date of this Agreement; provided that such difference is solely attributed to Seller managing such assets in the ordinary course of business in accordance with this Agreement (including in compliance with Section 5.01) and the Ancillary Agreements.

Section 2.02. Excluded Assets. Subject to Section 2.03 and except as provided in the Ancillary Agreements, nothing herein shall be deemed to sell, transfer, assign, convey and deliver the Excluded Assets to Buyer, and each Seller Party shall retain all of such Seller Party's right, title and interest in, to and under the Excluded Assets. "Excluded Assets" means all assets, properties, interests and rights of the Seller Parties other than the Transferred Assets, including each of the following assets:

(a) all Excluded Tools and associated spare parts and consumables;

(b) all raw materials (such as raw Wafers), including substrates, gases and chemicals, in each case not related to the Transferred Assets;

(c) all Excluded WIP;

(d) all finished goods inventory;

(e) all customer Contracts;

(f) all semiconductor product masks (other than any semiconductor masks included in Inventory);

(g) all Intellectual Property and Technology (subject to the rights and obligations of the Seller Parties pursuant to the applicable Ancillary Agreements);

(h) all files (including income Tax Returns of Seller or any of its Affiliates), documents, papers, books, reports, records, tapes, microfilms, photographs, letters, budgets, forecasts, ledgers, journals, lists of past or present customers, supplier lists, regulatory filings, operating data and plans, technical documentation (including design specifications, functional requirements, operating instructions, logic manuals and flow charts), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), marketing documentation (sales brochures, flyers, pamphlets, web pages, etc.), and other similar materials as are in the possession of the Seller Parties, other than the Documents;

(i) all legal memoranda, work papers and other written materials, in each case prepared in connection with the preparation or negotiation of this Agreement and the Ancillary Agreements, to the extent summarizing or disclosing Seller's positions or strategy with respect to such negotiations, except as otherwise provided in this Agreement;

(j) any equity interest in any Person;

(k) except as otherwise specifically provided in the Employee Matters Agreement or Section 2.01, all of the assets of the Seller Plans;

(l) except as otherwise specifically provided in the Employee Matters Agreement, all rights of any of the Seller Parties under non-compete, non-disclosure or confidentiality or non-solicitation agreements with Business Employees who become employees of Buyer (or an Affiliate of Buyer);

(m) all refunds, claims for refunds or rights to receive refunds of or credits for any Taxes that relate to any of the Transferred Assets for taxable periods (or portions thereof) ending on or before the Closing Date, in each case whether or not due and payable on or before the Closing Date and whether or not any refund claims have been filed on or prior to the Closing Date; and

(n) all rights of any Seller Party under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent relating to products sold to or services provided to a Seller Party in connection with the operations of the EFK Facility prior to the Closing.

Section 2.03. Additional Assets; Modifications to Transferred Assets. The parties hereto agree as follows:

(a) If Buyer determines, prior to the Closing, that it desires to acquire certain Excluded Tools, Buyer shall provide written notice to Seller at least six (6) months prior to the Closing setting forth an itemized list of each Excluded Tool that Buyer wishes to purchase at the Closing and Buyer's determination of fair market value for each such Tool (such notice, the "Additional Asset Notice").

(b) Prior to the Closing, Seller shall, in its sole discretion, determine the Excluded Tools set forth on the Additional Asset Notice that may be acquired by Buyer at the Closing and the parties will negotiate in good faith the fair market value for each such Excluded Tool; provided that Seller shall have no obligation to sell, and Buyer shall have no obligation to acquire, any such Excluded Tool until such time as the fair market value is mutually agreed, and any such Excluded Tools for which the parties reach agreement as to fair market value prior to the Closing (the "Additional Assets") shall irrevocably become Transferred Assets, and the Purchase Price shall be increased by the fair market value of the Additional Assets (the aggregate amount of such fair market value, the "Additional Amount").

(c) In addition, Seller may, in its sole discretion, determine any Excluded Tools that Buyer may elect to acquire prior to Closing to be designated as Consigned Tools (as such term is defined in the FTSA Attachment No. 1), and the parties will negotiate in good faith the fair market value for each such Tool; provided that Seller shall have no obligation to sell, and Buyer shall have no obligation to acquire, any such Excluded Tool until such time as the fair market value is mutually agreed, and any such Excluded Tool for which the parties reach agreement as to fair market value and is acquired by Buyer prior to the Closing will be designated as Consigned Tools in accordance with the FTSA Attachment No. 1.

(d) In addition to the foregoing, (i) from time to time upon a written request from Buyer (but in no event more often than once every fiscal year) and (ii) in addition, upon a written request from Buyer delivered no earlier than six (6) months prior to the then-anticipated Closing Date, Seller shall provide to Buyer (A) a schedule setting forth in reasonable detail (1) the Transferred Assets described in clauses (b), (d), (e), (g) and (i) of Section 2.01 and (2) any changes thereto from the date hereof, and the Steering Committee shall discuss and determine in good faith any appropriate modifications to Section 2.01 (including to any Sections of the Seller Disclosure Letter referenced therein or in the associated definitions in Exhibit A to this Agreement), at no further consideration, consistent with the understanding of the parties on the date of this Agreement, and (B) an updated Seller Disclosure Letter reflecting the modifications agreed to by the Steering Committee pursuant to clause (A) hereof, for informational purposes only (it being acknowledged and agreed that any updates to the Seller Disclosure Letter made following the date hereof shall be disregarded for all purposes of this Agreement other than to modify the definition of Transferred Assets in accordance with this Section 2.03(d)).

(e) Upon a written request from Buyer to Seller prior to the Closing, Seller agrees to provide to Buyer transition services on customary terms, for a period not to exceed twelve (12) months following the Closing, as may be reasonably necessary for Buyer’s ownership and operation of the Transferred Assets (including in connection with any of the Seller Parties’ rights in, to or under Closing Third Party IP and Technology that cannot be transferred to Buyer on or prior to the Closing), with the appropriate scope of such transition services to be discussed and determined in good faith by the Steering Committee. Upon a written request from Seller to Buyer prior to the Closing, Buyer agrees to provide to Seller transition services on customary terms, for a period not to exceed twelve (12) months following the Closing, as may be reasonably necessary for Seller’s transfer of ownership and operation of the Transferred Assets, with the appropriate scope of such transition services to be discussed and determined in good faith by the Steering Committee; provided, that this Section 2.03(e) shall be in addition to any services provided under the Foundry Transition Services Agreement and nothing in this sentence shall alter the terms therein.

(f) Any amendment to or renewal of, or entry into a replacement Contract for, the Designated Agreement shall be discussed and determined in good faith by the Steering Committee, and none of the Seller Parties shall agree to any such amendment, renewal or entry without the approval of the Steering Committee. The Steering Committee may determine that the Designated Agreement as amended or renewed, or a replacement Contract entered into, pursuant to the foregoing sentence shall be a Transferred Contract.

Section 2.04. Assumption of Liabilities. On the terms and subject to the conditions set forth in this Agreement, at the Closing, Buyer shall assume, effective as of the Closing, only the following liabilities of the Seller Parties, whether accrued or unaccrued, fixed, known or unknown, absolute or contingent, matured or unmatured or determined or determinable as of the Closing Date (collectively, the "Assumed Liabilities"):

(a) all Liabilities of the Seller Parties under Transferred Contracts from and after the Closing (or, if later, the date on which such applicable Transferred Contracts are transferred to Buyer under this Agreement), to the extent such Liabilities do not arise from or relate to any breach or default by any Seller Party or any of its Affiliates of or under such Transferred Contracts (or any event, circumstance or condition occurring or existing prior to such date that, with notice or lapse of time, would constitute or result in a breach or default of or under such Transferred Contracts);

(b) all Liabilities for Taxes relating to the Transferred Assets for all taxable periods (or portions thereof) beginning after the Closing Date, for the avoidance of doubt, including Buyer's portion of Transfer Taxes as described in Section 8.02, and excluding any Excluded Liabilities described in Section 2.05;

(c) all Liabilities expressly assumed by Buyer pursuant to the Employee Matters Agreement;

(d) all Liabilities related to or arising from Buyer Decommissioning and Wind Down Activities or Tool Decommissioning (other than with respect to Excluded Tools that are not Consigned Tools or Additional Assets);

(e) all Liabilities related to the retention payments due to any Transferred Employee under the "Project Pinehurst Retention & Transition Incentive Program" with respect to employment following the Closing Date in an aggregate amount not to exceed $2,900,000; and

(f) all Liabilities arising from the ownership and operation of the Transferred Assets and Consigned Tools after the Closing (or, if later, the date on which the applicable Transferred Assets are transferred to Buyer under this Agreement).

Section 2.05. Excluded Liabilities. Buyer will not assume or be liable for any Excluded Liabilities. "Excluded Liabilities" shall mean all Liabilities of any of the Seller Parties of any nature whatsoever other than the Assumed Liabilities, including the following Liabilities:

(a) all Liabilities relating to or arising under any Excluded Asset (other than Excluded Assets that have become Transferred Assets in accordance with Section 2.03 and other than as otherwise provided in any Transaction Agreement);

(b) all Liabilities relating to the ownership or operation of the Transferred Assets before the Closing (or, if later, the date on which the applicable Transferred Assets are transferred to Buyer under this Agreement), including all Liabilities arising out of (i) goods sold or services rendered by or to the Seller Parties prior to the Closing (including goods sold or services rendered to Buyer or its Affiliates); (ii) any repair or other costs that are the basis for clause (b) of the definition of "Permitted Exceptions"; or (iii) any breach or default by any of the Seller Parties of or under any Transferred Contract prior to the date on which such Transferred Contract is transferred to Buyer under this Agreement;

(c) all Environmental Liabilities to the extent arising out of, attributable to or otherwise related to (i) the Release of Hazardous Materials at, on, under or from any Owned Properties or Well Fields Properties (including the continued migration thereof) or in connection with the ownership or operation of the Transferred Assets or the Owned Properties or Well Fields Properties prior to the Closing, which includes Releases that are the subject of Remedial Action, (ii) any noncompliance with Environmental Law by any Seller Party or Blue in connection with the ownership or operation of the Transferred Assets or the Owned Properties or Well Fields Properties prior to the Closing, or (iii) the offsite transportation storage, disposal, treatment or recycling of Hazardous Material generated by any Seller Party and taken offsite in connection with the ownership or operation of the Transferred Assets or the Owned Properties or Well Fields Properties on or prior to the Closing; provided, however, that in no case shall any such Environmental Liabilities include any Liabilities arising out of or attributable to Buyer Decommissioning and Wind Down Activities or Tool Decommissioning.

(d) any Liabilities arising out of any legal proceedings alleging personal injury due to exposure to any Release of Hazardous Materials by any Seller Party or Blue at, under or from any Owned Property or Well Fields Property (or at other real property that, as of the Closing, is or was formerly owned, operated leased or otherwise used by any Seller Party or Blue);

(e) all Liabilities expressly retained by the Seller Parties pursuant to the Employee Matters Agreement;

(f) any Liability for (i) any Taxes of the Seller Parties relating to the Transferred Assets for any Pre-Closing Tax Period, (ii) Taxes allocable to Seller pursuant to Article VIII or (iii) Taxes relating to the Excluded Assets for any Tax period (other than Excluded Assets that have become Transferred Assets in accordance with Section 2.03), for the avoidance of doubt, including Seller’s portion of Transfer Taxes as described in Section 8.02, and excluding any Assumed Liabilities described in Section 2.04; and

(g) (i) all Liabilities of the Seller Parties under Transferred Contracts (including any leases for personal or real property) due to be paid or performed prior to the Closing (or, if later, the date on which such applicable Transferred Contracts are transferred to Buyer under this Agreement) and (ii) all Liabilities of the Seller Parties or Buyer under Transferred Contracts (including any leases for personal or real property) from and after the Closing (or, if later, the date on which such applicable Transferred Contracts are transferred to Buyer under this Agreement), in the case of clause (ii), solely to the extent such Liabilities arise from or relate to any breach or default by any Seller Party or any of its Affiliates of or under such Transferred Contracts (or any event, circumstance or condition occurring or existing prior to such date that, with notice or lapse of time, would constitute or result in a breach or default of or under such Transferred Contracts).

Section 2.06. Assignment of Certain Assets.

(a) Notwithstanding any other provision of this Agreement to the contrary, this Agreement shall not constitute an agreement to sell, convey, assign, transfer or deliver to Buyer any Transferred Asset or any claim or right or any benefit arising thereunder or resulting therefrom if an attempted sale, conveyance, assignment, transfer or delivery thereof, or an agreement to do any of the foregoing, without the consent, authorization or approval of a third party (including any Governmental Authority), would constitute a breach or other contravention thereof or a violation of Law. Seller shall use its commercially reasonable efforts to obtain any such consent, authorization or approval as promptly as practicable after the date hereof, and Seller shall, and shall cause each of its applicable Affiliates to, use its commercially reasonable efforts to obtain any such consent, authorization or approval necessary for the sale, conveyance, assignment, transfer or delivery of any such Transferred Asset, claim, right or benefit to Buyer. Buyer shall use its commercially reasonable efforts to obtain any such consent, authorization or approval as promptly as practicable after the date hereof and Buyer shall, and shall cause each of its applicable Affiliates to, use its commercially reasonable efforts to cooperate with Seller and its Affiliates to obtain any such consent, authorization or approval necessary for the sale, conveyance, assignment, transfer or delivery of any such Transferred Asset, claim, right or benefit to Buyer. If, on the Closing Date, any such consent, authorization or approval is not obtained, or if an attempted sale, conveyance, assignment, transfer or delivery thereof would constitute a breach or other contravention or a violation of Law, Seller will (and will cause the other applicable Seller Parties to): (i) continue to cooperate with Buyer and use commercially reasonable efforts to obtain such consent, authorization or approval; and (ii) implement a mutually acceptable arrangement under which Buyer would, in compliance with Law, obtain the benefits of, and assume the obligations and bear the economic burdens (which, for the avoidance of doubt, will be in addition to the Assumed Liabilities) associated with, such Transferred Asset, claim, right or benefit in accordance with this Agreement, including subcontracting, sublicensing or subleasing to Buyer, or under which Seller would (or would cause the other applicable Selling Parties to) (A) enforce for the benefit (and at the expense) of Buyer any and all of its or their rights against a third party associated with such Transferred Asset, claim, right or benefit, and (B) promptly pay to Buyer, when received, all monies received by it or them under any such Transferred Asset, claim, right or benefit (net of any expenses incurred by it or them in connection with any arrangement contemplated by this Section 2.06(a)), and Buyer would assume the obligations and bear the economic burdens associated therewith (which, for the avoidance of doubt, will be in addition to the Assumed Liabilities). Buyer shall promptly provide to any of the applicable Selling Parties whatever is required for such Selling Parties to meet their respective obligations on a timely basis in relation to any such Transferred Asset, claim, right or benefit.

(b) Buyer agrees and acknowledges that the Contracts that are not exclusively related to the ownership or operation of the Transferred Assets (the "Shared Contracts") shall not constitute Transferred Contracts and shall not be transferred by the applicable Seller Parties to Buyer. Seller shall, and shall cause the Seller Parties to, use their respective commercially reasonable efforts to (i) transfer to Buyer any transferable interest in such Shared Contract to the extent related to the ownership and operation of the Transferred Assets (a "Transferred Contract Interest") or (ii) obtain the agreement of the other party or parties to any such Shared Contract to enter into a separate agreement with Buyer with respect to such Transferred Contract Interest on

substantially the same terms and conditions as contained in the Shared Contract, and Buyer shall use its commercially reasonable efforts to cooperate with Seller in obtaining such transfer or such agreement of such other party or parties. If, on the Closing Date, such transfer of such Transferred Contract Interest or such separate agreement between Buyer and the other party or parties to such Shared Contract is not obtained, Seller will (and will cause the other applicable Seller Parties to) (A) continue cooperate with Buyer and use commercially reasonable efforts to obtain such transfer or separate agreement and (B) implement a mutually acceptable arrangement under which Buyer would, in compliance with Law, obtain the benefits of, and assume the obligations and bear the economic burdens (which, for the avoidance of doubt, will be in addition to the Assumed Liabilities) associated with, such Transferred Contract Interest and any claim or right or any benefit arising thereunder or resulting therefrom in accordance with this Agreement, including subcontracting, sublicensing or subleasing to Buyer, or under which Seller would (or would cause the other applicable Selling Parties to) (1) enforce for the benefit (and at the expense) of Buyer any and all of its or their rights against a third party associated with such Transferred Contract Interest, claim, right or benefit, and (2) promptly pay to Buyer, when received, all monies received by it or them under any such Transferred Contract Interest, claim, right or benefit (net of any expenses incurred by it or them in connection with any arrangement contemplated by this Section 2.06), and Buyer would assume the obligations and bear the economic burdens associated therewith (which, for the avoidance of doubt, will be in addition to the Assumed Liabilities). Buyer shall promptly provide to any of the applicable Selling Parties whatever is required for such Selling Parties to meet their respective obligations on a timely basis in relation to any such Transferred Contract Interest, claim, right or benefit.

(c) The obligations of Seller under this Section 2.06 shall terminate upon the earlier of (i) (A) in the case of Section 2.06(a), the receipt of the requisite consent, authorization or approval (in which event the applicable Transferred Asset shall be sold, conveyed, assigned, transferred or delivered to Buyer) or (B) in the case of Section 2.06(b), the transfer of the applicable Transferred Contract Interest or entry into a separate agreement with respect to such Transferred Contract Interest, as the case may be, and (ii) one hundred and eighty (180) days after the Closing Date.

Section 2.07. Closing. The closing of the Transactions (the "Closing") shall take place at 10:00 a.m. New York City time at the offices of Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, or such other place as Seller and Buyer may agree in writing, on (a) the earlier of (i) December 31, 2022, if (A) by no later than October 1, 2022, any "Big 4" accounting firm mutually agreed between Buyer and Seller has submitted to Buyer a signed and completed valuation report, consistent with US GAAP and valuation principles in effect at that time and inclusive of the agreed Transferred Assets at such time (the "October 1, 2022 Valuation Report") and (B) the conditions set forth in Section 9.01, Section 9.02, and Section 9.03 have been satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing but subject to the satisfaction or waiver of those conditions at such time) on or prior to December 31, 2022, and (ii) January 2, 2023, if the conditions set forth in Section 9.01, Section 9.02, and Section 9.03 have been satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing but subject to the satisfaction or waiver of those conditions at such time) on or prior to such date, or (b) such later date that is two (2) Business Days after the conditions set forth in Section 9.01, Section 9.02, and Section 9.03 have been satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing but subject to the satisfaction or waiver of those conditions at such time) (the date on which the Closing takes place being the "Closing Date").

Section 2.08. Purchase Price. The aggregate cash purchase price (the "Purchase Price") payable by Buyer for the Transferred Assets shall be an amount in cash equal to $400,000,000, plus (a) the Additional Amount, if any, and minus (b) the License Fee Supplement (as defined in the Technology License Agreement), if any, determined in accordance with Section 5.1(b) of the Technology License Agreement, payable by Buyer to Seller as follows:

(a) on the date hereof, as a deposit on the Purchase Price, $70,000,000 (the "Deposit Amount") by wire transfer of immediately available funds to the account set forth on Exhibit B hereto (provided that, if a License Fee Supplement is determined in accordance with Section 5.1(b) of the Technology License Agreement, then the Deposit Amount shall be deemed reduced by the amount of such License Fee Supplement and such reduction in the Deposit Amount shall be applied to such License Fee Supplement); and

(b) (i) if the Closing Date is on or before January 2, 2023, on January 2, 2023 (or such other date as agreed between the parties), and (ii) otherwise, on the Closing Date, $330,000,000 plus the Additional Amount, if any, by wire transfer of immediately available funds to the account set forth on Exhibit B hereto, or to such other account Seller has designated in writing to Buyer at least three (3) Business Days prior to the Closing.

Section 2.09. Closing Deliveries by Seller. At the Closing, Seller shall deliver or cause to be delivered to Buyer:

(a) a duly executed counterpart to each of the Employee Matters Agreement, the Seller Lease and the Bill of Sale and Assignment and Assumption Agreement;

(b) tax documentation for real estate transfer taxes as applicable within the jurisdictions in which the Owned Properties and Well Fields Properties are located;

(c) a certificate, dated as of the Closing Date, that satisfies the requirements set forth in Treasury Regulations Section 1.1445-2, attesting that Seller is not a "foreign person" for U.S. federal income tax purposes;

(d) a valid IRS Form W-9 completed by Seller;

(e) all instruments and documents necessary or as may be reasonably requested by Buyer to (i) to evidence the payoff of any indebtedness necessary to permit the sale, conveyance, assignment, transfer and delivery of the Transferred Assets to Buyer free and clear of all Liens (other than Permitted Exceptions) or (ii) release any and all Liens on the Transferred Assets, other than Permitted Exceptions, including any appropriate UCC financing statement amendments and/or terminations, in each case in form and substance reasonably satisfactory to Buyer;

(f) special warranty deeds (or equivalent) in customary form for each of the Owned Properties and Well Fields Properties and, prior to the Closing at such time as required by the Title Company, the documents required to be provided by the Seller Parties pursuant to Section 2.13(b);

(g) a true and complete list and copies of all of the Transferred Contracts in effect as of the Closing Date;

(h) a certificate of a duly authorized officer of Seller certifying as to the matters set forth in Section 9.03(a);

(i) (i) a true and complete list of all Intellectual Property and Technology, in each case other than Patents, (A) that is owned by a Person (other than any of the Seller Parties or Buyer Parties) under or with respect to which any Seller Party has been granted a license under any Contract that is not included in the Transferred Assets, (B) that is used by any of the Seller Parties in the operation of the EFK Facility as of the Closing Date, and (C) for which any of the Seller Parties is required to or obligated to make payments by way of royalties, fees or otherwise in excess of an aggregate amount of $100,000 on an annual basis to any such Person or any other Person solely with respect to such Intellectual Property and Technology as of the date immediately prior to the Closing Date and (ii) copies of such Contracts described in the foregoing clause (A) that the Seller Parties are not restricted from providing; and

(j) a true and complete list of all Transferred Contracts pursuant to which any of the Seller Parties is required to or obligated to make payments by way of royalties, fees or otherwise in excess of an aggregate amount of $100,000 on an annual basis to any owner or licensor of, or any other Person solely with respect to, any Transferred Third Party Licensed IP and Technology as of the date immediately prior to the Closing Date.

Section 2.10. Closing Deliveries by Buyer. At the Closing, Buyer shall deliver or cause to be delivered to Seller:

(a) the Purchase Price;

(b) a duly executed counterpart of each of the Employee Matters Agreement, the Seller Lease and the Bill of Sale and Assignment and Assumption Agreement; and

(c) a certificate of a duly authorized officer of Buyer certifying as to the matters set forth in Section 9.02(a).

Section 2.11. Payments and Computations. All payments (including the Purchase Price) shall be paid by wire transfer in immediately available funds to the account or accounts designated in advance by the party receiving such payment. Whenever any payment under this Agreement shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of, and payment of, interest. Except as expressly provided to the contrary in this Agreement, any amount not paid when due pursuant to this Agreement (and any amounts billed or otherwise invoiced or demanded and properly payable that are not paid within thirty (30) days of such bill, invoice or other demand) shall bear interest calculated based on the prime lending rate reported by the Wall Street Journal as of the date such payment was due plus one and one-half percent (1.5%) per month (or, if lower, the maximum interest rate allowed by law), compounded monthly, until the date such payment is made.

Section 2.12. Withholding. All payments under this Agreement shall be made without deduction or withholding for any Taxes, except as required by Law. If any Law requires the deduction or withholding of any Tax from any such payment, then any party responsible for such deduction or withholding shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Tax Authority in accordance with Law; provided that, in the event Buyer determines such withholding is required, Buyer shall promptly notify Seller of such determination no less than ten (10) days prior to the Closing Date, and shall reasonably cooperate with Seller to claim any benefits or reduce and/or eliminate any such withholding Taxes. To the extent that amounts are so withheld and remitted to the appropriate Tax Authority, such amounts shall be treated for all purposes of this Agreement as having been paid to the party otherwise entitled to receive such payment pursuant to this Agreement.

Section 2.13. Title Insurance.

(a) Buyer shall promptly order and obtain Title Commitments and Surveys of the Owned Properties and Well Fields Properties at Buyer's expense, and provide copies thereof to Seller on receipt. Buyer may purchase Title Policies at Buyer's election on the Owned Properties and Well Fields Properties at Buyer's election, insuring record title to the same, subject to Permitted Exceptions. If the Title Commitments or Surveys (or any updates thereto obtained by Buyer prior to the Closing) reveal any state of facts, encumbrances or exceptions that (i) indicate that a Seller Party is not the owner in fee simple of any Owned Property or any Well Fields Property, subject to Permitted Exceptions, or (ii) Buyer believes do not constitute Permitted Exceptions, Buyer shall notify Seller in writing (each, a "Title Notice") of any such state of facts, encumbrances or exceptions with an explanation of the basis for such objection (the "Title Objections") within ten (10) Business Days following Buyer's receipt of the Surveys and the Title Commitments (or such update thereto). Within ten (10) Business Days after Seller receives a Title Notice with respect to Title Objections, Seller will notify Buyer whether or not Seller will cure such Title Objections (Seller's failure to notify Buyer of Seller's decision shall be deemed an election by Seller not to cure such Title Objections). For the avoidance of doubt, a failure by Seller to cure or respond to Title Objections under this Section 2.13 shall not be deemed to be a breach by Seller under this Agreement, except that Seller's failure to cure any Title Objection which is determined by the Steering Committee to be valid and which arises from any state of facts, encumbrances or exceptions created or caused by any Seller Party shall be a breach by Seller under this Agreement.

(b) The Seller Parties shall cooperate with Buyer and the Title Company in the obtaining of such Title Policies as of the Closing, including by delivering customary seller's affidavits for the benefit of the Title Company, in form acceptable to the Title Company to be sufficient to remove standard printed exceptions on Schedule B-1 for taxes in prior tax years, tenants other than pursuant to the real property Leases disclosed on Section 3.12(c) of the Seller Disclosure Letter that are extant as of Closing, and mechanic's liens that are not Assumed Liabilities at Closing.

Section 2.14. Purchase Price Allocation. Within ninety (90) days after the Closing, Buyer shall deliver to Seller an allocation of the consideration for the Transferred Assets under Section 2.08 (as adjusted pursuant to the adjustments contemplated under this Agreement and taking into account solely those Liabilities which are treated as liabilities for U.S. federal income Tax purposes) among the Transferred Assets as of the Closing Date in accordance with applicable Tax Law, including, as applicable, Section 1060 of the Code, and the Treasury Regulations promulgated thereunder (the "Allocation"). Following receipt of its copy of the Allocation, Seller shall have a period of thirty (30) days to provide Buyer with a statement of any disputed items with respect to such allocation and the parties will negotiate in good faith to resolve such dispute. Should Buyer and Seller fail to reach an agreement within thirty (30) days after Seller notifies Buyer of such dispute, Buyer and Seller shall bring all disputes relating to the preparation of such allocation to any "Big 4" accounting firm (excluding, for the avoidance of doubt, the "Big 4" accounting firm serving as Buyer's independent audit firm at the time such notice is provided) (the "Allocation Accounting Firm") for resolution, whose decisions shall be final and binding on the parties and whose expenses shall be paid equally by Buyer on one hand and Seller on the other. The Allocation Accounting Firm shall make its determination in accordance with the requirements of this Section 2.14. Seller and Buyer shall file all U.S. federal income Tax Returns (including Form 8594) consistently with the Allocation and shall not take any position for U.S. federal income Tax purposes that is inconsistent therewith, unless required by a final determination under Section 1313(a) of the Code resulting from an Action initiated by a Governmental Authority.

Section 2.15. Recordation of Memorandum and Release. On the date hereof, the Seller Parties shall execute and acknowledge and deliver to Buyer a memorandum of this Agreement substantially in the form of Exhibit C-1 attached hereto, which memorandum may be recorded by Buyer against each Owned Property and each Well Fields Property. In the event this Agreement is terminated, Buyer shall promptly execute and acknowledge and deliver to Seller a release of the memorandum substantially in the form of Exhibit C-2 attached hereto.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer that, except as set forth in the Seller Disclosure Letter:

Section 3.01. Organization, Qualification and Authority. Seller is a corporation or other organization incorporated or organized, validly existing and, to the extent legally applicable, in good standing under the Laws of its jurisdiction of incorporation or organization, and has all necessary power to enter into, consummate the transactions contemplated by, and carry out its obligations under, the Transaction Agreements to which it is a party. Each of the Seller Parties, solely with respect to the Transferred Assets, has the requisite power and authority to operate its business as now conducted and is qualified as a foreign organization to do business, and, to the extent legally applicable, is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for jurisdictions where the failure to be so qualified or in good standing would not have a Material Adverse Effect. The execution and delivery by the Seller Parties of the

Transaction Agreements to which they are parties and the consummation by the Seller Parties of the transactions contemplated by, and the performance by the Seller Parties of their obligations under, any such Transaction Agreements have been (or, in the case of a Seller Party other than Seller, will be prior to the Closing) duly authorized by all requisite action on the part of such Seller Parties. This Agreement has been duly executed and delivered by Seller, and upon execution and delivery thereof, the other Transaction Agreements will have been duly executed and delivered by the Seller Party that is party thereto, as applicable, and (assuming due authorization, execution and delivery by the other parties hereto and thereto) this Agreement constitutes, and upon execution and delivery thereof by the Seller Party that is party thereto, as applicable, the other Transaction Agreements will constitute, legal, valid and binding obligations of the Seller Parties party thereto, enforceable against such Seller Parties party thereto, as applicable, in accordance with their respective terms, subject to the effect of any applicable Laws relating to bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or preferential transfers, or similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 3.02. No Conflict. Provided that all consents, approvals, authorizations and other actions described in Section 3.03 have been obtained or taken, the execution, delivery and performance by the Seller Parties of the Transaction Agreements to which they are parties and the consummation by the Seller Parties of the transactions contemplated by the Transaction Agreements to which they are parties do not and will not (a) violate or conflict with the certificate or articles of incorporation or organization, bylaws or similar organizational documents of any of the Seller Parties, (b) conflict with or violate any Law or Governmental Order applicable to the Seller Parties in any material respect or (c) result in any material breach of, or constitute a default (or event which, with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, amendment, acceleration, first offer, first refusal or cancellation of, or result in the creation of any Lien (other than a Permitted Exception or Liens arising from any act of Buyer or its Affiliates) on, the Transferred Assets, except, in the case of clause (c), as would not reasonably be expected to have a Material Adverse Effect.

Section 3.03. Consents and Approvals. The execution and delivery by the Seller Parties of the Transaction Agreements to which they are parties do not, and the performance by the Seller Parties of, and the consummation by the Seller Parties of the transactions contemplated by, the Transaction Agreements to which they are parties will not, require any material consent, approval, authorization or other action by, or any material filing with or notification to, any Governmental Authority, except in connection, or in compliance with, the applicable filings or approvals under the HSR Act.

Section 3.04. Absence of Litigation. As of the date of this Agreement, there are no Actions by or before a Governmental Authority pending or, to the Knowledge of Seller, threatened in writing against the Seller Parties with respect to the Transferred Assets or the Assumed Liabilities which would reasonably be expected to have a material impact on the ownership and operation of the Transferred Assets, taken as a whole. As of the date of this Agreement, none of the Seller Parties is subject to any Governmental Order with respect to the Transferred Assets, and none of the Seller Parties is in breach or violation of any such

Governmental Order. As of the date of this Agreement, there are no material Actions by or before a Governmental Authority pending or, to the Knowledge of Seller, threatened against the Seller Parties or to which any of the Seller Parties is otherwise a party relating to, or which have a material impact on, this Agreement, the other Transaction Agreements or the Transactions.

Section 3.05. Compliance with Laws. None of the Seller Parties (with respect to the Transferred Assets or the Assumed Liabilities) is in violation of any Laws or Governmental Orders applicable to the ownership or operation of the Transferred Assets (including any Privacy Laws), except for violations the existence of which has not had, and would not reasonably be expected to have, a Material Adverse Effect. As of the date of this Agreement, none of the Seller Parties has received any written notice of or been charged in writing with the violation of any Laws applicable to, or which would have an impact on, the ownership or operation of the Transferred Assets (including any Privacy Laws), except as would not reasonably be expected to have a Material Adverse Effect. As of the date of this Agreement, to the Knowledge of Seller, none of the Seller Parties has received notice that any Seller Party is under investigation with respect to the violation of any Laws applicable to, or which would have a material impact on, the ownership or operation of the Transferred Assets, taken as a whole.

Section 3.06. Governmental Licenses and Permits.

(a) (i) The Seller Parties hold all governmental qualifications, registrations, filings, privileges, franchises, licenses, permits, approvals or authorizations that are necessary for the ownership and operation of the Transferred Assets (collectively, "Permits") and (ii) each of such Permits is valid, binding and in full force and effect, in each case of clauses (i) and (ii), except as would not reasonably be expected to be material to the ownership and operation of the Transferred Assets, taken as a whole.

(b) None of the Seller Parties is in default or violation of any of the Permits and no Action is pending or, to the Knowledge of Seller, has been threatened in writing during the one (1) year prior to the date of this Agreement to revoke any Permit, except such defaults, violations or revocations as have not had a material effect on, and would not reasonably be expected to be material to, the ownership and operation of the Transferred Assets, taken as a whole.

Section 3.07. Title to Transferred Assets.

(a) Except for Permitted Exceptions or Liens created by or through Buyer or any of its Affiliates, the Transferred Assets are owned by the Seller Parties, free and clear of all Liens, and the Seller Parties are in possession of and have good title to, or valid rights under contract to use the Transferred Assets. Other than Seller, each of the Seller Parties that owns any Transferred Assets, is subject to any Assumed Liabilities or employs any Business Employees is a wholly-owned Subsidiary of Seller and is listed on Section 3.07 of the Seller Disclosure Letter.

(b) The Permitted Exceptions (but excluding the Blue Declaration), individually or in the aggregate, do not impair in any material respects the Seller Parties' ownership, enjoyment and use of the Owned Properties or the Well Field Properties in the manner so owned, enjoyed and used as of the date of this Agreement and as of the Closing Date.

Section 3.08. Intellectual Property.

(a) Title. GLOBALFOUNDRIES U.S. 2 LLC owns, free and clear of all Liens (other than Permitted Exceptions), all right, title and interest in and to, or has the right to sublicense, all Seller Licensed IP and Technology. GLOBALFOUNDRIES U.S. 2 LLC has the right to grant the licenses and other rights to Buyer with respect to the Seller Licensed IP and Technology that it grants as set forth in the Technology License Agreement. GLOBALFOUNDRIES Inc. or GLOBALFOUNDRIES Singapore Pte. Ltd. owns, free and clear of all Liens (other than Permitted Exceptions), all right, title and interest in and to all Patents included in the Seller Licensed IP and Technology and all Patents included in the GF Background IP (as defined in the Technology Transfer and Development Agreement), and has granted to GLOBALFOUNDRIES U.S. 2 LLC in writing all rights necessary for GLOBALFOUNDRIES U.S. 2 LLC to grant the licenses and other rights to Buyer with respect to (i) the Patents included in the Seller Licensed IP and Technology that it grants as set forth in the Technology License Agreement, and (ii) the Patents owned or controlled by GLOBALFOUNDRIES Inc. or GLOBALFOUNDRIES Singapore Pte. Ltd., as applicable, or sublicensable to Buyer and its applicable affiliates (as set forth in the Technology Transfer and Development Agreement), in each case that are included in the GF Background IP (as defined in the Technology Transfer and Development Agreement). None of the Seller Parties has granted to any Person any exclusive or other Intellectual Property license in, to, or under any Seller Licensed IP and Technology, in each case that would make such Seller Party unable to license or grant other rights with respect to such Seller Licensed IP and Technology to Buyer pursuant to the terms of the Technology License Agreement. Nothing in this Section 3.08(a) is or shall be deemed, construed or interpreted to constitute a representation or warranty of non-infringement of any Intellectual Property, which is solely addressed by the representations set forth in Section 3.08(b).

(b) No Infringement by Seller.

(i) Without giving effect to any Patent licenses to which any Seller Party is a party, as of the date of this Agreement, none of the Seller Licensed IP and Technology, as made available by a Seller Party to Buyer, infringes any Designated Patent.

(ii) Without giving effect to any Patent licenses to which any Seller Party is a party, to the Knowledge of Seller, as of the date of this Agreement, none of the Seller Licensed IP and Technology, as made available by a Seller Party to Buyer, infringes any Patent that, as of the date of this Agreement, is owned by a Person other than a Seller Party or Buyer or any of its Affiliates.

(iii) To the Knowledge of Seller, as of the date of this Agreement, none of the following infringes, misappropriates (or constitutes or results from the misappropriation of), constitutes unauthorized use or unauthorized disclosure of, dilutes or otherwise violates any Intellectual Property of any third party: (A) the Seller Licensed IP and Technology; (B) any Seller Party's use, practice or other exploitation of any Seller Licensed IP and Technology, or the Seller Parties' operation of the EFK Facility; or (C) a Seller Party's grant of the licenses and other rights to Buyer with respect to the Seller Licensed IP and Technology pursuant to the Technology License Agreement.

(c) No Actions Against Seller.

(i) As of the date of this Agreement, to the Knowledge of Seller, there is no Action pending or threatened since July 1, 2015 by any Person against any of the Seller Parties: (A) alleging that any of the Seller Licensed IP and Technology (or the Seller Parties' use, practice or other exploitation of any Seller Licensed IP and Technology), or the Seller Parties' operation of the EFK Facility, infringes, misappropriates (or constitutes or results from the misappropriation of), constitutes unauthorized use or unauthorized disclosure of, dilutes or otherwise violates any Intellectual Property of any third party; or (B) challenging any of the Seller Parties' ownership of any Seller Licensed IP and Technology owned by any Seller Party, or challenging the validity or enforceability of any Seller Licensed IP and Technology.

(ii) As of the date of this Agreement, since July 1, 2015, none of the Seller Parties has received any written (or, to the Knowledge of Seller, unwritten or any other) notice from any Person (A) alleging that any of the Seller Licensed IP and Technology (or the Seller Parties' use, practice or other exploitation of any Seller Licensed IP and Technology), or the Seller Parties' operation of the EFK Facility, infringes, misappropriates (or constitutes or results from the misappropriation of), constitutes unauthorized use or unauthorized disclosure of, dilutes or otherwise violates any Intellectual Property of any third party; (B) challenging any of the Seller Parties' ownership of any Seller Licensed IP and Technology owned by any Seller Party, or challenging the validity or enforceability of any Seller Licensed IP and Technology; or (C) claiming any interest in, to, or under any Seller Licensed IP and Technology, or asking or inviting any of the Seller Parties to enter into or to pay for any Intellectual Property license under or to the Intellectual Property of any other Person with respect to any Seller Licensed IP and Technology.

(iii) As of the date of this Agreement, there is no Governmental Order to which any of the Seller Parties is a party or, to the Knowledge of Seller, by which any of the Seller Parties is bound that restricts, limits or adversely affects any of the Seller Parties' rights to any Seller Licensed IP and Technology.

(d) Royalties. None of the Seller Parties is required or obligated under any Contract included as of the date of this Agreement in the Transferred Contracts to make any payments by way of royalties, fees or otherwise in excess of an aggregate amount of $100,000 on an annual basis to any owner or licensor of, or any other Person solely with respect to any semiconductor manufacturing process Technology included in the Transferred Third Party Licensed IP and Technology licensed to any of the Seller Parties under such Contract.

(e) No Consents Required. Upon the Closing, Buyer shall have, without the need for any further consent or approval not already obtained, the right to use, practice or otherwise exploit all Seller Licensed IP and Technology in accordance with the terms of the Technology License Agreement. Neither the execution, delivery and performance of this Agreement or any Ancillary Agreement, nor the consummation of the Transactions, nor the sale, conveyance, assignment, transfer or delivery of any Transferred Asset will (i) result in the grant by any of the Seller Parties to any Person of any exclusive Intellectual Property license with respect to any

Seller Licensed IP and Technology or (ii) trigger any obligation of Buyer (or any Affiliate of Buyer as of the date of this Agreement) to make any payment to any third Person with respect to any use, practice or other exploitation of any Seller Licensed IP and Technology in accordance with the terms of the Technology License Agreement, but for the avoidance of doubt, nothing in this clause (ii) is or shall be deemed, construed or interpreted to constitute a representation or warranty of non-infringement of any Intellectual Property, which is solely addressed by the representations set forth in Section 3.08(b).

(f) Inbound Patent Licenses. To the Knowledge of Seller, Section 3.08(f) of the Seller Disclosure Letter contains an accurate and complete list of all unexpired Intellectual Property licenses granted expressly under any specifically enumerated Patents, excluding any Patent cross-licenses or portfolio-wide Patent licenses, in each case to any of the Seller Parties by another Person to use, practice or otherwise exploit any Seller Licensed IP and Technology.

(g) Open Source Software. To the Knowledge of Seller, Section 3.08(g) of the Seller Disclosure Letter sets forth a complete and accurate list of all Open Source Software included, incorporated or embedded in any Seller Licensed IP and Technology as of the date of this Agreement. To the Knowledge of Seller, as of the date of this Agreement, no Open Source Software is or has been included, incorporated or embedded in, or linked to, combined or distributed with or used in the delivery or provision of, any Seller Licensed IP and Technology, in each case in a manner that (i) requires or obligates any of the Seller Parties or Buyer or any of its Affiliates to make available, disclose, contribute, distribute or license any source code or related source materials to any Person or (ii) requires or purports to require any of the Seller Parties or Buyer or any of its Affiliates to grant any Intellectual Property license with respect to Patents.

(h) Contaminants. To the Knowledge of Seller, as of the date of this Agreement, the Software included in the Seller Licensed IP and Technology is free from any material defect or material bug and any material programming, material design or material documentation error that would render it unable to operate in the same manner operated by the Seller Parties immediately prior to the date of this Agreement. To the Knowledge of Seller, as of the date of this Agreement, none of the Software included in the Seller Licensed IP and Technology constitutes or contains any Contaminants that (i) enables any “back door” or similar access by any Governmental Authority or (ii) has disabled, disrupted or caused any errors, problems or issues with respect to any such Software where such disablement, disruption, error, problem or issue has had a material and adverse effect on the Seller Parties’ operation of the EFK Facility as of the date of this Agreement and remains unresolved as of the date of this Agreement.

(i) Seller IT Systems. As of the date of this Agreement, the Seller Parties have taken commercially reasonable measures to maintain the performance, security and integrity of the Seller IT Systems in all material respects (and all Software, information or data stored on any Seller IT Systems). During the two (2)-year period prior to the date of this Agreement, (i) there has been no failure with respect to any Seller IT Systems that has had a material and adverse effect on the Seller Parties’ operation of the EFK Facility as of the date of this Agreement and has not been completely remedied and (ii) to the Knowledge of Seller, there has been no unauthorized access to or use of any Seller IT Systems (or any Software, information or data stored on any Seller IT Systems).

(j) No Other Representations or Warranties. Except for and without limitation of the representations and warranties (if any) made regarding Intellectual Property and Technology in the Ancillary Agreements, notwithstanding anything in this Agreement to the contrary, the representations and warranties made by Seller in this Section 3.08 are the sole and exclusive representations and warranties made regarding Intellectual Property and Technology.

Section 3.09. Environmental Matters.

(a) Except as disclosed in Section 3.09 of the Seller Disclosure Letter or as could not reasonably be expected to result a Material Adverse Effect:

(i) there are no Actions pending or threatened in writing against the Seller Parties with respect to the Transferred Assets alleging a violation of, or liability under, any Environmental Law;

(ii) the operations of the Transferred Assets by the Seller Parties are and have been in compliance in with all Environmental Laws;

(iii) the Seller Parties have obtained and own or possess all Environmental Permits necessary to conduct the Transferred Assets as they are presently conducted, and the Seller Parties are in compliance with all such Environmental Permits, and all such Environmental Permits are in full force and effect;

(iv) there has been no Release by any Seller Party at concentrations requiring investigation or remediation under any Environmental Law or Environmental Permit, which investigation or remediation remains unresolved;

(v) the Seller Parties have not received any notice from any Person or Governmental Authority regarding or alleging a material violation or failure to comply with any Environmental Laws or Environmental Permit; and

(vi) the Seller Parties have made available to Buyer complete and correct copies of all material, non-privileged studies, reports, assessments, investigations, and analysis in the Seller Parties' possession, and all correspondence from Governmental Authorities, (whether in hard copy or electronic form) in the Seller Parties' possession regarding the presence or alleged presence of Hazardous Materials at, on, or affecting any of the Transferred Assets or regarding the Seller Parties' compliance with any Environmental Laws with respect to the Transferred Assets.

(b) Notwithstanding anything in this Agreement to the contrary, the representations and warranties made by Seller in this Section 3.09 are the sole and exclusive representations and warranties made regarding Environmental Laws.

Section 3.10. Transferred Contracts.

(a) Section 3.10(a) of the Seller Disclosure Letter lists the Transferred Contracts in effect on the date of this Agreement (other than, as may be applicable, the Designated Agreement).

(b) (i) Each material Transferred Contract is in full force and effect and is a legal, valid and binding obligation of the applicable Seller Party, as a party to such material Transferred Contract, and is enforceable against the applicable Seller Party, as a party to such material Transferred Contract, and, to the Knowledge of Seller, is a legal, valid and binding obligation of each other party to such material Transferred Contract and is enforceable against such other party thereto in accordance with its terms subject, in each case, to the effect of any applicable Laws relating to bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or preferential transfers, or similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); (ii) none of the Seller Parties are, nor to the Knowledge of Seller, any other party to a material Transferred Contract is, in default or breach of a material Transferred Contract; (iii) to the Knowledge of Seller, there does not exist any event, condition or omission that would constitute such a default or breach (whether by lapse of time or notice or both) under any material Transferred Contract; and (iv) none of the Seller Parties have received any notice of termination or cancellation with respect to any material Transferred Contract. Seller has delivered or made available to Buyer true, correct and complete copies of each Material Contract in effect as of the date of this Agreement, together with all amendments, modifications or supplements thereto.

Section 3.11. Employment and Employee Benefits Matters.

(a) Section 3.11(a) of the Seller Disclosure Letter sets forth a true and complete list of each material "employee benefit plan" (within the meaning of Section 3(3) of ERISA) and each material employment, retirement, welfare benefit, incentive compensation, stock option, stock purchase, restricted stock, equity compensation, deferred compensation, severance or other material employee benefit plan, program or agreement (other than any governmental plan or arrangement, or statutorily required benefits), in each case, that is sponsored or maintained by the Seller Parties with respect to any Business Employee (the "Seller Plans").

(b) With respect to each Seller Plan, Seller has made available to Buyer true and complete copies of the following documents to the extent applicable: (i) each Seller Plan and all amendments thereto, (ii) the most recent summary plan description, (iii) the trust agreement, any insurance contracts or other funding arrangements with respect to such plan, and (iv) the most recent Forms 5500 and all schedules thereto.

(c) No Seller Plan is an "employee pension benefit plan" (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA, Section 412 of the Code or Section 302 of ERISA (including any "multiemployer plan" within the meaning of Section (3)(37) of ERISA). There does not exist any Liability with respect to the Seller Parties (with respect to the Business Employees) under Title IV of ERISA.

(d) Each Seller Plan has been operated, in all material respects, in accordance with its terms and the requirements of all applicable Laws.

(e) There are no material claims or causes of action pending or, to the Knowledge of Seller, threatened in writing during the one (1) year prior to the date of this Agreement against the Seller Parties in connection with any Seller Plan. The Seller Parties are not engaged or

involved in any claim or legal proceedings brought by or on behalf of any of the Business Employees and, to the Knowledge of Seller, no such claims or proceedings have been threatened in writing during the one (1) year prior to the date of this Agreement, in each case, which could reasonably be expected to result in a material liability.

(f) Each Seller Plan that is intended to be tax qualified under Section 401(a) of the Code is so qualified and has received, is covered by or has applied for a favorable determination or opinion letter from the IRS, and any trusts intended to be exempt from federal income taxation under the Code are so exempt. No fact or set of circumstances exists and no event has occurred that would reasonably be expected to result in any Seller Plan being required to pay any material Tax or penalty under applicable Law.

(g) None of the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement (alone or in conjunction with any other event) will (i) entitle any Business Employee to any compensation or benefit (or increase thereto), (ii) result in any payment or benefit to any Business Employee which would reasonably be expected to constitute an “excess parachute payment” (within the meaning of Section 280G of the Code) or not be deductible under Section 280G of the Code, or (iii) accelerate the time of payment or vesting, or trigger any payment or funding, of any compensation or benefits with respect to any Business Employee under any Seller Plan. None of the Seller Parties is party to, nor does any Seller Party have any obligation under, any Seller Plan to compensate any Business Employee for excise Taxes payable pursuant to Section 4999 of the Code or for additional Taxes payable pursuant to Section 409A of the Code.

(h) None of the Seller Parties are a party to any collective bargaining agreement or other material labor union contract applicable to Business Employees.

Section 3.12. Real Property.

(a) Section 3.12(a) of the Seller Disclosure Letter sets forth the municipal address of the EFK Facility and the legal description of all of the Owned Property.

(b) Each of the applicable Seller Parties has good and marketable fee simple title to the Owned Properties and Well Fields Properties subject only to the Permitted Exceptions. The Owned Properties and the Well Fields Properties, together with easement and other rights appurtenant thereto on the date of this Agreement, and good and valid leasehold interest in the Leased Real Property described in, and pursuant to, each Real Property Lease listed on Section 3.12(c) of the Seller Disclosure Letter constitute all of the real property and rights to occupy real property necessary and currently used by the Seller Parties in connection with the operation of the EFK Facility. Except for the improvements or fixtures identified on Section 3.12(b) of the Seller Disclosure Letter (the “Surplus Building Idle Items”), all of the buildings, fixtures and improvements located on the Owned Properties and Well Fields Properties and owned by any of the Seller Parties are in good condition and in a state of good maintenance and repair (ordinary wear and tear excepted) and are suitable for the purposes used by the Seller Parties. None of the improvements located on the Owned Properties and Well Fields Properties (excluding with respect to the Surplus Building Idle Items) is in violation of any Law or Government Order, except for violations the existence of which has not had, and would not reasonably be expected

to have, a Material Adverse Effect. The Seller Parties have not received any written notice from any Governmental Authority that any material fines, judgments, penalties, assessments, or other charges are due and owing as a result of the condition of any of the Surplus Building Idle Items.

(c) All of the Leases and Real Property Leases are listed on Section 3.12(c) of the Seller Disclosure Letter, which schedule includes the dates of the Leases including all amendments thereto, and the name of the landlord and tenant under such leases. Except pursuant to the Leases listed on Section 3.12(c) of the Seller Disclosure Letter, and Permitted Exceptions, no Person other than any Seller Party has the right to occupy the Owned Properties, the Well Fields Properties, or the Leased Real Property, or any portion thereof. Section 3.12(c) of the Seller Disclosure Letter lists all security deposits being held by any Seller Party in connection with any Leases. Except as described on Section 3.12(c) of the Seller Disclosure Letter, each of the Leases is between a Seller Party, as landlord or licensor, and another Person, as tenant or licensee. Seller has delivered to Buyer true, correct and complete copies of all Leases other than the Seller Lease and the Related Sale Lease, which shall be entered into after the date of this Agreement. Those leases combined will not exceed 30,000 square feet of space. A copy of the current form of Related Sale Lease is attached on Section 3.12(c) of the Seller Disclosure Letter, and the final executable version thereof shall conform substantially to the form attached hereto.

(d) Except as shown on Section 3.12(d) of the Seller Disclosure Letter, the Owned Properties and the Well Fields Properties are not subject to any rights of first refusal or options to purchase.

(e) To the extent there is any maintenance to be performed by Seller under the Real Property Leases, the Seller Parties have performed such maintenance in accordance with the requirements of such Leases. As of the date of this Agreement, the Leased Real Property is suitable for the purposes used by the Seller Parties.

(f) To the Knowledge of Seller, all parcels of land comprising any part of the Owned Properties or the Well Fields Properties have access to a public road, either directly, pursuant to a recorded easement or through a contiguous parcel that is also a part of the same Owned Property or Well Fields Property, as applicable.

(g) Seller has made all capital expenditures that are required to be made or performed by Seller under the Leases, if any, in accordance with the requirements of the Leases.

Section 3.13. Taxes.

(a) All material Tax Returns required to be filed by or on behalf of the Seller Parties with respect to the Transferred Assets have been timely filed (taking into account any applicable extensions granted to or obtained on behalf of Seller) with the appropriate Tax Authority in all jurisdictions in which such Tax Returns are required to be filed, and all such Tax Returns are true, correct and complete in all material respects, and all material amounts of Taxes with respect to the Transferred Assets have been fully and timely paid.

(b) Each of the Seller Parties has complied in all material respects with all applicable Laws relating to the payment and withholding of Taxes in respect of the Transferred Assets and has duly and timely withheld and paid over to the appropriate Tax Authorities all material amounts of Taxes required to be so withheld and paid over under all applicable Laws in respect of the Transferred Assets.

(c) All material deficiencies asserted or assessments made as a result of any examinations by any Tax Authority of the Tax Returns relating to the Transferred Assets have been fully paid, and there are no other audits or investigations by any Tax Authority relating to the Transferred Assets in process, nor has any of the Seller Parties received any written notice from any Tax Authority that it intends to conduct such an audit or investigation of a Tax Return relating to the Transferred Assets.

(d) There are no Liens for Taxes (other than Permitted Exceptions) upon the Transferred Assets.

(e) No written claim has been made by a Tax Authority in a jurisdiction in which any of the Seller Parties does not file Tax Returns that such Seller Party is or may be subject to taxation or required to file a Tax Return in that jurisdiction with respect to the Transferred Assets.

(f) With respect to the Transferred Assets, there is no Action (including, for the avoidance of doubt, discussions with a Tax Authority regarding Property Tax or tax incentives) now or pending with any Tax Authority in respect of a material amount of Tax and no extension or waiver of the limitation period with respect to a material amount of Tax has been granted.

(g) No power of attorney with respect to any Tax matter is currently in force that would, in any manner, bind, obligate or restrict Buyer for any taxable period (or portion thereof) ending after the Closing Date.

(h) None of the Seller Parties has executed or entered into any agreement with any Tax Authority relating solely to the Transferred Assets, that would be binding on Buyer for any taxable period (or portion thereof) ending after the Closing Date.

(i) None of the Transferred Assets is (i) property required to be treated as being owned by another Person pursuant to the provisions of Section 168(f)(8) of the Internal Revenue Code of 1954, as amended and in effect immediately prior to the enactment of the Tax Reform Act of 1986, (ii) "tax-exempt use property" within the meaning of Section 168(h)(1) of the Code, (iii) "tax-exempt bond financed property" within the meaning of Section 168(g) of the Code, (iv) "limited use property" within the meaning of Rev. Proc. 2001-28, (v) described in Section 168(g)(1)(A) of the Code with respect to which any of the Seller Parties has claimed depreciation deductions in determining its U.S. federal income tax liability or (vi) subject to any provision of state, local or foreign Law comparable to any of the provisions listed above.

(j) Notwithstanding anything in this Agreement to the contrary, the representations and warranties made in Section 3.11 and in this Section 3.13 are the sole and exclusive representations and warranties made regarding Taxes.

Section 3.14. Brokers. Except for Merrill Lynch, Pierce, Fenner & Smith Incorporated, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Seller Parties or any of their Affiliates. Seller is solely responsible for the fees and expenses of Merrill Lynch, Pierce, Fenner & Smith Incorporated.

Section 3.15. Solvency. Seller is now Solvent and, subject to the terms and conditions of this Agreement, including the truth and accuracy of the representations and warranties of Buyer set forth in Article IV, immediately after giving effect to the consummation of the transactions contemplated by this Agreement and the other Transaction Agreements, Seller will be Solvent.

Section 3.16. Related Party Transactions. To the Knowledge of Seller, no officer or director of any of the Seller Parties, or any member of such officer's or director's immediate family or any of their respective Affiliates, (a) is involved in any material business arrangement or other relationship with any of the Seller Parties (whether written or pursuant to an enforceable oral agreement) in respect of the Transferred Assets, in each case other than any employment or director agreement of such Person, (b) owns any material property or right, tangible or intangible, that is primarily used or held for use by any of the Seller Parties in respect of the Transferred Assets or (c) owns any direct or indirect interest of any kind in, or controls or is a director, officer, employee or partner of, or consultant to, or lender to or borrower from or has the right to participate in the profits of, any Person which is a material supplier, customer, landlord, tenant, creditor or debtor of any of the Seller Parties in respect of the Transferred Assets.

Section 3.17. Certain Payments. None of the Seller Parties nor any director, officer, employee, or other Person associated with or acting on behalf of any of them, has, in violation of any applicable Law (including the United States Foreign Corrupt Practices Act of 1977), directly or indirectly, (a) made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services in respect of the operation of the Transferred Assets to (i) obtain favorable treatment in securing business for any of the Seller Parties, (ii) pay for favorable treatment for business secured by any of the Seller Parties or (iii) obtain special concessions or for special concessions already obtained, for or in respect of any of the Seller Parties, or (b) established or maintained any fund or asset with respect to the business that has not been recorded in the books and records of any of the Seller Parties, except as would not reasonably be expected to have a material impact on the ownership and operation of the Transferred Assets, taken as a whole.

Section 3.18. Tangible Personal Property and Tools.

(a) All items of tangible personal property included in the Material Assets are in good condition and in a state of good maintenance and repair (ordinary wear and tear excepted) and are suitable for the purposes used by the Seller Parties.

(b) All Tools (other than the Excluded Tools or Consigned Tools) located on the Owned Properties and the Well Fields Properties and owned by any of the Seller Parties are in good condition and in a state of good maintenance and repair (ordinary wear and tear excepted) and are suitable for the purposes used by the Seller Parties.

Section 3.19. Suppliers. Section 3.19 of the Seller Disclosure Letter sets forth a list of the ten (10) largest suppliers of the EFK Facility, as measured by the dollar amount of purchases therefrom, during each of the fiscal years ended December 31, 2017 and 2018 and showing the approximate aggregate purchases by Seller Parties from such suppliers during each such period. Prior to the date of this Agreement, no supplier listed on Section 3.19 of the Seller Disclosure Letter has (a) terminated its relationship with any of the Seller Parties in respect of the EFK Facility or requested a major renegotiation of the terms of the relationship with any of the Seller Parties in respect of the EFK Facility or (b) notified in writing any of the Seller Parties that it intends to terminate or request a major renegotiation of the terms of the relationship with any of the Seller Parties in respect of the EFK Facility.

Section 3.20. No Other Representations or Warranties. Except as expressly set forth or referenced in this Article III or any other Ancillary Agreement, and without limitation of any representations and warranties made in any other Ancillary Agreement, none of Seller, or any other person makes any other express or implied representation or warranty with respect to Seller, any of the other Seller Parties, the Transferred Assets or the transactions contemplated by the Transaction Agreements and any other rights or obligations to be transferred hereunder or pursuant hereto, and Seller, the other Seller Parties, and any of their Affiliates disclaims any other representations or warranties, whether made by Seller, the other Seller Parties, or any of their Affiliates or Representatives. Except as expressly set forth or referenced in this Article III or any other Ancillary Agreement, and without limitation of any representations and warranties made in any other Ancillary Agreement, Seller, the other Seller Parties and their respective Affiliates and Representatives hereby disclaim all liability and responsibility for any representation, warranty, projection, forecast, statement, or information made, communicated, or furnished (orally or in writing) to Buyer or its Affiliates or Representatives (including any opinion, information, projection, or advice that may have been or may be provided to Buyer by any director, officer, employee, agent, consultant, or representative of Seller). Seller, the other Seller Parties, and their respective Affiliates and Representatives make no representations or warranties to Buyer regarding the probable success or profitability of the Transferred Assets.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller that:

Section 4.01. Organization and Authority of Buyer. Buyer is a limited liability company formed, validly existing and in good standing under the Laws of Delaware and has all necessary limited liability company power to enter into the Transaction Agreements and to consummate the transactions contemplated by, and to carry out its obligations under, the Transaction Agreements. The execution and delivery of the Transaction Agreements by Buyer, the consummation by Buyer of the transactions contemplated by, and the performance by Buyer of its obligations under, the Transaction Agreements have been duly authorized by all requisite limited liability company action on the part of Buyer. This Agreement has been, and upon execution and delivery thereof the Ancillary Agreements will be, duly executed and delivered by Buyer, and (assuming due authorization, execution and delivery by each of the Seller Parties, as applicable) this Agreement constitutes, and upon execution and delivery thereof the Ancillary Agreements

will constitute, legal, valid and binding obligations of Buyer enforceable against Buyer in accordance with their terms, subject to the effect of any applicable Laws relating to bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or preferential transfers, or similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 4.02. Qualification of Buyer. Buyer has the appropriate power and authority to operate its businesses as now conducted. Buyer is qualified as a foreign corporation to do business and, to the extent legally applicable, is in good standing in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification necessary, except for jurisdictions where the failure to be so qualified or in good standing would not result in a Buyer Material Adverse Effect.

Section 4.03. No Conflict. Provided that all consents, approvals, authorizations and other actions described in Section 4.04 have been obtained or taken, the execution, delivery and performance by Buyer of, and the consummation by Buyer of the transactions contemplated by, the Transaction Agreements do not and will not (a) violate or conflict with the certificate or articles of incorporation or bylaws or similar organizational documents of Buyer in any material respect, (b) conflict with or violate any Law or Governmental Order applicable to Buyer or (c) result in any breach of, or constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any Lien on any of the assets or properties of Buyer pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other material instrument to which Buyer or any of its Subsidiaries is a party or by which any of such assets or properties is bound or affected, except, in the case of clause (c), as would not reasonably be expected to have a Buyer Material Adverse Effect.

Section 4.04. Consents and Approvals. The execution and delivery by Buyer of the Transaction Agreements do not, and the performance by Buyer of, and the consummation by Buyer of the transactions contemplated by, the Transaction Agreements will not, require any material consent, approval, authorization or other action by, or any material filing with or notification to, any Governmental Authority, except in connection, or in compliance, with the applicable filings or approvals under the HSR Act.

Section 4.05. Absence of Restraints; Compliance with Laws.

(a) To the knowledge of Buyer, there exist no facts or circumstances that would reasonably be expected to materially impair or delay the ability of Buyer to consummate the transactions contemplated by, or to perform its obligations under, the Transaction Agreements.

(b) Buyer is not in violation of any Laws or Governmental Orders applicable to it or by which any of its material assets is bound or affected (including any Privacy Laws), except for violations the existence of which has not had, and would not reasonably be expected to result in a Buyer Material Adverse Effect.

Section 4.06. Financial Ability. Buyer (a) has sufficient immediately available funds available and the financial ability to pay the Purchase Price and any expenses incurred by Buyer in connection with the transactions contemplated by this Agreement and (b) at the Closing, will have the resources and capabilities (financial and otherwise) to perform its obligations hereunder.

Section 4.07. Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission (other than any fee or commission for which Buyer is solely responsible) in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer.

Section 4.08. Solvency. Subject to the terms and conditions of this Agreement, including the truth and accuracy of the representations and warranties of the Seller Parties set forth in Article III, immediately after giving effect to the consummation of the transactions contemplated by this Agreement and the other Transaction Agreements (including any financings being entered into in connection therewith), Buyer will be Solvent.

ARTICLE V

ADDITIONAL AGREEMENTS

Section 5.01. Conduct of Business Prior to the Closing.

(a) Except as required by applicable Law, as expressly provided in this Agreement or the Ancillary Agreements, and except for matters identified in Section 5.01(a) of the Seller Disclosure Letter, from the date of this Agreement through the Closing (or until earlier termination of this Agreement), unless Buyer otherwise consents in writing in advance (which consent shall not be unreasonably withheld, conditioned or delayed), Seller shall and shall cause each of the Seller Parties to (i) conduct its ownership, operation and maintenance of the EFK Facility and the other Transferred Assets (including the operation and maintenance of the Tools and Facilities Equipment) in the ordinary course of business consistent with past practice (including by maintaining, without lapse in the coverage period, insurance policies adequately covering the Transferred Assets, consistent with coverage customary for the industry and consistent with past practice) and in a manner consistent with the satisfaction of its obligations under the Foundry Transition Services Agreement (including in accordance with the Joint Annual Operating Plans (as defined in the Foundry Transition Services Agreement) and the Technology Transfer and Development Agreement; (ii) use commercially reasonable efforts to preserve intact its operations, permits, rights, goodwill, and relations with suppliers, employees (including Key Employees) and others with which the Seller Parties (with respect to the Transferred Assets) do business (excluding customers); and (iii) maintain all of the Material Assets in their current condition, ordinary wear and tear excepted. Without limiting the generality of the foregoing, with respect to the Tools to be transferred to Buyer pursuant to Section 5.01(b), the Seller Parties shall (A) maintain such Tools in good working condition in accordance with industry standards and at least to the same standards as the Seller Parties maintain their other Tools, and (B) operate and use such Tools in accordance with standard user documentation.

(b) Notwithstanding anything to the contrary herein, including the provisions of Section 5.01(a), Seller and each of the other Seller Parties may, and may cause any of their Affiliates to, (i) remove any Excluded Assets from the EFK Facility (except any Excluded Assets used or required to be used in the satisfaction of any Seller Party's obligations under the Technology Transfer and Development Agreement or the Foundry Transition Services Agreement, which may be removed only with the prior approval of the Steering Committee) or (ii) take reasonable actions in compliance with applicable Law and this Agreement (including Section 5.01(a) and Section 5.01(c)) with respect to any operational emergencies (including any restoration measures in response to any natural disaster or severe weather-related event, circumstance or development), equipment failures, outages or an immediate and material threat to the health or safety of natural Persons; provided that, in the case of clause (ii), Seller shall provide Buyer with notice of such action taken as soon as reasonably practicable thereafter (and in no event later than three (3) Business Days after such action is taken).

(c) Without limiting the generality of Section 5.01(a), except (x) as required by applicable Law, (y) as expressly provided in this Agreement or the Ancillary Agreements and (z) for matters identified in Section 5.01(c) of the Seller Disclosure Letter, from the date of this Agreement through the Closing (or until earlier termination of this Agreement), unless Buyer otherwise consents in writing in advance (which consent shall not be unreasonably withheld, conditioned or delayed), none of the Seller Parties shall:

(i) except in the ordinary course of business consistent with past practice, (A) increase or decrease the salary or other compensation of any Business Employee other than any such increases or decreases that are, in the aggregate, on average consistent with past practice, (B) grant any unusual or extraordinary bonus, benefit or other direct or indirect compensation to any Business Employee other than any such grants that are, in the aggregate on average consistent with past practice, or (C) materially amend or terminate any Seller Plan or adopt any employee benefit plan, agreement, policy or arrangement that would have constituted a Seller Plan if it had been in effect on the date hereof, except, in the case of each of clauses (A), (B) and (C) above, (1) as may be required under the terms and conditions of any Seller Plan as in effect as of the date hereof, or (2) as expressly provided for in this Agreement or the Employee Matters Agreement;

(ii) terminate without cause (other than as a result of a voluntary resignation) or relocate any of the Key Employees;

(iii) in each case to the extent related to the material Transferred Assets and in the event such action would cause a material increase in Buyer's Tax liability, (A) make, change or revoke any material Tax election (unless required by Law); (B) settle or compromise any material Tax claim or liability; (C) amend any material Tax Return; (D) waive any statute of limitation for any material Tax claim or assessment (other than pursuant to extensions of time to file Tax Returns obtained in the ordinary course of business); or (E) obtain or request any Tax ruling or closing agreement in respect of a material amount of Taxes;

(iv) subject to the acknowledgment in the last sentence of Section 2.01, sell, assign, license, transfer, convey, lease or otherwise dispose of any assets to the extent such assets would be, individually or in the aggregate, material Transferred Assets on the Closing Date if owned by any of the Seller Parties, other than use of Inventory in the ordinary course of business;

(v) cancel or compromise any debt or claim or waive or release any material right of any of the Seller Parties that would be a material Transferred Asset if existing on the Closing Date, except in the ordinary course of business consistent with past practice;

(vi) take any action with respect to any Business Employee that would trigger a “mass layoff” or “plant closing” under WARN;

(vii) enter into any collective bargaining agreement with respect to the Business Employees;

(viii) except in the ordinary course of business consistent with past practice, enter into any transaction or enter into, modify, renew, amend or waive any material rights under any Contract that would be a Transferred Contract or Transferred Contract Interest (in each case, with expenditures in an aggregate amount that exceeds $2,700,000) if in effect on the Closing Date;

(ix) enter into any Transferred Contract or Transferred Contract Interest that would restrain, restrict, limit or impede in any material respect the ability of Buyer or any of its Affiliates to compete with or conduct any business or line of business in any geographic area or solicit the employment of any persons after the Closing;

(x) enter into any contract, understanding, or commitment to (A) sell or lease any part of any Owned Property, Well Fields Property, or Leased Real Property, (B) lease or license any portion of any Owned Property, Well Fields Property, or Leased Real Property, or (C) terminate or modify any of the Leases or Real Property Leases (other than nonmaterial amendments thereof or extensions thereof in accordance with the term thereof, or any termination thereof as a result of any default by the non-Seller Party thereunder); or

(xi) agree to do anything prohibited by this Section 5.01.

(d) None of the Seller Parties shall sell, assign, transfer, convey or otherwise dispose of to any Person, or grant any exclusive right or exclusive license to any Person with respect to, any Intellectual Property or Technology if, at the time of such proposed sale, assignment, transfer, conveyance or other disposal, any of the Seller Parties reasonably and in good faith determines that such Intellectual Property or Technology should be licensed to Buyer under the Technology Transfer and Development Agreement without obtaining in a written Contract with such Person the right for the applicable Seller Parties to grant to Buyer and its Affiliates a license with respect to such Intellectual Property or Technology of the scope of the licenses to Seller Background Licensed IP and Technology set forth in the applicable Ancillary Agreements. Notwithstanding any confidentiality restrictions in the Ancillary Agreements, Seller and Buyer agree that the Seller Parties may disclose to any such Person a mutually agreed redacted version

of the Technology Transfer and Development Agreement and/or the Technology License Agreement, solely in conjunction with Seller Parties' obligations under this Section 5.01(d); provided that, prior to providing any such Person with the redacted version of the relevant agreement, such Person enters into, and remains subject to, a binding confidentiality agreement with Seller with confidentiality terms (restricting disclosure by such Person of the relevant redacted agreement and the matters related thereto) no less restrictive than those set forth in the Confidentiality Agreement.

Section 5.02. Access.

(a) From the date of this Agreement until the Closing (or until earlier termination of this Agreement), upon reasonable prior notice, and except as determined by Seller's counsel to be necessary to (i) ensure compliance with any applicable Laws or (ii) prevent elimination of any applicable privileges (including the attorney client privilege) or violation of any contractual confidentiality obligations (in which case the parties will use commercially reasonable efforts to obtain consent allowing the disclosure of such information from the counterparty to which such contractual confidentiality obligation is owed), Seller shall, and shall cause the other Seller Parties to, furnish to the Representatives of Buyer (A) such additional financial and operating data and other information regarding the Transferred Assets and (B) such employees and representatives of the Seller Parties who have knowledge of the ownership and operation of the Transferred Assets, in each case as Buyer may from time to time reasonably request for purposes of preparing to own and operate the Transferred Assets following the Closing (including for purposes of preparing the Allocation pursuant to Section 2.14); provided, however, that such request shall not require the Seller Parties to take any action that unreasonably interferes with the business or operations of the Seller Parties and their Affiliates and shall not include any intrusive environmental sampling or investigations; and provided further, however, that the auditors and accountants of the Seller Parties shall not be obliged to make any work papers available to any Person except in accordance with such auditors' and accountants' normal disclosure procedures and then only after such Person has signed a customary agreement relating to such access to work papers in form and substance reasonably acceptable to such auditors or accountants. If reasonably requested by Seller or any of its Affiliates, Buyer shall enter into a customary and mutually acceptable joint defense and/or confidentiality agreements with Seller or such Affiliates with respect to any information to be provided to Buyer pursuant to this Section 5.02(a). Notwithstanding anything to the contrary contained herein, prior to the Closing, without the prior written consent of Seller, neither Buyer nor any of its Representatives shall contact any suppliers or customers of any of the Seller Parties other than in the ordinary course of business unrelated to the transactions contemplated hereby and on a basis consistent with past practice; provided, however, that (1) in no way shall this Section 5.02(a) limit, restrict or prevent Buyer or any of its Affiliates from contacting any of its existing suppliers or customers unrelated to the transactions contemplated hereby and (2) upon a reasonable request from Buyer from time to time after January 1, 2022, subject to any contractual or legal limitations or restrictions applicable thereto, Seller shall cooperate in good faith with Buyer to facilitate discussions between Buyer and any suppliers of any of the Seller Parties related to the Transferred Assets, for purposes of Buyer's preparation to own and operate the Transferred Assets following the Closing.

(b) In addition to the provisions of Section 5.03, from and after the Closing Date, upon reasonable prior notice, and except with respect to Documents that are in the Seller Parties'

possession pursuant to Section 5.03 and except as determined by Buyer's counsel to be necessary to (i) ensure compliance with any applicable Laws or (ii) prevent elimination of any applicable privileges (including the attorney client privilege) or violation of any contractual confidentiality obligations (in which case the parties will use commercially reasonable efforts to obtain consent allowing the disclosure of such information from the counterparty to which such contractual confidentiality obligation is owed), Buyer shall, and shall cause its Affiliates and Representatives to (A) afford the Representatives of Seller and its Affiliates reasonable access, during normal business hours, to their properties, electronically stored data and information, and books and records in respect of the Transferred Assets and Assumed Liabilities, and permit copies of such materials to be made solely for use in connection with the reasonable business purposes described in this paragraph, (B) furnish to the Representatives of Seller and its Affiliates such additional financial and other information regarding the Transferred Assets and Assumed Liabilities as Seller and its Affiliates may from time to time reasonably request and (C) make available to Seller and its Affiliates those employees whose assistance, expertise, testimony, notes and recollections or presence may be necessary to assist Seller and its Affiliates in connection with their inquiries for any reasonable business purpose referred to above; provided, however, that such investigation shall not unreasonably interfere with the business or operations of Buyer or any of its Affiliates and shall not include any intrusive environmental sampling or investigations; and provided further, however, that the auditors and accountants of the parties hereto shall not be obligated to make any work papers available to any Person except in accordance with such auditors' and accountants' normal disclosure procedures and then only after such Person has signed a customary agreement relating to such access to work papers in form and substance reasonably acceptable to such auditors or accountants. If reasonably requested by a Buyer, Seller or its Affiliate seeking information or access shall enter into a customary and mutually acceptable joint defense agreement and/or confidentiality agreements with respect to any information to be provided to Seller pursuant to this Section 5.02(b).

(c) Notwithstanding anything in Section 5.02(a) or Section 5.03 to the contrary, but except as expressly provided in this Agreement or the Ancillary Agreements, the Seller Parties shall not be required, prior to the Closing, and Buyer shall not be required, following the Closing, to disclose, cause or seek to cause the disclosure to any Person (or to provide access to any properties, books or records that would reasonably be expected to result in the disclosure to any Person) of any Trade Secrets, proprietary know how or processes, Patent, Mark or Copyright applications, product development information, or pricing or marketing plans, nor shall the Seller Parties, prior to the Closing, or Buyer, following the Closing, be required to permit, cause or seek to cause others to permit any Person to have access to, or to copy or remove from the properties of the Seller Parties, any documents, drawings, information or other materials that might reveal any such information.

(d) General Premises Access Conditions.

(i) From the date hereof until the Closing Date, while on Seller premises, Buyer shall ensure that its personnel and contractors ("Personnel") at all times comply with all applicable Laws. From and after the Closing Date, while on Buyer premises, Seller shall ensure that its Personnel at all times comply with all applicable Laws.

(ii) From the date hereof until the Closing Date, while on Seller premises, each Buyer Personnel will comply with all applicable Seller environmental, health, safety, and security (including electronic information security) policies, procedures, and programs (but solely to the extent Seller has previously provided such policies, procedures, and programs to Buyer), including specified mandatory Seller contractor training. Buyer is responsible for ensuring that its Personnel understand and comply with all applicable Seller policies, procedures, and programs, including those in the then current version of Seller's "Environmental, Health & Safety Handbook for Contractors". From and after the Closing Date, while on Buyer premises, each Seller Personnel will comply with all applicable Buyer environmental, health, safety, and security (including electronic information security) policies, procedures, and programs (but solely to the extent Buyer has previously provided such policies, procedures, and programs to Seller), including specified mandatory Buyer contractor training. Seller is responsible for ensuring that its Personnel understand and comply with all applicable Buyer policies, procedures, and programs.

(iii) From the date hereof until the Closing Date, when performing work on Seller premises, Buyer and its Personnel will cooperate with Seller so as to minimize any potential interference with Seller operations or other activities, especially those to protect the safety and health of the parties' employees, agents, and visitors, and to safeguard property. From and after the Closing Date, when performing work on Buyer premises, Seller and its Personnel will cooperate with Buyer so as to minimize any potential interference with Buyer operations or other activities, especially those to protect the safety and health of the parties' employees, agents, and visitors, and to safeguard property.

(iv) Any failure by Buyer Personnel to comply with the requirements of this Section 5.02(d) may result in denial of access for such Buyer Personnel. Any failure by Seller Personnel to comply with the requirements of this Section 5.02(d) may result in denial of access for such Seller Personnel.

(e) Specific Access Conditions for Assigned Representatives.

(i) From the date hereof until the Closing Date, Buyer may assign contractor(s) and personnel to work at the EFK Facility to support the work performed under the Transaction Agreements ("Assigned Representatives"), according to Seller's reasonable notification and registration process.

(ii) Buyer is responsible for the selection of its Assigned Representatives, who shall not, for any purpose, be considered employees or agents of Seller. Buyer is responsible for the supervision, direction and control, payment of salary (including withholding of taxes), travel and living expenses (if any), workers' compensation insurance, disability benefits and the like of its Assigned Representatives. Buyer may reassign any of its Assigned Representatives as it deems necessary with a written notice to Seller. Access to the EFK Facility by any Assigned Representative may be revoked only by the determination of the Steering Committee.

(iii) From the date hereof until the Closing Date, Seller will reasonably provide Assigned Representatives with (A) access to and office space in the EFK Facility and (B) related amenities (*e.g.*, phone, wireless access, parking, cafeteria access), in each case on terms that are comparable to the access, office space and amenities Seller provides to its Tier-1 customers, taking into account Seller's space constraints and needs for its regular workforce.

(iv) Assigned Representatives will be deemed Buyer Personnel for purposes of Section 5.02(c).

Section 5.03. Records Preservation. Subject to the requirements of this Section 5.03, each of the Seller Parties shall have the right to retain copies of all Documents relating to periods ending on or prior to the Closing Date (a) relating to information (including employment and medical records) regarding the Business Employees, (b) as may be required by any Governmental Authority, including pursuant to any applicable Law or regulatory request or (c) as may be necessary for any of the Seller Parties to perform their respective obligations pursuant to any Transaction Agreement, in each case subject to compliance with all applicable privacy Laws. The parties hereto shall preserve and keep, or cause to be preserved and kept, all original Documents and any copies thereof in their possession for the longer of (i) any applicable statute of limitations and (ii) a period of six (6) years from the Closing Date; provided, however, that any electronic mail shall be required to be preserved and kept only for a period of three (3) years (the "Retention Period"). During such applicable Retention Period, (A) Representatives of Seller, Buyer and their respective Affiliates shall, upon reasonable notice and for any reasonable business purpose, have access during normal business hours to examine, inspect and copy such Documents and (B) the parties hereto shall provide, or cause to be provided, to the other parties hereto and their respective Affiliates, access to such Documents as such other parties hereto or their respective Affiliates shall reasonably request in connection with any Action to which such other parties hereto or any of their respective Affiliates are parties or in connection with the requirements of any Law applicable to such other parties hereto or any of their respective Affiliates, in each case except as determined in good faith to be necessary to (1) ensure compliance with any applicable Law, (2) preserve any applicable privilege (including the attorney-client privilege), (3) comply with any contractual confidentiality obligations, or (4) restrict or prohibit access to Confidential Information (in the good faith judgment of the party claiming such exception).

Section 5.04. Confidentiality.

(a) The terms of the letter agreement dated August 30, 2018 (the "Confidentiality Agreement") between Seller and Buyer are incorporated into this Agreement by reference and shall continue in full force and effect (and the confidentiality obligations thereunder shall be binding upon Buyer and its Affiliates and Representatives as if parties thereto) until the Closing, at which time the confidentiality obligations under the Confidentiality Agreement shall terminate. If, for any reason, the Closing does not occur, the Confidentiality Agreement shall continue in full force and effect in accordance with its terms.

(b) For a period of five (5) years from the Closing Date, Seller shall, and shall cause the Seller Parties to, hold in strict confidence and not disclose or release without the prior written

consent of Buyer, any and all Confidential Information; provided that each of the Seller Parties may disclose, or may permit disclosure of, Confidential Information (i) to its Representatives who have a need to know such information and are bound by fiduciary, contractual or legal obligation to hold such information confidential to the same extent as is applicable to the parties hereto (it being understood that Seller shall be responsible for the failure to comply with such obligations by such Representatives, or (ii) if Seller or any of the other Seller Parties, or any of their respective Representatives is compelled (whether by deposition, interrogatory, request for documents, subpoena, civil investigation, demand, order or other legal process) or otherwise required by Law to disclose any such Confidential Information. In the event that any demand or request for disclosure of Confidential Information is made pursuant to clause (ii) above, Seller or the other Seller Parties, as applicable, shall (x) as promptly as practicable notify Buyer of the existence of such request or demand and, if not otherwise prevented by Law, the disclosure that is expected to be made in respect thereto so that Buyer may, at its expense, seek a protective order or other appropriate assurance that confidential treatment will be afforded to the Confidential Information and/or waive compliance with the provisions of this Section 5.04(b), and (y) if requested by Buyer, cooperate with Buyer (at Buyer's expense) in seeking a protective order or other appropriate assurance that confidential treatment will be afforded to the Confidential Information in respect to such request or demand. If such a protective order or other remedy or the receipt of a waiver by Buyer is not obtained and Seller, any of the other Seller Parties or any of their respective Representatives is required by such Law to disclose any Confidential Information, Seller, such other Seller Parties, or such Representative may disclose only that portion of the Confidential Information which is required to be disclosed.

(c) As used in this Agreement, "Confidential Information" shall mean all proprietary, technical, economic, environmental, operational or financial information or material, data, reports and interpretations related to the Transferred Assets and Assumed Liabilities, including pursuant to any provision of any Transaction Agreement; except the term "Confidential Information" does not include any information which (i) at the time of disclosure is generally available to and known by the public (other than as a result of a disclosure by any of the Seller Parties in breach of the Confidentiality Agreement or this Section 5.04), or (ii) becomes available after the Closing Date to any Seller Party or any of their respective Representatives on a non-confidential basis from a source other than Buyer which is not subject to any contractual, legal or fiduciary obligation of confidentiality to Buyer. Notwithstanding the foregoing, nothing herein shall prevent the Seller Parties from disclosing or using information of the Seller Parties that is not related to the Transferred Assets or the Assumed Liabilities.

Section 5.05. Regulatory and Other Authorizations; Consents.

(a) Subject to the terms and conditions herein provided, each of Buyer and Seller shall use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to consummate and make effective the transactions contemplated by this Agreement as promptly as practicable, and in any case, prior to the End Date (including the satisfaction, but not waiver, of the conditions precedent set forth in Article IX). Each of Buyer and Seller shall use reasonable best efforts to obtain consents of all Governmental Authorities necessary to consummate the transactions contemplated by this Agreement. Each party hereto shall make an appropriate filing, if necessary, pursuant to the HSR Act with respect to the transactions contemplated by this Agreement by May 1, 2022, and shall supply as

promptly as practicable to the appropriate Governmental Authorities any additional information and documentary material that may be requested pursuant to the HSR Act. Without limiting the foregoing, neither Buyer nor Seller, nor any of their respective Affiliates, shall extend any waiting period or comparable period under the HSR Act or enter into any agreement with any Governmental Authority not to consummate the transactions contemplated hereby, except with the prior written consent of the other party hereto. The filing fees incurred in connection with the HSR Act shall be borne equally by Buyer and Seller, with each party paying fifty percent (50%) of the applicable fee.

(b) To the extent permitted by applicable Law or applicable Governmental Authority or the terms of any applicable agreement with a Governmental Authority, each party to this Agreement shall promptly notify the other party hereto of any significant written communication it receives from any Governmental Authority relating to the consummation of the transactions contemplated by this Agreement, permit the other party hereto to review in advance any significant written communication proposed to be made by such party (or its advisors) to any Governmental Authority and provide the other party hereto with copies of all significant correspondence or other significant written communications between it or any of its Representatives, on the one hand, and any Governmental Authority or members of its staff, on the other hand, in each case, to the extent relating to the consummation of the transactions contemplated by this Agreement, subject to the Confidentiality Agreement. No party to this Agreement shall agree to participate in any meeting or discussion with any Governmental Authority in respect of any such filings, investigation or other inquiry unless, to the extent reasonably practicable, it consults with the other party hereto in advance and, to the extent reasonably practicable and permitted by such Governmental Authority, gives the other party hereto the opportunity to attend and participate at such meeting. Subject to the Confidentiality Agreement, the parties to this Agreement will coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other party hereto may reasonably request in connection with the foregoing and in seeking early termination of any applicable waiting periods under any Law in any relevant jurisdiction).

(c) In the event any claim, action, suit, investigation or other proceeding by any Governmental Authority or other Person is commenced which questions the validity or legality of the transactions contemplated hereby or seeks damages in connection therewith, the parties hereto agree, subject to the limitations set forth in Section 5.05(d), to cooperate and use reasonable best efforts to defend against such claim, action, suit, investigation or other proceeding and, if any decree, judgment, injunction or other order is issued in any such action, suit or other proceeding, to use best efforts to have such injunction or other order vacated, lifted, reversed or overturned and to cooperate reasonably regarding any other impediment to the consummation of the transactions contemplated hereby.

(d) Notwithstanding anything in this Agreement to the contrary, it is expressly understood and agreed that (i) Buyer shall be under no obligation to make proposals, execute or carry out agreements or submit to orders providing for a Divestiture and (ii) Seller and its Affiliates may not conduct or agree to conduct a Divestiture without the prior written consent of Buyer. "Divestiture" shall mean (A) the sale, license or other disposition or holding separate (through the establishment of a trust or otherwise) of any assets or categories of assets of Buyer, Seller, or any of their respective Affiliates, (B) the imposition of any limitation or restriction on

the ability of Buyer or any of its Affiliates to freely conduct their business or control the assets acquired from Seller, (C) the holding separate of any of Seller assets or any limitation or regulation on the ability of Buyer or any of its Affiliates to exercise full rights of ownership of the assets acquired from Seller, or (D) the making of any payment or commercial concession to any third party as a condition to obtaining a required consent of any third party in connection with the Agreement.

(e) Notwithstanding anything in this Agreement to the contrary, Buyer acknowledges on behalf of itself and its Affiliates and its and their Affiliates and Representatives, successors and assigns (Buyer and such Persons, the "Buyer Parties") that the operation of the EFK Facility shall remain in the dominion and control of the Seller Parties until the Closing and that none of the Buyer Parties will provide, directly or indirectly, any directions or orders to any director, officer or employee of any Seller Party, except as specifically contemplated by the Transaction Agreements.

(f) From the date of this Agreement until the Closing (or until earlier termination of this Agreement), Seller shall notify Buyer promptly of any notice or other communication received from any Governmental Authority regarding the HSR filing in connection with the Transactions.

Section 5.06. Third Party Consents. Each of Buyer and Seller agrees to cooperate to obtain any consents and approvals from, and provide any notices to, any Person other than a Governmental Authority that may be required in connection with the transactions contemplated by the Transaction Agreements (the "Third Party Consents"). Notwithstanding anything in this Agreement to the contrary, neither Seller nor any of its Affiliates shall be required to compensate any third party, commence or participate in any Action or offer or grant any accommodation (financial or otherwise, including any accommodation or arrangement to remain secondarily liable or contingently liable for any Assumed Liability) to any third party to obtain any such Third Party Consent.

Section 5.07. Notifications. From the date of this Agreement until the Closing (or until earlier termination of this Agreement) (a) each Party shall notify the other Party as promptly as practicable of (i) any written notice (or, in the case of Seller, to the Knowledge of Seller, any other notice) received from any Person alleging that the consent or approval of such Person is or may be required in connection with the Transactions or (ii) any event, condition, fact or circumstance that would materially prevent the timely satisfaction of any of the conditions set forth in Article IX and (b) Seller shall notify Buyer as promptly as practicable of (i) any material Action commenced or, to the Knowledge of Seller, threatened relating to, involving or affecting, any of the Transferred Assets, or that otherwise relates to the consummation of the Transactions; or (ii) any written notice (or, to the Knowledge of Seller, other notice) received from any supplier listed on Section 3.19 of the Seller Disclosure Letter that it intends to terminate or request a major renegotiation of the terms of the relationship with any of the Seller Parties in respect of the EFK Facility.

ARTICLE VI

ADDITIONAL AGREEMENTS

Section 6.01. Rights to Seller Marks.

(a) Except as expressly permitted in this Section 6.01, immediately following the Closing, Buyer and its Affiliates shall make no use of any of the Seller Marks, including in connection with the ownership or operation of the Transferred Assets. Buyer, on behalf of itself and its Affiliates, acknowledges and agrees that neither Buyer nor any of its Affiliates shall have any rights in any of the Seller Marks. Buyer, on behalf of itself and its Affiliates, acknowledges and agrees that immediately following the Closing, Buyer and its Affiliates shall cease all use of the Seller Marks. For the avoidance of doubt, and subject to this Section 6.01, this Section 6.01(a) shall not preclude the use by Buyer or any of its Affiliates of any Seller Marks or legacy references to a Seller Party or any of its Affiliates as and to the extent such Seller Marks or legacy references are included in any Process Design Kit or other Seller Licensed IP and Technology when delivered by Seller or any of its Affiliates to Buyer or any of its Affiliates for a reasonable transition period not to exceed one hundred and eighty (180) days after the Closing solely in connection with the authorized use of such Process Design Kit or Seller Licensed IP and Technology under the Technology License Agreement.

(b) Buyer shall not, and shall cause each of its Affiliates not to, use any of the Seller Marks, either alone or in combination with any other Marks or Internet domain names, in each case, owned by Seller or any of its Affiliates or any other source identifiers confusingly similar to or embodying any of the foregoing. Buyer agrees that nothing in this Section 6.01 restricts or limits any use, licensing, disposition or abandonment of any of the Seller Marks by Seller or any of its Affiliates. All goodwill associated with any use of any of the Seller Marks will inure solely to the benefit of Seller and its Affiliates.

Section 6.02. Further Assurances. The parties hereto shall, at no further consideration, execute, or cause to be executed, such further documents, and perform, or cause to be performed, such further acts, as may be necessary or appropriate, or as either Seller or Buyer may reasonably request, (a) to transfer and convey each and all of the Transferred Assets (including, for the avoidance of doubt, all Documents) to Buyer, on and subject to the terms contained herein, (b) to enter into the Seller Lease and Related Sale Lease, and (c) to otherwise comply with the terms of this Agreement and to consummate, effect, record and implement the transactions contemplated hereby, including, in the case of each party hereto, executing and delivering such assignments, consents, and other documents or instruments as either party may reasonably request as necessary or desirable for such purpose. Seller shall cause, and shall be responsible for, the performance by each of the Seller Parties of their respective obligations hereunder and the compliance by each of the Seller Parties with the terms hereof. Buyer shall cause, and shall be responsible for, the performance by each of its Affiliates of their respective obligations hereunder and the compliance by each of its Affiliates with the terms hereof. Each of Seller and Buyer agrees that it shall not take (and shall cause each of its Affiliates to not take) any action with the intention of, or with the knowledge that such action will have the effect of, avoiding, inhibiting or impairing any of its obligations hereunder (or the other party's ability to enforce such obligations).

Section 6.03. Exclusivity.

(a) From the date of this Agreement until the Closing (or until earlier termination of this Agreement), Seller shall not (and shall cause its Representatives not to), directly or indirectly, (i) solicit, initiate, seek, knowingly encourage or facilitate, or induce the making, submission or announcement by any Person of any inquiry, expression of interest, proposal or offer that constitutes, or could reasonably be expected to lead to, an Alternative Proposal (as defined below), (ii) enter into, participate in, maintain or continue any communications (except solely to provide written notice as to the existence of these exclusivity provisions) or negotiations regarding, or deliver or make available to any Person any information with respect to, any inquiry, expression of interest, proposal or offer that constitutes, or could reasonably be expected to lead to, an Alternative Proposal, (iii) agree to, accept or approve any Alternative Proposal, or (iv) enter into any letter of intent or any other contract contemplating or otherwise relating to any Alternative Proposal. "Alternative Proposal" means any agreement, offer, proposal or indication of interest relating to, or involving: (A) a transaction or series of transactions whereby any Person (other than Buyer) proposes to acquire the EFK Facility (whether by merger, reorganization, consolidation, recapitalization, business combination, liquidation, dissolution, share exchange, sale of stock, license, disposition or sale of assets); (B) the issuance, grant, disposition or acquisition of any security, instrument, obligation, right of first refusal, right of first offer, pre-emptive right or similar obligation that is or may become convertible into, exchangeable or exercisable for or with respect to the EFK Facility; or (C) any other transaction the consummation of which would reasonably be expected to frustrate the purpose of, materially impede or prevent any of the Transactions.

(b) Seller shall promptly notify Buyer in writing after receipt by Seller or, to the knowledge of such party, any of its Representatives, of: (i) any Alternative Proposal; (ii) any inquiry, expression of interest, proposal or offer that constitutes, or would reasonably be expected to lead to, an Alternative Proposal; or (iii) any other notice that any Person is considering making an Alternative Proposal. Such notice shall describe the material terms of such Alternative Proposal, inquiry, expression of interest, proposal, offer, notice or request. Seller shall keep Buyer reasonably informed of the status and details of, and any material modification to, any such Alternative Proposal, inquiry, expression of interest, proposal or offer and any correspondence or communications related thereto, if it is in writing, or a reasonable written summary thereof, if it is not in writing.

Section 6.04. New York State Incentives. From the date of this Agreement until the Closing Date, the Seller Parties shall use commercially reasonable efforts to assist and cooperate with the Buyer Parties in obtaining from the State of New York any combination of funding, investments, incentives, tax benefits, payments or other consideration (whether cash or in-kind) in connection with the Transactions as expressly described and set forth in the letter, attached as Exhibit F hereto (the "NYS Incentives"). As permitted by applicable Law and the applicable Governmental Authority, Seller shall promptly inform Buyer of any formal communications with any Governmental Authority that is primarily in connection with the grant of the NYS Incentives contemplated by this Section 6.04. Seller shall not independently participate in any formal meeting with any Governmental Authority that is primarily in respect of the NYS Incentives without giving Buyer prior notice of the meeting and, to the extent permitted by such Governmental Authority, the opportunity to attend and/or participate therein; provided that, the

foregoing shall not prohibit Seller from responding to incidental inquiries made by a Governmental Authority during meetings with such Governmental Authority in connection with matters unrelated to the NYS Incentives. Subject to applicable Law, Seller shall consult and use commercially reasonable efforts to cooperate with Buyer in connection with the matters described in this Section 6.04, including in connection with any analyses, appearances, presentations, memoranda, arguments, opinions and proposals made or submitted by or on behalf of either party to any Governmental Authority in connection with the NYS Incentives.

Section 6.05. Settlement of Claims. Seller shall use commercially reasonable efforts to settle any claim or demand made by any third Person between the date of this Agreement and the Closing that would have a material and adverse impact (or if such third Person is a "non-practicing entity", any adverse impact) on Buyer's ability, following the Closing, to (i) use, practice, perform and otherwise exploit the Seller Licensed IP and Technology in accordance with the terms of the Technology License Agreement or (ii) provide the services and deliverables to be provided by Buyer under the Technology Transfer and Development Agreement and the Foundry Transition Services Agreement, including any such claim or demand: (A) alleging any (1) Seller Licensed IP and Technology or (2) Seller Background Licensed IP and Technology that, as of the date of such claim or demand, is contained or embodied in the Developed Processes (as defined in the Technology Transfer and Development Agreement) (such Seller Background Licensed IP and Technology, the "Seller Identified Background IP and Technology") infringes, misappropriates (or constitutes or results from the misappropriation of), constitutes unauthorized use or unauthorized disclosure of, or otherwise violates any Intellectual Property of such third Person; or (B) claiming any interest in, to, or under any Seller Licensed IP and Technology and Technology or Seller Identified Background IP and Technology, or asking or inviting any of the Seller Parties to enter into or to pay for any Intellectual Property license under the Intellectual Property of such third Person with respect to any Seller Licensed IP and Technology or Seller Identified Background IP and Technology (any such claim, a "Adverse Impact Claim"). Seller shall promptly notify Buyer in writing following Seller's determination that such an Adverse Impact Claim exists and use commercially reasonable efforts to settle all such claims and demands in the manner that Seller would have settled such claim or demand if the Seller Parties were to continue operating the EFK Facility following Closing, including to (x) use, practice, perform and otherwise exploit the Seller Licensed IP and Technology and (y) provide the services and deliverables to Buyer under the Technology Transfer and Development Agreement and the Foundry Transition Services Agreement, in each case in the manner in which the Seller Parties have operated the EFK Facility during the twelve (12) months prior to the date of this Agreement through the date such claim or demand was made, and without giving any consideration to the Transactions or any other plan to cease operation of the EFK Facility. To the extent the transfer of the benefits of such settlement (including any license or other right granted to any Seller Party with respect to any third party Intellectual Property or Technology) to Buyer or Buyer's activities following the Closing would require payment of any amounts to such third Person, (1) Seller shall notify Buyer in writing of the amount of such payment and provide information and other documentation in reasonable detail supporting the amount of such payment, (2) for a period of ten (10) business days following such notification, Buyer shall have the option to pay such amount for the transfer of such benefits to Buyer and (3) if Buyer does not notify Seller in writing that it elects to exercise such option within such period of ten (10) business days, Seller shall not be obligated to transfer any such benefits of such settlement to Buyer as set forth above in this Section 6.05.

Section 6.06. Third-Party Intellectual Property and Technology. Seller and Buyer shall use commercially reasonable efforts to work together in good faith to identify all non-Patent third-party Intellectual Property and Technology (including all non-Patent Transferred Third Party IP and Technology) that, to the Knowledge of Seller, are necessary and sufficient to enable Buyer to (a) operate the EFK Facility in the manner operated by the Seller Parties in the six (6)-month period immediately prior to the Closing, and (b) use, practice, perform and otherwise exploit the processes developed under the Technology Transfer and Development Agreement, and provide the services and deliverables to be provided by Buyer under the Technology Transfer and Development Agreement and the Foundry Transition Services Agreement, in each case in the manner used, practiced, performed, otherwise exploited, or provided by the Seller Parties in the six (6)-month period immediately prior to the Closing (the "Closing Third Party IP and Technology") and such third-party Intellectual Property and Technology shall not include intellectual property and technology used in manufacturing Seller Parties' products that will not be manufactured by Buyer after the Closing Date.

Section 6.07. Total Loss Event.

(a) If, prior to the Closing, there is an event or occurrence that, individually or in the aggregate with other circumstances, matters, events or occurrences, would reasonably be expected to result in more than fifty percent (50%) of the total installed manufacturing capacity at the EFK Facility becoming inoperable for a period of six (6) consecutive months (a "Total Loss Event"), and such Total Loss Event would reasonably be expected to be capable of being cured within eighteen (18) months after such Total Loss Event (the "Maximum Cure Period") but prior to June 30, 2024, Seller and Seller Insurance Affiliate shall use their respective commercially reasonable efforts to cure such Total Loss Event (including Seller and Seller Insurance Affiliate (i) making claims upon all their respective property and casualty insurance policies that may cover losses in respect of such Total Loss Event (the "Total Loss Event Policies"), (ii) utilizing insurance proceeds received or receivable by Seller and Seller Insurance Affiliate with respect to the Total Loss Event Policies equal to at least the lesser of (A) the amount required to cure such Total Loss Event and (B) $750,000,000 (such amount, plus the aggregate amount of any deductible or retention payments payable under the Total Loss Event Policies, the "Total Loss Event Cap"), and (iii) paying all deductibles and retention payments under the Total Loss Event Policies in respect of such Total Loss Event). To the extent that the Total Loss Event Cap is not sufficient to cure the Total Loss Event, Buyer may, in its sole discretion (x) terminate this Agreement in accordance with Section 10.01(d)(ii) or (y) agree to pay the difference in excess of the Total Loss Event Cap to cure such Total Loss Event. Each of Seller and Seller Insurance Affiliate shall maintain all its insurance policies covering the EFK Facility and assets and properties related thereto in existence on the date hereof, in each case with terms no less favorable than those in existence on the date hereof and without (w) change in beneficiary, (x) lapse in coverage or (y) material increase in required deductibles or retention payments. Buyer shall maintain insurance policies adequate to cover losses related to the Consigned Tools (as such term is defined in the FTSA Attachment No.1) and shall apply any proceeds from such policies received in connection with any Total Loss Event to mitigate such losses; provided that such application of proceeds shall not be required (I) in the event that Seller or Seller Insurance Affiliate is in breach of this Section 6.07 or (II) if Buyer terminates this Agreement pursuant to Section 10.01(d)(ii).

(b) Seller and Buyer shall use good faith efforts to cooperate (including through the Steering Committee discussions) to minimize disruption in the performance of any of their respective obligations under the Transaction Agreements, including, as applicable, by reasonably cooperating to perform certain activities under the Ancillary Agreements at another facility of Seller or its Affiliates. For all purposes of this Agreement, any Total Loss Event shall be deemed cured if (and only if) (a) the EFK Facility (including any Consigned Tools) is restored in full to its total installed manufacturing capacity as existing prior to such Total Loss Event and (b) the parties are capable of resuming the performance under each of the Ancillary Agreements as contemplated thereby without undue disruption.

Section 6.08. Environmental Matters.

(a) Buyer acknowledges that Blue is responsible for the Blue Remediation and that Blue has certain rights to access the EFK Facility as set forth in that certain Declaration of Restrictions, Easements and Covenants made by Blue, dated June 17, 2015 (the "Blue Declaration"), to perform, manage and control the Blue Remediation and certain other work as set forth more fully therein, and that Buyer has been provided with a copy of the Blue Declaration. At or promptly after the Closing, Buyer and Seller shall cooperate to amend the Blue Declaration to reflect that Buyer is the owner of the EFK Facility.

(b) In the event Buyer identifies any environmental conditions other than the Blue Remediation requiring Remedial Action for which any Buyer Indemnified Party is entitled to indemnification pursuant to Section 11.02 of this Agreement, Seller shall have the right to manage and control (or use commercially reasonable efforts to make Blue or any other responsible party assume liability for, and manage and control) and, if so managed and controlled, shall diligently perform (or use commercially reasonable efforts to make Blue or any other responsible party to assume liability for and perform), such Remedial Actions reasonably necessary to obtain No Further Action Status. Such Remedial Actions shall not unreasonably interfere with Buyer's operations at the Owned Properties or Well Fields Properties (as operated on the date such Remedial Actions are initiated or installed; provided, however, that if operations at the Owned Properties or Well Fields Properties subsequently change and require a reasonable change in the design or performance of such Remedial Actions, and such modification is approved, to the extent required, by the relevant Governmental Authority, Buyer and Seller shall cooperate to modify the design or performance of such Remedial Actions, to the extent reasonably feasible, at Buyer's sole cost and expense). In the event Buyer or a future owner or operator of all or part of the Owned Properties or Well Fields Properties seeks to undertake a construction project or redevelopment or all or part of the Owned Properties or Well Fields Properties, (i) Seller and Buyer shall cooperate in all reasonable respects to minimize any interference with such activities, and (ii) notwithstanding any provisions of this Agreement to the contrary, Seller shall have no obligation under this Agreement to perform, fund or indemnify any Buyer Indemnified Party for the imposition of more restrictive Remedial Action requirements resulting from or necessitated by such construction or redevelopment. Buyer shall provide Seller, Blue or any other responsible party, and their respective employees, agents, consultants or contractors, with reasonable access to the Owned Properties and Well Fields Properties that may be reasonably necessary in connection with such Remedial Action undertaken by Seller, Blue or any other responsible party, including access provided for pursuant to the Blue Declaration. Seller shall provide Buyer with reasonable access to information concerning Seller's Remedial

Action or information Seller receives from Blue or another responsible party related to any Remedial Action undertaken by Blue or such other responsible party. Seller shall use commercially reasonable efforts to provide Buyer with an opportunity to review and comment on any document or agreement that binds Buyer to additional material restrictions and limitations on the use of any Owned Properties or Well Fields Properties, and incorporate therein any comments to which Buyer and Seller (and, if applicable, Blue or another responsible party) shall reasonably agree. Any Remedial Action performed by Seller shall be, and Seller shall use commercially reasonable efforts to provide that any Remedial Action performed by Blue or another responsible party is, performed by licensed environmental consultants with customary levels of insurance. Upon obtaining No Further Action Status, Seller and its consultants shall, or Seller shall use commercially reasonable efforts to compel Blue or another responsible party to, close in place or remove all sampling and monitoring wells and other equipment associated with, and all wastes generated by, such Remedial Action in accordance with applicable Laws. Buyer and Seller acknowledge that the performance of Remedial Actions at the Owned Properties and Well Fields Properties may continue for several years and agree to cooperate to minimize disruption to, or interference with, Buyer's operations and Seller's, Blue's or any other responsible party's Remedial Actions for the duration of the performance of such Remedial Actions.

(c) In the event Buyer identifies any noncompliance with Environmental Law by any Seller Party for which any Buyer Indemnified Party is entitled to indemnification pursuant to Section 11.02 of this Agreement, Seller shall have the right to manage and control and, if so managed and controlled, shall diligently perform, such actions reasonably necessary to resolve such noncompliance. In the event Seller fails to take action to address and resolve such noncompliance issues within sixty (60) days from the date that Buyer notifies Seller of such issues, Buyer shall have the right, but not the obligation, to facilitate resolution of the noncompliance issues using Applicable Remedial Standards at the sole cost and expense of Seller.

ARTICLE VII

EMPLOYEE MATTERS

Section 7.01. Employees and Employee Benefits.

(a) The parties hereto shall: (i) not later than January 1, 2022, commence the discussions and negotiations of an Employee Matters Agreement (the "Employee Matters Agreement") with respect to the transfer of employment of the Business Employees as of the Closing Date and the terms and conditions of such transfer; and (ii) not later than July 1, 2022, enter into the Employee Matters Agreement. The Employee Matters Agreement shall include terms which shall relate to, but shall not be limited to: (A) the Transferred Assets and Excluded Assets with respect to employees and employee benefits, (B) the Excluded Liabilities and Assumed Liabilities with respect to employees and employee benefits, (C) continuation and/or transfer of employment of the Business Employees to Buyer, (D) terms and conditions of employment, (E) participation in retirement plans, (F) participation in health and welfare benefit plan coverage, (G) credit for service earned on or prior to the Closing Date with Seller or its Affiliates to the extent that service is relevant for purposes of eligibility, vesting or the

calculation of benefits under any retirement or other employee benefit plan, (H) waiver of limitations on benefits relating to any pre-existing conditions of the Business Employees and their respective spouses and dependents under health plans of the Seller Parties, (I) severance benefits, and (J) updates to the definitions of "Key Employees" and "Business Employees" (including to any Sections of the Seller Disclosure Letter referenced therein). The parties hereto shall negotiate the terms of the Employee Matters Agreement in good faith, which terms shall be consistent with the understanding of the parties that at least (but no more than, unless otherwise determined by Buyer in its sole discretion) that number of all Business Employees specified in Section 3.11 of the Seller Disclosure Letter under the column heading "Business Employees Target Population" shall be offered employment with Buyer (or an Affiliate of Buyer) with terms and conditions of employment including (x) at least the same level of base salary or wage rate and (y) other compensation and employee benefits that are substantially comparable in the aggregate to the compensation (excluding base salary or wage) and employee benefits, in each case as in effect immediately prior to the Closing Date. From time to time following the Closing, to the extent set forth in the Employee Matters Agreement or as otherwise required by Law, Seller shall, and shall cause its Affiliates to, make available to Buyer or any of its Affiliates, as designated by Buyer, such data in personnel records of Transferred Employees (as defined in the Employee Matters Agreement) as is reasonably necessary for Buyer to transition such Transferred Employees into Buyer's records and in compliance with any applicable Law.

(b) Between the date of this Agreement and July 1, 2022, the Steering Committee shall meet at least annually to discuss and determine in good faith the appropriate updates, if any, to the definitions of "Key Employees" (subject to Buyer's final agreement to any such determination) and other "Business Employees" (as mutually determined by Buyer and Seller) (including to any Sections of the Seller Disclosure Letter referenced therein).

ARTICLE VIII

TAX MATTERS

Section 8.01. Allocation of Taxes. Subject to Section 8.03 below, (i) Seller shall be responsible for all Taxes with respect to the Transferred Assets allocable to any Pre-Closing Tax Period, irrespective of the reporting and payment dates of such Taxes and (ii) Buyer shall be responsible for all Taxes with respect to the Transferred Assets allocable to any taxable period beginning after the Closing Date, irrespective of the reporting and payment dates of such Taxes.

Section 8.02. Transfer Taxes. Notwithstanding anything to the contrary in this Agreement, any Transfer Taxes attributable to the sale or transfer of the Transferred Assets under this Agreement shall be borne equally by Buyer and Seller. The party required by Law to file a Tax Return with respect to such Transfer Taxes shall timely prepare and file such Tax Return with the other parties' commercially reasonable cooperation. Buyer and Seller agree to timely sign and deliver (or to cause to be timely signed and delivered) such certificates or forms as may be necessary or appropriate and otherwise to cooperate in good faith and use commercially reasonable efforts to (i) assist in the preparation and filing of Tax Returns under this Section 8.02, (ii) minimize Transfer Taxes and (iii) establish any available exemption from (or otherwise reduce) such Transfer Taxes. If one party remits to the appropriate Tax Authority payment for Transfer Taxes which are subject to equal proration under this Section 8.02 and such payment includes the other party's share of such Transfer Taxes, such other party shall promptly reimburse the remitting party for such other party's share of such Transfer Taxes.

Section 8.03. Property Taxes. Responsibility for payment of Property Taxes relating to the ownership or operation of the Transferred Assets that are attributable to a Straddle Period shall be allocable to Seller in an amount equal to the amount of such Property Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days during the Straddle Period prior to and including the Closing Date and the denominator of which is the number of days in the entire Straddle Period, and Buyer shall be allocated responsibility for payment of the balance of such Property Taxes attributable to such Straddle Period. To the extent any Taxes that are attributable to a Straddle Period are known as of the Closing, the parties shall prorate such Taxes and allocate responsibility for payment pursuant to this Section 8.03 at the Closing. With respect to Property Taxes described in this Section 8.03, Seller shall timely file (taking into account any extensions) all Tax Returns due before the Closing Date with respect to such Taxes and Buyer shall cause to be prepared and duly filed all Tax Returns due after the Closing Date. If one party remits to the appropriate Tax Authority payment for Taxes which are subject to proration under this Section 8.03 and such payment includes the other party's share of such Taxes, such other party shall promptly reimburse the remitting party for such other party's share of such Taxes. Any credit or refund resulting from an overpayment of Property Taxes that is attributable to a Straddle Period shall be allocated between the parties based on the method employed above under this Section 8.03 to allocate responsibility for payment of the Property Tax which relates to such credit or refund.

Section 8.04. Tax Cooperation. Seller and Buyer shall furnish or cause to be furnished to each other, upon request, as promptly as practicable and at the requesting party's expense, such information and assistance relating to the Transferred Assets, including access to books and records, as is reasonably necessary for the filing of all Tax Returns, the making of any election related to Taxes, the preparation for, or the prosecution or defense of, any Tax audit, in each case in connection with matters relating to or affected by the Transferred Assets and each shall execute and deliver such documents as are necessary to carry out the intent of this Article VIII. Buyer agrees that it shall preserve and keep, or cause to be preserved and kept in a manner consistent with its existing tax document retention policies, all original books and records in respect of the Transferred Assets relating to any Taxes with respect to taxable years or periods (in whole or in part) ending on or before the Closing Date and in the possession of Buyer or its Affiliates. Seller and Buyer shall cooperate with each other in the conduct of any audit or other proceeding related to Taxes and all other Tax matters relating to the Transferred Assets. Any information obtained under this Section 8.04 shall be kept confidential, except (a) as may be otherwise necessary in connection with the filing of Tax Returns, elections, disclosures or claims for refund in connection with an audit or other proceeding, or (b) with the consent of the other party, as applicable.

Section 8.05. Tax Clearance Certificates. At Buyer's request, Seller shall notify all of the Tax Authorities for the jurisdictions set forth on Section 8.05 of the Seller Disclosure Letter of the Transactions in the form and manner required by such Tax Authorities, if the failure to make such notifications or receive any available tax clearance certificate ("Tax Clearance Certificate") could subject Buyer to any Taxes of Seller. Prior to the Closing Date, each of Buyer and Seller shall duly and timely file, or cause its applicable Affiliate to duly and timely file, all Tax Clearance Certificates for which such party is responsible for filing under applicable Law.

Section 8.06. Certain Other Tax Matters. Prior to the Closing Date, Seller and Buyer shall comply with the covenants and agreements set forth on Section 8.06 of the Seller Disclosure Letter.

ARTICLE IX

CONDITIONS TO CLOSING

Section 9.01. Conditions to Each Party's Obligation. The obligations of Buyer and Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, or waiver by Buyer and Seller, each in its sole discretion, at or prior to the Closing, of each of the following conditions:

(a) Governmental Approvals. The applicable filings or approvals under the HSR Act shall have been made or obtained to the extent required by applicable Law, any applicable waiting period under the HSR Act shall have expired or been terminated and any extensions thereof, or any timing agreements, understandings or commitments obtained by request or other action of the U.S. Federal Trade Commission and/or the U.S. Department of Justice, as applicable, shall have expired or been terminated.

(b) No Governmental Order; No Action. There shall be no Governmental Order in existence that prohibits, prevents, makes illegal or otherwise materially impedes (or purports or would reasonably be expected to prohibit, prevent, make illegal or otherwise materially impede) the sale of the Transferred Assets or the assumption of the Assumed Liabilities or the other transactions contemplated by the Transaction Agreements, and there shall be no Action pending by any Governmental Authority or threatened in writing seeking such a Governmental Order.

Section 9.02. Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, or waiver by Seller, in its sole discretion, at or prior to the Closing, of each of the following conditions:

(a) Representations and Warranties; Covenants. (i) Each of the representations and warranties of Buyer contained in Article IV (other than as set forth in clause (ii) of this Section 9.02(a)) shall be true and correct (without giving effect to any materiality, "material impact", "Buyer Material Adverse Effect" or similar qualifiers therein) as of the date of this Agreement and as of the Closing Date as though made on the Closing Date, other than representations and warranties made as of another date, which representations and warranties shall have been true and correct as of such date, in each case except to the extent that any failure to be true and correct would not have a Buyer Material Adverse Effect; (ii) each of the Buyer Fundamental Representations shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as though made on the Closing Date; and (iii) the covenants contained in this Agreement required to be complied with by Buyer on or before the Closing shall have been complied with in all material respects.

(b) Closing Deliveries. Buyer shall have executed and delivered (or caused to be executed and delivered) to Seller the items required under Section 2.10.

Section 9.03. Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, or waiver by Buyer, in its sole discretion, at or prior to the Closing, of each of the following conditions:

(a) Representations and Warranties; Covenants. (i) Each of the representations and warranties of Seller contained in Article III (other than as set forth in clause (ii) of this Section 9.03(a)) shall be true and correct (without giving effect to any materiality, “material impact”, “Material Adverse Effect” or similar qualifiers therein) as of the date of this Agreement and as of the Closing Date as though made on the Closing Date, other than representations and warranties made as of another date, which representations and warranties shall have been true and correct as of such date, in each case except to the extent that any failure to be true and correct would not have a Material Adverse Effect; (ii) each of the Seller Fundamental Representations (other than the representations and warranties set forth in Section 3.13, which shall be subject to clause (i)) shall be true and correct (without giving effect to any materiality or “Material Adverse Effect” qualifiers therein) in all material respects as of the date of this Agreement and as of the Closing Date as though made on the Closing Date, other than representations and warranties made as of another date, which representations and warranties shall have been true and correct as of such date; and (iii) the covenants contained in this Agreement required to be complied with by Seller on or before the Closing shall have been complied with in all material respects.

(b) Closing Deliveries. Seller shall have executed and delivered (or caused to be executed and delivered) to Buyer the items required under Section 2.09.

(c) Material Adverse Effect. Since the date of this Agreement, no Material Adverse Effect shall have occurred.

(d) Employee Transfer. The Required Business Employees shall have countersigned and delivered offer letters delivered by Buyer to such Business Employees prior to the Closing, which shall become effective at the Closing.

(e) Total Loss Event. If there is a Total Loss Event, Seller shall have cured such Total Loss Event pursuant to Section 6.07.

Section 9.04. Frustration of Closing Conditions. Neither Buyer, on the one hand, nor Seller, on the other hand, may rely on the failure of any condition set forth in this Article IX to be satisfied if such failure was caused by such party’s or its respective Affiliates’ failure to act in good faith or to comply with its agreements set forth herein.

ARTICLE X

TERMINATION, AMENDMENT AND WAIVER

Section 10.01. Termination. This Agreement may be terminated prior to the Closing:

(a) by the mutual written consent of Seller and Buyer.

(b) by either Seller or Buyer:

(i) if the Closing shall not have occurred on or before the End Date; provided, however, that such termination right shall not be available to any party hereto whose breach of this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur prior to such date; or

(ii) in the event of the issuance of a final, nonappealable Governmental Order restraining or prohibiting the sale of the Transferred Assets or the consummation of the other transactions contemplated by the Transaction Agreements; provided, however, that the party hereto seeking to terminate this Agreement pursuant to this Section 10.01(b)(ii) shall have used reasonable best efforts to remove such injunction, order or decree.

(c) by Seller, if:

(i) Buyer has not initiated (or caused to be initiated) the deposit on the Purchase Price payable to Seller by Buyer pursuant to Section 2.08(a) within one (1) Business Day of the date hereof, by wire transfer of immediately available funds to the account set forth on Exhibit B hereto;

(ii) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Buyer set forth in this Agreement shall have occurred that would cause a condition set forth in Section 9.02(a) not to be satisfied, and such breach is (A) incapable of being cured or (B) is capable of being cured but is not cured within thirty (30) days after Seller notifies Buyer in writing of the existence of such breach or failure and in any event prior to the Business Day prior to the End Date; provided, however, that Seller shall not have the right to terminate this Agreement pursuant to this Section 10.01(c)(ii) if Seller is then in material breach or material violation of its representations, warranties or covenants contained in this Agreement; or

(iii) all of the conditions set forth in Section 9.01 and Section 9.03 have been satisfied or waived (other than those conditions which by their terms cannot be satisfied until the Closing, but which conditions at the time of termination shall be capable of being satisfied) and Buyer fails to consummate the transactions contemplated hereby within two (2) Business Days following the date on which the Closing should have occurred pursuant to Section 2.07.

(d) by Buyer, if:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Seller set forth in this Agreement shall have occurred that would cause a condition set forth in Section 9.03(a) not to be satisfied, and such breach is (A) incapable of being cured (it being understood and agreed that any breach of Section 6.03(a) (other than a breach solely caused by any Representative (other than a director, officer, employee or controlling person) not authorized to act on behalf of Seller in connection with the matters described in Section 6.03) is a breach that is

incapable of being cured) or (B) is capable of being cured but is not cured within thirty (30) days after Buyer notifies Seller in writing of the existence of such breach or failure and in any event prior to the Business Day prior to the End Date; provided, however, that Buyer shall not have the right to terminate this Agreement pursuant to this Section 10.01(d) if Buyer is then in material breach or material violation of its representations, warranties or covenants contained in this Agreement; or

(ii) there is a Total Loss Event and (A) Buyer and Seller, acting reasonably and in good faith, mutually agree that such Total Loss Event is incapable of being cured, or such Total Loss Event fails to be cured by the end of the Maximum Cure Period or (B) Seller fails to comply in all material respects with Section 6.07(a).

Section 10.02. Notice of Termination. Any party hereto desiring to terminate this Agreement pursuant to Section 10.01 (other than Section 10.01(a)) shall give written notice of such termination to the other party or parties, as the case may be, to this Agreement.

Section 10.03. Effect of Termination.

(a) In the event of the termination of this Agreement as provided in Section 10.01, this Agreement shall forthwith become void and there shall be no liability on the part of any party to this Agreement, except that Section 5.04, this Section 10.03, and Article XII shall survive any such termination in accordance with their terms and shall be enforceable hereunder; provided, however, that in the event of a termination pursuant to Section 10.01 nothing in this Agreement shall relieve Seller or Buyer from liability for any knowing or intentional breach of this Agreement or fraud.

(b) In addition to the effects of termination of this Agreement described in Section 10.03(a), if this Agreement is terminated pursuant to Section 10.01(d)(ii), the Foundry Transition Services Agreement and the Technology Transfer and Development Agreement shall automatically terminate, effective as of the date of the termination of this Agreement.

Section 10.04. Extension; Waiver. Seller, with respect to Buyer, or Buyer, with respect to Seller, may (a) extend the time for the performance of any of the obligations or other acts of the other party hereto, (b) waive any inaccuracies in the representations and warranties of the other party hereto contained in this Agreement or in any document delivered pursuant to this Agreement, or (c) waive compliance with any of the agreements or conditions of the other party or parties hereto contained in this Agreement but such waiver of compliance with such agreements or conditions shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party hereto granting such extension or waiver. Neither the waiver by any of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure by any of the parties hereto, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder.

ARTICLE XI

INDEMNIFICATION

Section 11.01. Survival. The representations and warranties of Seller and Buyer contained in or made pursuant to this Agreement shall survive the Closing in full force and effect until the eighteen (18) month anniversary of the Closing Date, at which time they shall terminate and no claims shall be made for indemnification under Section 11.02 or Section 11.03 thereafter; provided, however, that (a) the Seller Specified Representations shall survive the Closing in full force and effect until the three (3) year anniversary of the Closing Date, at which time they shall terminate and no claims shall be made for indemnification under Section 11.02 thereafter and (b) the Seller Fundamental Representations and the Buyer Fundamental Representations shall survive the Closing in full force and effect until the expiration of the applicable statute of limitations with respect to the particular matter that is the subject matter thereof, at which time they shall terminate and no claims shall be made for indemnification under Section 11.02 or Section 11.03 thereafter. The covenants in this Agreement: (i) that by their terms apply or are to be performed in whole or in part prior to the Closing Date shall survive the Closing in full force and effect until the six (6) month anniversary of the Closing Date, at which time they shall terminate and no claims shall be made for indemnification under Section 11.02 or Section 11.03 thereafter; and (ii) that by their terms apply or are to be performed in whole or in part on or after the Closing Date shall survive the Closing in full force and effect in accordance with their terms. For the avoidance of doubt, if a written claim of breach of any representation, warranty or covenant in this Agreement has been made in accordance with Section 11.04 prior to the applicable expiration date, then such representation, warranty or covenant shall, solely with respect to such claim, continue to survive until the resolution of such claim.

Section 11.02. Indemnification by Seller.

(a) From and after the Closing, and subject to the terms of this Agreement, Seller shall indemnify and hold harmless Buyer and its Affiliates and their respective directors, officers, employees, stockholders, members and partners (collectively, the "Buyer Indemnified Parties") against, and reimburse any Buyer Indemnified Party for, all Losses (regardless of whether or not such Losses relate to any third party claim) that such Buyer Indemnified Party may suffer or incur, or become subject to, without duplication, based upon, attributable to, resulting from or arising out of:

(i) prior to their expiration in accordance with Section 11.01, (A) the failure of any representations or warranties made by Seller in or pursuant to this Agreement to be true and correct as of the date hereof and as of the Closing Date as though made on the Closing Date, except to the extent such representations and warranties relate to a specific date (in which case, the failure of such representations and warranties to be true and correct as of such specific date); (B) the failure of any representations or warranties made by the applicable Seller Party in the Technology License Agreement, the Technology Transfer and Development Agreement and/or the Foundry Transition Services Agreement as and when made in accordance with the terms therein; or (C) any claim or other Action asserted or threatened by any Person that, if true as alleged, would constitute or give rise to the failure of any representations or warranties made by Seller in or

pursuant to Section 3.08 to be true and correct as of the date hereof and as of the Closing Date as though made on the Closing Date, except to the extent such representations and warranties relate to a specific date (in which case, the failure of such representations and warranties to be true and correct as of such specific date), in each case of clauses (A), (B) and (C), without giving effect to any materiality, "material impact", "Material Adverse Effect" or similar qualifiers both for the purposes of determining whether any such failure exists and for the purposes of determining the amount of any Losses;

(ii) prior to their expiration in accordance with Section 11.01, any breach or failure by Seller to perform any of its covenants or agreements contained in this Agreement; or

(iii) regardless of the disclosure of any matter set forth in the Seller Disclosure Letter, any Excluded Asset or Excluded Liability.

(b) Notwithstanding anything in this Agreement to the contrary:

(i) Seller shall not be required to indemnify or hold harmless any Buyer Indemnified Party against, or reimburse any Buyer Indemnified Party for, any Losses pursuant to Section 11.02(a)(i) (other than with respect to the Seller Fundamental Representations):

(A) with respect to any claim unless such claim (together with all other claims, if any, resulting from the same facts and circumstances) involves Losses in excess of $100,000 (nor shall such item be applied to or considered for purposes of calculating the aggregate amount of Buyer Indemnified Parties' Losses for purposes of clause (B) below); and

(B) until the aggregate amount of Buyer Indemnified Parties' Losses exceeds an amount equal to one and one percent (1.0%) of the Purchase Price (including the Additional Amount, if applicable) (the "Deductible Amount"), after which Seller shall only be obligated for such aggregate Losses of Buyer Indemnified Parties in excess of the Deductible Amount;

(ii) the cumulative indemnification obligation of Seller under Section 11.02(a)(i) (other than the indemnification obligation of Seller with respect to the Seller Fundamental Representations) shall in no event exceed an amount equal to fifteen percent (15%) of the Purchase Price (including the Additional Amount, if applicable); and

(iii) the cumulative indemnification obligation of Seller under this Article XI shall in no event exceed an amount equal to the Purchase Price (including the Additional Amount, if applicable); provided, however, that, notwithstanding anything in this Agreement to the contrary, the foregoing shall not apply to any Excluded Liability, and nothing herein shall limit the Seller Parties' obligations with respect to the Excluded Liabilities.

Section 11.03. Indemnification by Buyer. From and after the Closing, and subject to the terms of this Agreement, Buyer shall indemnify and hold harmless Seller and its Affiliates and

their respective directors, officers, employees, stockholders, members and partners (collectively, the "Seller Indemnified Parties") against, and reimburse any Seller Indemnified Party for, all Losses that such Seller Indemnified Party may suffer or incur, or become subject to, without duplication, based upon, attributable to, resulting from or arising out of:

(a) the failure of any representations or warranties made by Buyer in or pursuant to this Agreement to be true and correct as of the date hereof and as of the Closing Date as though made on the Closing Date, except to the extent such representations and warranties relate to a specific date (in which case, the failure of such representations and warranties to be true and correct as of such specific date), without giving effect to any materiality, "material impact", "Buyer Material Adverse Effect" or similar qualifiers both for the purposes of determining whether any such failure exists and for the purposes of determining the amount of any Losses;

(b) any breach or failure by Buyer to perform any of its covenants or agreements contained in this Agreement;

(c) (i) a post-Closing Release of Hazardous Materials at, on or under any Owned Properties or Well Fields Properties; (ii) any post-Closing noncompliance with Environmental Laws by Buyer (or any of its employees, consultants, tenants, invitees, agents or contractors) with respect to the Owned Properties or Well Fields Properties; (iii) the post-Closing offsite transportation, storage, disposal, treatment or recycling of Hazardous Materials generated by, and taken offsite by or on behalf of, Buyer (or any of its employees, agents, consultants or contractors) in connection with the Transferred Assets; (iv) any exposure to Hazardous Materials Released by Buyer (or any of its employees, consultants, tenants, invitees, agents or contractors) after the Closing in connection with the operation of the Transferred Assets; or (v) Buyer Decommissioning and Wind Down Activities or Tool Decommissioning; or

(d) any Assumed Liability.

Notwithstanding anything in this Agreement to the contrary, the cumulative indemnification obligation of Buyer under this Article XI shall in no event exceed an amount equal to the Purchase Price (including the Additional Amount, if applicable).

Section 11.04. Notification of Claims.

(a) Except as otherwise provided in this Agreement (including Section 12.10), a Person that may be entitled to be indemnified under this Article XI (the "Indemnified Party") shall promptly notify the party liable for such indemnification (the "Indemnifying Party") in writing of any pending or threatened claim, demand or circumstance that the Indemnified Party has determined has given or would reasonably be expected to give rise to a right of indemnification under this Article XI (including a pending or threatened claim or demand asserted by a third party against the Indemnified Party, such claim being a "Third Party Claim"), describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim, demand or circumstance; provided, however, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article XI except to the extent the Indemnifying Party is prejudiced by such failure, it being understood that notices for claims in respect of a breach of a representation, warranty or covenant must be delivered before the expiration of any applicable survival period specified in Section 11.01 for such representation, warranty or covenant.

(b) Upon receipt of notice of a claim for indemnity from an Indemnified Party pursuant to Section 11.04(a) with respect to any Third Party Claim, the Indemnifying Party shall have the right (but not the obligation) to assume the defense and control of such Third Party Claim and, in the event that the Indemnifying Party shall assume the defense of such claim, it shall allow the Indemnified Party a reasonable opportunity to participate in the defense of such Third Party Claim with its own counsel and at its own expense; provided, however, that, in the event any Buyer Indemnified Party is the Indemnified Party, Buyer shall have the right (but not the obligation) to assume the defense and control of such Third Party Claim (in which event it shall allow Seller a reasonable opportunity to participate in the defense of such Third Party Claim with its own counsel and at its own expense) if: (i) it is a Third Party Claim that (A) seeks injunctive or other nonmonetary relief from Buyer or any other Buyer Indemnified Parties or (B) relates to matters involving criminal penalties on Buyer or any other Buyer Indemnified Parties; or (ii) in the reasonable opinion of counsel to the Buyer Indemnified Party, a conflict exists between the interests of the Buyer Indemnified Party and the interests of Seller. The party that is entitled to assume, and assumes, control of the defense of any Third Party Claim pursuant to the foregoing sentence (the "Controlling Party") shall select counsel, contractors and consultants of recognized standing and competence after consultation with the other Party and shall take all steps reasonably necessary in the defense or settlement of such Third Party Claim.

(c) Seller or Buyer, as the case may be, shall, and shall cause each of its Affiliates and Representatives to, cooperate fully with the Controlling Party in the defense of any Third Party Claim. The Indemnifying Party, if it is the Controlling Party, shall be authorized to consent to a settlement of, or the entry of any judgment arising from, any Third Party Claim, without the consent of any Indemnified Party; provided that (i) such settlement or judgment (A) is for money damages only, which will be paid in full by the Indemnifying Party concurrently with the effectiveness of such settlement (subject to the applicable limitations set forth in this Article XI) and (B) does not involve any statement as to or any finding or admission of fault or culpability of or a violation of Law, wrongdoing or failure to act by or on behalf of the Indemnified Party, and (ii) the Indemnifying Party shall obtain, as a condition of any settlement or other resolution, a complete release of any Indemnified Party potentially affected by such Third Party Claim. Except as set forth in this Section 11.04(c), an Indemnified Party (whether or not it is the Controlling Party) is not authorized to settle any Third Party Claim without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 11.05. Exclusive Remedies. Except with respect to fraud and as otherwise expressly set forth in this Agreement, following the Closing, the indemnification provisions of this Article XI shall be the sole and exclusive remedies of any Seller Indemnified Party and any Buyer Indemnified Party, respectively, for any Losses (including any Losses from claims for breach of contract, warranty, tortious conduct (including negligence), contribution or otherwise and whether predicated on common law, statute, strict liability, or otherwise, including pursuant to the Comprehensive Environmental Response, Compensation and Liability Act or any other Environmental Law) that it may at any time suffer or incur, or become subject to, as a result of, or in connection with, any breach of or inaccuracy with respect to any representation or warranty

set forth in this Agreement by Buyer or Seller, respectively, or any breach or failure by Buyer or Seller, respectively, to perform or comply with any covenant or agreement set forth herein. Without limiting the generality of the foregoing, the Parties hereby irrevocably waive any right of rescission they may otherwise have or to which they may become entitled.

Section 11.06. Additional Indemnification Provisions.

(a) With respect to each indemnification obligation contained in this Agreement, all Losses shall be net of any amounts that have been actually recovered by the Indemnified Party pursuant to any insurance policy in respect of such Loss, less expenses incurred by the Indemnified Party in procuring such recovery, including the costs, if any, resulting from premium and/or deductible adjustments with respect to such insurance policy; provided, however, that (i) for the avoidance of doubt, no Indemnified Party shall be required to commence any Action or file any insurance claim prior to seeking indemnification from the Indemnifying Party under this Article XI in order to comply with this Section 11.06(a), and (ii) if the Indemnified Party recovers any amounts in respect of Losses from any insurance policy at any time after the Indemnifying Party has paid all or a portion of such Losses to such Indemnified Party pursuant to the provisions of this Article XI, the Indemnified Party shall promptly notify the Indemnifying Party of any such recovery and promptly pay over to the Indemnifying Party the amount so received (to the extent previously paid by Seller), less expenses incurred by the Indemnified Party in procuring such recovery, including the costs, if any, resulting from premium and/or deductible adjustments with respect to such insurance policy.

(b) Notwithstanding anything to the contrary contained in this Agreement, with respect to any Losses that are indemnifiable by Seller pursuant to Section 11.02(a)(i) relating to breaches of the representations and warranties in Section 3.09 or Section 11.02(a)(i)(A) relating to the Excluded Liabilities set forth in Section 2.05(c), no Buyer Indemnified Parties shall have any right to indemnification for, and Seller shall have no obligation with respect to, such Losses to the extent such Losses:

(i) exceed the minimum applicable requirements, or are otherwise not required, to comply with applicable Environmental Law (including, in the case of any Remedial Action, the Applicable Remedial Standards);

(ii) arise from or relate to (A) any breach by Buyer or its Affiliates, or any future owner or operator of the Transferred Assets, after the Closing Date, of any covenant, restriction or other requirement contained in any recorded easements or deed restrictions relating to the Owned Property or Well Fields Properties, including the Blue Declaration, (B) constructing, installing or maintaining any air vapor barrier or indoor air system in buildings or other structures that are newly constructed at the Owned Property or Well Fields Properties by Buyer or its Affiliates, or any future owner or operator of the Owned Property or Well Fields Properties, after the Closing Date, (C) any activities or operations after the Closing Date by or on behalf of Buyer or its Affiliates, or any future owner or operator of the Owned Property or Well Fields Properties, that result in the application of more stringent Remedial Action requirements at any such property, (D) any sampling, testing or other investigation of soil, groundwater , other subsurface exterior environmental conditions, soil gas, surface water, ambient air, or buildings

materials at the Owned Property or Well Fields Properties by or on behalf of Buyer or its Affiliates, or any future owner or operator of such property, unless (1) required by Environmental Law, by a Governmental Authority or to respond to a third party claim or (2) other than with respect to any previously identified solid waste management units, reasonably necessary to perform construction activities for a legitimate business purpose or Buyer Decommissioning and Wind Down Activities (provided that, Buyer shall provide Seller with reasonable advance notice of and provide Seller, Blue or any other party responsible for any Remedial Action with a reasonable opportunity to comment on the scope of any sampling, testing or other investigation permitted in accordance with the foregoing, and Seller, Blue or any other responsible party shall be permitted to take split samples at their cost), or (E) any contribution to or exacerbation of such Losses by any act or omission by Buyer or its Affiliates, or any future owner or operator of the relevant property, after the Closing Date.

(c) Seller and Buyer each hereby agree that: (i) the Indemnified Parties' rights to indemnification, compensation and reimbursement contained in this Article XI are part of the basis of the bargain contemplated by this Agreement; and (ii) such rights shall not be waived, limited or otherwise affected by or as a result of (A) any waiver by Buyer or Seller, as applicable, of any provision of this Article XI or (B) any knowledge on the part of any of the Indemnified Parties or any of their respective Representatives, regardless of whether obtained through any investigation by any Indemnified Party or any of its Representatives or through disclosure by any other Person (including Seller or Buyer, as applicable), and regardless of whether such knowledge was obtained before or after the execution and delivery of this Agreement.

(d) The Buyer Indemnified Parties and the Seller Indemnified Parties are expressly intended as third party beneficiaries of this Article XI.

Section 11.07. Mitigation. Each Party shall, and shall cause its applicable Affiliates and Representatives to, take all commercially reasonable steps to mitigate their respective Losses upon and after becoming aware of any fact, event, circumstance or condition that has given rise to or would reasonably be expected to give rise to, any Losses for which it would have the right to seek indemnification hereunder; provided that any reasonable out-of-pocket fees, costs or expenses incurred in connection with such mitigation shall constitute Losses to the extent the Losses mitigated would have been indemnifiable pursuant to this Article XI, but not in an amount in excess of the amount by which such Losses were actually mitigated.

Section 11.08. Third Party Remedies. If the Buyer Indemnified Parties or the Seller Indemnified Parties recover any amounts in respect of Losses from any third party at any time after Seller or Buyer, respectively, has paid all or a portion of such Losses to the Buyer Indemnified Parties or the Seller Indemnified Parties, respectively, pursuant to the provisions of this Article XI, Buyer or Seller (as applicable) shall, or shall cause such Buyer Indemnified Parties or Seller Indemnified Parties (as applicable) to promptly notify Seller of any such recovery and, promptly (and in any event within five (5) Business Days after receipt) pay over to the other party the amount so received (to the extent previously paid by such other party).

Section 11.09. Limitation on Liability. Notwithstanding anything in this Agreement or in any other Transaction Agreement to the contrary, in no event shall either Party have any Liability under this Article XI for any (a) consequential damages that are not reasonably foreseeable or (b) punitive damages, in each case except to the extent such damages are paid or payable in connection with a third party claim).

Section 11.10. Tax Treatment of Payments. Seller and Buyer shall treat any adjustments or indemnity payments made pursuant to this Agreement as adjustments to the Purchase Price for all federal, state, local, and foreign income Tax purposes, and the parties agree to, and shall cause their respective Affiliates to, file their Tax Returns accordingly.

ARTICLE XII

GENERAL PROVISIONS

Section 12.01. Expenses. Except as may be otherwise specified herein and in the other Transaction Agreements, all costs and expenses, including fees and disbursements of counsel, financial advisers and accountants, incurred in connection with the Transaction Agreements and the transactions contemplated thereby shall be paid by the party hereto incurring such costs and expenses, whether or not the Closing shall have occurred or this Agreement is terminated.

Section 12.02. Notices. All notices, requests, claims, demands and other communications under the Transaction Agreements shall be in writing and shall be given or made (and shall be deemed to have been duly given or made (a) when personally delivered, (b) when delivered by e-mail transmission with receipt confirmed or (c) upon delivery by overnight courier service, in each case to the addresses and attention parties indicated below (or such other address, e-mail address or attention party as the recipient party has specified by prior notice given to the sending party in accordance with this Section 12.02):

if to Seller:

GLOBALFOUNDRIES
400 Stone Break Rd Extension
Malta, NY 12020
Attention: General Counsel
E-mail: jeff.worth@globalfoundries.com

with a copy (which shall not constitute notice) to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153
Attention: Jaclyn Cohen
E-mail: jackie.cohen@weil.com

if to Buyer:

ON SEMICONDUCTOR
5005 East McDowell Road
Maildrop A/700
Phoenix, Arizona 85008
Attention: General Counsel
Email: Sonny.Cave@onsemi.com

with a copy (which shall not constitute notice) to:

Morrison & Foerster LLP
425 Market Street
San Francisco, CA 94105-2482
Attention: Eric T. McCrath
Email: emccrath@mofo.com

Section 12.03. Severability. If any term or other provision of this Agreement is held invalid, illegal or incapable of being enforced under any applicable Law or as a matter of public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties to this Agreement shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible.

Section 12.04. Entire Agreement. Except as otherwise specifically provided in the Transaction Agreements, the Transaction Agreements constitute the entire agreement of Seller (and its applicable Affiliates) and Buyer with respect to the subject matter of the Transaction Agreements and supersede all prior representations, agreements, undertakings and understandings, both written and oral, other than the Confidentiality Agreement to the extent not in conflict with this Agreement, between or on behalf of Seller and Buyer with respect to the subject matter of the Transaction Agreements.

Section 12.05. Assignment. This Agreement shall not be assigned by (a) Buyer without the prior written consent of Seller and (b) Seller, without the prior written consent of Buyer, except that each of Seller and Buyer may assign any or all of its rights and obligations under this Agreement to any of their controlled Affiliates; provided, however, that no such assignment shall release Seller or Buyer from any liability or obligation under this Agreement. Any attempted assignment in violation of this Section 12.05 shall be void. This Agreement shall be binding upon, shall inure to the benefit of, and shall be enforceable by the parties hereto and their successors and permitted assigns.

Section 12.06. No Third Party Beneficiaries. Except as set forth in Section 11.06(d), this Agreement is for the sole benefit of the Persons specifically named in the preamble to this Agreement as parties hereto and their respective successors and permitted assigns, no party hereto is acting as an agent for any other Person not named herein as a party hereto, and, except

as expressly provided herein, nothing in this Agreement or any other Transaction Agreements, including Article VII hereto, express or implied, is intended to or shall confer upon any other Person, including any union or any employee or former employee of the Seller Parties any of its Affiliates, any legal or equitable right, benefit or remedy of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Agreement.

Section 12.07. Amendment. No provision of this Agreement or any other Transaction Agreement, including any Exhibits or Schedules thereto or, in respect of this Agreement, the Seller Disclosure Letter, may be amended, supplemented or modified except by a written instrument making specific reference hereto or thereto signed by all the parties to such agreement.

Section 12.08. Seller Disclosure Letter.

(a) Any disclosure with respect to a Section of this Agreement, including any Section of the Seller Disclosure Letter, shall be deemed to be disclosed for purposes of other Sections of this Agreement, including any Section of the Seller Disclosure Letter, to the extent that such disclosure is reasonably sufficient so that the relevance of such disclosure to such other Sections of this Agreement, including any such Section of the Seller Disclosure Letter, is readily apparent on its face to a reader of this Agreement and of such disclosure without reference to any document referenced therein or any independent knowledge on the part of the reader regarding the matter disclosed. Matters reflected in any Section of the Seller Disclosure Letter that are not required by this Agreement to be so reflected are set forth solely for informational purposes. No reference to or disclosure of any item or other matter in any Section of this Agreement, including any Section of the Seller Disclosure Letter, shall be construed as an admission or indication that such item or other matter is material or that such item or other matter is required to be referred to or disclosed in this Agreement. Without limiting the foregoing, no such reference to or disclosure of a possible breach or violation of any contract, Law or Governmental Order shall be construed as an admission or indication that breach or violation exists or has actually occurred.

Section 12.09. Governing Law; Dispute Resolution; Submission to Jurisdiction.

(a) This Agreement and each other Transaction Agreement and all claims or causes of action (whether in contract or in tort) that may be based upon, arise out of or relate to this Agreement and each other Transaction Agreement, or the negotiation, execution or performance of this Agreement and each other Transaction Agreement, shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and performed in such State without giving regard to any conflict of laws provisions that would require or permit the application of the Laws of any other jurisdiction.

(b) Subject to Section 12.10, all claims, disputes and other matters in controversy (a "Dispute") arising directly or indirectly out of or related to this Agreement and each other Transaction Agreement or any of the transactions contemplated hereby and thereby shall be resolved exclusively according to the procedures set forth in this Section 12.09. From and after the date hereof, no party to this Agreement shall commence a lawsuit as set forth in Section 12.09(f) unless such party shall first deliver written notice (a "Dispute Notice") to the other party to this Agreement and to any other parties to the Dispute, which Dispute Notice shall set forth with reasonable specificity the nature of the Dispute. Upon the delivery of the Dispute Notice, the parties shall first escalate the Dispute to the Steering Committee.

(c) Seller and Buyer shall each appoint two representatives (each, an "Appointee") to a steering committee (the "Steering Committee") to serve as decision making body and initial point of dispute resolution on this Agreement and all other Transaction Agreements and matters related thereto. Each party shall have the right at any time and from time to time to replace its Appointees by giving notice in writing to the other party setting forth the name of (i) the Appointee to be replaced and (ii) the replacement, and certifying that the replacement Appointee is authorized to act in such capacity. The initial Appointees for Seller and Buyer shall be as set forth on Section 12.09 of the Seller Disclosure Letter.

(d) The Appointees on the Steering Committee shall work cooperatively and in good faith to resolve any Disputes between the parties regarding all such matters. At least one Appointee from each of Seller and Buyer must be present for the Steering Committee to take any action. Within five (5) Business Days of the matter first being referred to the Steering Committee, the Appointees shall meet, confer and discuss in person or by telephone conference any matter in an attempt to resolve such matter, and within twenty (20) Business Days after such first discussion in accordance herewith (or, if mutually agreed by the Appointees, a longer period of time), the Steering Committee shall attempt to resolve such matter (such period, the "Steering Committee Discussion Period"). In addition, the Steering Committee shall discuss and oversee, among other matters, matters related to the management and assignment of Transferred Contracts and material employee related matters.

(e) If the Steering Committee cannot resolve the Dispute pursuant to Section 12.09(d) within the Steering Committee Discussion Period the parties shall attempt in good faith to resolve the Dispute identified in the Dispute Notice by mediation pursuant to the American Arbitration Association's Commercial Mediation Procedures, including Rule M-4 of the American Arbitration Association's Commercial Mediation Procedures if the parties cannot agree on the selection of a mediator. The parties shall mediate in Palo Alto, California, unless the parties mutually agree to an alternate location, and shall complete the mediation within thirty (30) days of the commencement of the mediation, unless the parties mutually agree to a longer period of time. The parties shall bear their respective costs incurred in connection with the procedures set forth in this Section 12.09(e), except that the parties to the Dispute shall share equally the fees and expenses of the neutral mediator, if any, and the cost of the facility for the mediation. The parties hereto agree that the role of the mediator is to assist in negotiating a resolution of a Dispute, and that a mediator may not make a binding decision on any party to the Dispute except if such party agrees in writing.

(f) If the parties hereto are unable to resolve any Dispute following the procedures set forth in Section 12.09(d) and Section 12.09(e), the parties hereto hereby irrevocably submit to the exclusive jurisdiction of any federal court located in the Southern District of the State of New York or, if there is no jurisdiction in any such court, before a state court in New York County, over any Dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby and each party hereby irrevocably agrees that all claims in respect of such Dispute or any suit, action or proceeding related thereto may be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable Law,

any objection which they may now or hereafter have to the laying of venue of any such Dispute brought in such court or any defense of inconvenient forum for the maintenance of such Dispute. Each of the parties hereto agrees that a judgment in any such Dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law.

(g) Each of the parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding by the delivery of a copy thereof in accordance with the provisions of Section 12.02.

Section 12.10. Specific Performance. Each party hereto acknowledges and agrees that irreparable damage would occur, damages would be difficult to determine and would be an insufficient remedy and no adequate remedy other than specific performance would exist at law or in equity in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached (or any party hereto threatens such a breach). Therefore, it is agreed that each party shall be entitled to seek an injunction or injunctions in any court set forth in Section 12.09(f) to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof. Such remedies shall, however, be cumulative and not exclusive and shall be in addition to any other remedies which any party may have under this Agreement or otherwise. The parties further agree not to assert that a remedy of specific enforcement is unenforceable, invalid, contrary to applicable Law or inequitable for any reason, and not to assert that a remedy of monetary damages would provide an adequate remedy for any such breach or that Buyer or Seller otherwise have an adequate remedy at law.

Section 12.11. Rules of Construction. Interpretation of this Agreement (except as specifically provided elsewhere in this Agreement, in which case such specified rules of construction shall govern as so provided) shall be governed by the following rules of construction: (a) words in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include the other gender as the context requires; (b) references to the terms Article, Section, paragraph and Exhibit are references to the Articles, Sections, paragraphs and Exhibits to this Agreement unless otherwise specified; (c) the terms "hereof," "herein," "hereby," "hereto" and derivative or similar words refer to this entire Agreement, including Seller Disclosure Letter and Exhibits hereto; (d) references to "$" shall mean U.S. dollars; (e) the word "including" and words of similar import shall mean "including without limitation," unless otherwise specified; (f) references to "written" or "in writing" include in electronic form; provided that any notice given pursuant to this Agreement shall be given in accordance with Section 12.02 and any extension or waiver shall be granted in accordance with Section 10.04; (g) the headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement; (h) Seller and Buyer have each participated in the negotiation and drafting of this Agreement and if an ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or burdening any party by virtue of the authorship of any of the provisions in this Agreement; (i) a reference to any Person includes such Person's successors and permitted assigns; (j) any reference to "days" means calendar days unless Business Days are expressly specified; (k) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded and, if the last day of such period is not a Business Day, the period shall end on the

next succeeding Business Day; and (l) a reference to any legislation or to any provision of any legislation will include any modification, amendment or re-enactment thereof, any legislative provision substituted therefor, and all rules, regulations and statutory instruments issued or related to such legislation. Further, prior drafts of this Agreement or the other Transaction Agreements or the fact that any clauses have been added, deleted or otherwise modified from any prior drafts of this Agreement or any of the other Transaction Agreements shall not be used as an aid of construction or otherwise constitute evidence of the intent of the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party hereto by virtue of such prior drafts.

Section 12.12. Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties to each such agreement in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement electronically (including portable document format (.pdf)) or by facsimile shall be as effective as delivery of a manually executed counterpart of this Agreement.

Section 12.13. 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 TO ANY DISPUTE DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY OTHER TRANSACTION AGREEMENTS OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY. 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 A DISPUTE, 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 TRANSACTION AGREEMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 12.13.

Section 12.14. Non-Recourse. All claims or causes of action (whether at law, in contract, tort or otherwise, or in equity) that may be based upon, arise out of or relate to this Agreement or the other Transaction Agreements, or the negotiation, execution or performance of this Agreement or the other Transaction Agreements (including any representation or warranty made in or in connection with this Agreement or the other Transaction Agreements or as an inducement to enter into this Agreement or the other Transaction Agreements), may be made only against the entities that are expressly identified as parties hereto and thereto. No Person who is not a named party to this Agreement or the other Transaction Agreements, including any past, present or future director, officer, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney or representative of any named party to this Agreement or the other Transaction Agreements ("Non-Party Affiliates"), shall have any liability (whether at law, in contract, tort or otherwise, or in equity, or based upon any theory that seeks to impose liability of an entity party against its owners or affiliates) for any obligations or liabilities arising under, in connection with or related to this Agreement or such other Transaction Agreement (as the case may be) or for any claim based on, in respect of, or by reason of this Agreement or such other Transaction Agreement (as the case may be) or the negotiation or execution hereof or thereof,

and each party hereto waives and releases all such liabilities, claims and obligations against any such Non-Party Affiliates. Non-Party Affiliates are expressly intended as third party beneficiaries of this provision of this Agreement.

Section 12.15. No Partnership. Nothing in this Agreement or the other Transaction Agreements is intended to, or shall be deemed to, establish any partnership or joint venture between any of the parties hereto, constitute any party the agent of another party, or authorize any party to make or enter into any commitments for or on behalf of any other party. Each party hereto confirms it is acting on its own behalf and not for the benefit of any other Person.

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IN WITNESS WHEREOF, Buyer, Seller and Seller Insurance Affiliate have caused this Agreement to be executed on the date first written above by their respective duly authorized officers.

GLOBALFOUNDRIES U.S. INC.

By /s/ Gregg Bartlett
Name: Gregg Bartlett
Title: Authorized Signatory

GLOBALFOUNDRIES INC.

By /s/ Gregg Bartlett
Name: Gregg Bartlett
Title: Authorized Signatory

IN WITNESS WHEREOF, Buyer, Seller and Seller Insurance Affiliate have caused this Agreement to be executed on the date first written above by their respective duly authorized officers.

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC

By /s/ Bernard Gutmann

Name: Bernard Gutmann

Title: Executive Vice President, CFO and Treasurer

EXHIBIT A

DEFINITIONS

For purposes of this Agreement, the following terms shall have the meanings specified in this Exhibit A:

"Action" means any claim, counterclaim, action, audit, suit, arbitration, proceeding or investigation by or before any Governmental Authority.

"Additional Amount" shall have the meaning set forth in Section 2.03(b).

"Additional Asset Notice" shall have the meaning set forth in Section 2.03(a).

"Additional Assets" shall have the meaning set forth in Section 2.03(b).

"Adverse Impact Claim" shall have the meaning set forth in Section 6.05.

"Affiliate" means, with respect to any specified Person, any other Person that, at the time of determination, directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such specified Person; provided that references to Affiliates with respect to any Seller Party shall in no event include Mubadala Investment Company PJSC or any of its Subsidiaries other than GLOBALFOUNDRIES Inc. and its Subsidiaries.

"Agreement" shall have the meaning set forth in the Preamble.

"Allocation" shall have the meaning set forth in Section 2.14.

"Allocation Accounting Firm" shall have the meaning set forth in Section 2.14.

"Alternative Proposal" shall have the meaning set forth in Section 6.03(a).

"Ancillary Agreements" means each of, and collectively, the Confidentiality Agreement, the Foundry Transition Services Agreement, the Technology License Agreement, the Technology Transfer and Development Agreement, the Employee Matters Agreement and the Bill of Sale and Assignment and Assumption Agreement.

"Applicable Remedial Standards" means the least stringent standards permitted by applicable Environmental Law or the relevant Government Authority, taking into account the continued operation of the property for industrial purposes as it was used as of the Closing Date, and employing risk-based standards, institutional controls, land use restrictions or engineering controls to the extent permitted by applicable Environmental Law or the relevant Government Authority; provided that such risk-based standards, institutional controls or engineering controls do not unreasonably affect the use of the subject property as of the Closing Date.

"Appointee" shall have the meaning set forth in Section 12.09(c).

"Assigned Representatives" shall have the meaning set forth in Section 5.02(e)(i).

"Assumed Liabilities" shall have the meaning set forth in Section 2.04.

"Bill of Sale and Assignment and Assumption Agreement" means a bill of sale and assignment and assumption agreement substantially in the form attached hereto as Exhibit D.

"Blue" shall have the meaning set forth in Section A-2 of the Seller Disclosure Letter.

"Blue Declaration" shall have the meaning set forth in Section 6.08(a).

"Blue Remediation" means the Remedial Action at the EFK Facility required pursuant to the Part 373 Hazardous Waste Permit, No. 3-1328-00025/00249, or any subsequent replacement order or permit by or with New York Department of Environmental Conservation, to address Releases of Hazardous Materials at the EFK Facility on or prior to July 1, 2015.

"Business Day" means any day that is not a Saturday, a Sunday or other day on which the U.S. Securities and Exchange Commission or commercial banks in the City of New York, New York or Phoenix, Arizona are required or authorized by Law to be closed.

"Business Employees" means the employees described on Section 3.11 of the Seller Disclosure Letter (or any successor to such person's position), including those employees who, as of the Closing Date, are on medical leave, family leave, military leave or personal leave under the policy of the Seller Parties, as applicable, as such Section may be modified pursuant to Section 7.01(b) and/or the Employee Matters Agreement.

"Buyer" shall have the meaning set forth in the Preamble.

"Buyer Decommissioning and Wind Down Activities" means the decommissioning, wind down, cessation or shut down after the Closing of the EFK Facility, and any portion of or operations at the EFK Facility, including all activities, requirements of Law and costs associated with: (a) the removal, decontamination and disposal of all equipment in production and other EFK Facility areas, all pipes, ducts, drains, lines and tanks, all systems and fixtures associated with air exhaust or filtering, chemical conveyance or storage, water, waste water and waste storage, conveyance or treatment, or substations, the central utilities plant, electrical equipment or other utilities; (b) the removal, decontamination and disposal of all other building infrastructure and materials down to the structural elements; (c) the removal and disposal of all raw materials, virgin chemicals and other chemicals, materials and wastes used in EFK Facility operations or contained in EFK Facility infrastructure or systems; and (d) the closure or cessation of all Permits associated with the operation of the EFK Facility (other than any Permits held by any Seller Party); provided, however, that Buyer Decommissioning and Wind Down shall not include any Remedial Action to address or otherwise related to the outdoor Release of Hazardous Material on or prior to the Closing, including the migration of an indoor Release to the outdoor environment.

"Buyer Fundamental Representations" means the representations and warranties set forth in Section 4.01 (Organization and Authority of Buyer), Section 4.02 (Qualification of Buyer), Section 4.05(a) (Absence of Restraints) and Section 4.07 (Brokers).

"Buyer Indemnified Parties" shall have the meaning set forth in Section 11.02(a).

"Buyer Material Adverse Effect" means a material adverse effect on the ability of Buyer to perform its obligations under any Transaction Agreement to which it is a party or to consummate the transactions contemplated hereby or thereby.

"Buyer Parties" shall have the meaning set forth in Section 5.05(e).

"Closing" shall have the meaning set forth in Section 2.07.

"Closing Date" shall have the meaning set forth in Section 2.07.

"Closing Third Party IP and Technology" shall have the meaning set forth in Section 6.06.

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

"Confidentiality Agreement" shall have the meaning set forth in Section 5.04(a).

"Contaminant" means any "back door," "drop dead device," "time bomb," "Trojan horse," "virus," "corruptant," "worm," "malware," "spyware" or "trackware" (as such terms are commonly understood in the software industry) or any other code designed, intended to, or that does have any of the following functions: (a) disrupting, disabling, harming or otherwise impeding in any manner the operation of, or providing unauthorized access to, any computer, tablet computer, handheld device or other device; or (b) damaging or destroying any data or file without a user's consent.

"Contracts" means all written contracts, subcontracts, agreements, leases, licenses, commitments, sales and purchase orders, and other instruments, arrangements or understandings of any kind, and any legally enforceable oral agreements.

"Control" means, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The terms "Controlled by," "Controlled," "under common Control with" and "Controlling" shall have correlative meanings.

"Controlling Party" shall have the meaning set forth in Section 11.04(b).

"Copyrights" shall have the meaning set forth in the definition of "Intellectual Property."

"Deductible Amount" shall have the meaning set forth in Section 11.02(b)(i)(B).

"Deposit Amount" shall have the meaning set forth in Section 2.08(a).

"Designated Agreement" means any Contract described in Section A-3 of the Seller Disclosure Letter.

"Designated Patent" means any Patent described in Section 3.08(b)(i) of the Seller Disclosure Letter.

"Dispute" shall have the meaning set forth in Section 12.09(b).

"Dispute Notice" shall have the meaning set forth in Section 12.09(b).

"Divestiture" shall have the meaning set forth in Section 5.05(d).

"Documents" means all files, documents, written instruments, papers, books, reports, records, tapes, microfilms, photographs, letters, budgets, forecasts, ledgers, journals, supplier lists, regulatory filings, operating data and plans, functional requirements, operating instructions, logic manuals and flow charts, user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), and other similar materials: (a) related to the operation of the EFK Facility; or (b) without duplication of clause (a), to the extent used or held for use with the Transferred Assets, in each case whether or not in electronic form, but in each case excluding any documentation to the extent relating to (i) Seller Licensed IP and Technology or (ii) any Excluded Assets.

"EFK Facility" shall have the meaning set forth in Section 2.01(a).

"Employee Matters Agreement" shall have the meaning set forth in Section 7.01(a).

"End Date" means the later of (a) July 1, 2023 and (b) if there is a Total Loss Event, the end of the Maximum Cure Period; provided, however, that in no event shall the End Date be later than June 30, 2024.

"Environmental Law" means any applicable Law relating to pollution or protection of the indoor or outdoor environment or natural resources.

"Environmental Liabilities" means, with respect to any Person, all Liabilities (including all reasonable fees, disbursements and expenses of counsel, experts and consultants and costs of investigation and feasibility studies) to the extent arising under or pursuant to any Environmental Law or Environmental Permit.

"Environmental Permit" means any permit, approval or license required by a Governmental Authority under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder.

"Excluded Assets" shall have the meaning set forth in Section 2.02.

"Excluded Liabilities" shall have the meaning set forth in Section 2.05.

"Excluded Tools" shall have the meaning set forth in Section 2.01(b).

"Excluded WIP" means work-in-progress with respect to which Buyer or an Affiliate of Buyer is not the customer.

"Facilities Equipment" means all equipment within the semiconductor manufacturing, central utility and waste treatment building systems at any of the Owned Properties, including acid exhaust, base exhaust, clean room and general exhaust, scrubbers, absorbers, regenerative

thermal oxidizers, jacket and process cooling water systems, de-ionized (DI) water skids, N+1 redundant and backup capacity on critical and uninterruptible services to manufacturing Tools, electrical substation transformers and distribution systems, recirculation units, fan filter units, makeup air handler units, semiconductor-specific drain systems, clean room humidification systems, bulk and specialty gas control and monitoring systems, automated material handling systems, process vacuum and high-pressure compressed air.

"Facilities Furniture and Fixtures" means all furniture and fixtures owned by the Seller Parties and located at the Owned Properties and Well Fields Properties and used exclusively at the Owned Properties and Well Fields Properties.

"Facilities Inventory" means all spare parts and chemicals uniquely designated as part of the maintenance and operation of the facilities and environmental systems owned by the Seller Parties and located at any of the Owned Properties (and Well Fields Properties, if any) including (a) floor tiles, ceiling tiles, pumps, motors, fans and filters for building, central utility and environmental systems, valves, piping, filtration units and controls and sensors for site operations, (b) chemicals required for general cleaning and to operate central utility and environmental systems and (c) fuel oil.

"Foundry Transition Services Agreement" means that certain Foundry Transition Services Agreement, dated as of the date of this Agreement, by and between Seller and Buyer.

"FTSA Attachment No. 1" means that certain Attachment No. 1 to the Foundry Transition Services Agreement, dated as of the date of this Agreement, by and between Seller and Buyer.

"Furniture and Equipment" means (a) all furniture, fixtures, furnishings, vehicles and other tangible personal property, including all artwork, desks, chairs, tables, desktop copiers, desktop telephones and numbers, cubicles and miscellaneous office furnishings and supplies (the foregoing collectively, "Furniture") and all other equipment and hardware (collectively, "Equipment"), in each case, located or used exclusively at the EFK Facility, and (b) all Facilities Furniture and Fixtures, Facilities Equipment and Facilities Inventory, but excluding, in the case of clauses (a) and (b), all Tools and Inventory.

"Governmental Approval" means any authorizations, consents, waivers, orders and approvals of any Governmental Authority, including any applicable waiting periods associated therewith.

"Governmental Authority" means any U.S. federal, state or local or any supra national or non-U.S. government, political subdivision, governmental, regulatory or administrative authority, instrumentality, agency, body or commission, self-regulatory organization or any court, tribunal, judicial or arbitral body.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"Hazardous Material" means any substance, material or waste that is regulated, classified, or otherwise characterized under or pursuant to any Environmental Law as "hazardous," "toxic,"

a “pollutant,” a “contaminant,” “radioactive,” or words of similar meaning or regulatory effect, including petroleum and its by-products, asbestos, polychlorinated biphenyls, radon, mold or other fungi and urea formaldehyde insulation.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

“HSR Clearance” means the expiration and/or termination of any applicable waiting period under the HSR Act and any extensions thereof, or any timing agreements, understandings or commitments obtained by request or other action of the U.S. Federal Trade Commission and/or the U.S. Department of Justice, as applicable.

“Indemnified Party” shall have the meaning set forth in Section 11.04(a).

“Indemnifying Party” shall have the meaning set forth in Section 11.04(a).

“Intellectual Property” means all of the following, and all intellectual and industrial property and proprietary rights and related priority rights arising from or in respect of the following, whether protected, created or arising under the Laws of the United States or of any other jurisdiction or under any international convention: (a) patents and patent applications, including reissues, divisions, continuations, continuations in part, and provisionals and patents issuing on any of the foregoing, and all reissues, reexaminations, substitutions, renewals and extensions of the foregoing, and other governmental authority-issued indicia of invention ownership (including certificates of invention, petty patents and patent utility models) (collectively, “Patents”); (b) trademarks, service marks, trade names, service names, trade dress, logos, corporate names and other source or business identifiers, including all applications, registrations, extensions and renewals of the foregoing and all goodwill associated with the foregoing (collectively, “Marks”); (c) copyrights, works of authorship and moral rights, including all applications, registrations, extensions, renewals and reversions of the foregoing (collectively, “Copyrights”); (d) mask works, mask sets, layouts, topographies and other design features with respect to integrated circuits, including all applications and registrations of the foregoing (collectively, “Mask Works”); (e) trade secrets, as defined in the Uniform Trade Secrets Act published by the Uniform Law Commission, as amended, or under New York law and other confidential and proprietary information, including non-public discoveries, concepts, ideas, research and development, technology, know-how, formulae, inventions, compositions, processes, process recipes, techniques, technical data and information, procedures, drawings, customer lists, supplier lists, pricing and cost information, business and marketing plans and proposals, and specifications, in each case excluding any rights in respect of any of the foregoing that comprise or are protected by Patents (collectively, “Trade Secrets”); and (f) Internet domain names.

“Inventory” means all inventory, raw materials and WIP (excluding all semiconductor product masks, but including any non-product masks necessary for qualifying or monitoring the Tools included in the Transferred Assets, any Seller Licensed IP and Technology or Transferred Third Party Licensed IP and Technology) owned or consigned by Seller and located at the EFK Facility other than any vendor-managed inventory not owned by Seller, in each case other than all Excluded WIP and finished-goods inventory with respect to which Buyer or any of its Affiliates is not the customer.

"IRS" means the U.S. Internal Revenue Service.

"Key Employees" means the employees (not to exceed thirty (30)) described on a schedule to be delivered to Seller by Buyer on or around December 31, 2019 and modified from time to time pursuant to Section 7.01(b) and/or the Employee Matters Agreement, including such employees who, as of the Closing Date, are on medical leave, family leave, military leave or personal leave under the policy of the Seller Parties, as applicable.

"Knowledge of Seller" means the actual knowledge of the persons listed on Section 1.01(a) of the Seller Disclosure Letter or any successor to such person's position.

"Law" means any applicable U.S. federal, state or local or any non-U.S. statute, law, ordinance, regulation, rule, code, order, directive or other requirement or rule of law in any applicable jurisdiction.

"Leased Real Property" means the real property leased by the applicable Seller Parties pursuant to the Real Property Leases.

"Leases" means all leases, subleases, subsubleases, lettings, licenses, concessions or other agreements (whether written or oral, whether now or hereafter in effect, and whether before or after the filing by or against Seller of any petition for relief under any creditors rights laws), pursuant to which any Person is granted a possessory interest in, or a right to use or occupy, all or any portion of the Owned Properties or the Well Fields Properties, and under any modification, amendment or other agreement relating to such leases, subleases, subsubleases, or other agreements entered into in connection with such leases, subleases, subsubleases, or other agreements and every guarantee of the performance and observance of the covenants, conditions and agreements to be performed and observed thereunder, and the right, title and interest of Seller, therein and thereunder.

"Liability" or "Liabilities" means any debt, liability, loss, damage, claim, demand, cost, expense (including reasonable attorneys' and consultants' fees and expenses), interest, award, judgment, penalty, fine, commitment or obligation (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, matured or unmatured, determined or determinable, disputed or undisputed, liquidated or unliquidated, or due or to become due) of every kind and description (whether in contract, tort, strict liability or otherwise), including all costs and expenses related thereto (including all fees, disbursements and expenses of legal counsel, experts and advisors and costs of investigation) and including those arising under any Law, Action or Governmental Order and those arising under any Contract.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, security interest, encumbrance, claim, lien, charge, easement, servitude, option, right of first refusal, right of first offer, limitation or restriction of any kind or any other encumbrance of any kind, character or description.

"Loss" means any and all damages, losses, obligations, deficiencies, demands, judgments, fines, penalties, assessments, awards, claims and other Liabilities of any kind, and interest and costs expenses related thereto (including court costs and reasonable fees and expenses of attorneys).

"Mask Works" shall have the meaning set forth in the definition of "Intellectual Property."

"Marks" shall have the meaning set forth in the definition of "Intellectual Property."

"Material Adverse Effect" means any circumstance, matter, change, development, event, state of facts, occurrence or effect that, individually or in the aggregate with other circumstances, matters, changes, events, occurrences or effects, has had or would reasonably be expected to have or result in: (a) a material adverse effect on the Transferred Assets, taken as a whole; provided, however, that, for the purposes of this clause (a), any adverse effect arising out of, resulting from or attributable to any circumstance described in the following clauses (i) through (vi) shall not constitute or be deemed to contribute to a Material Adverse Effect, and otherwise shall not be taken into account in determining whether a Material Adverse Effect has occurred or would be reasonably expected to occur: (i) an event or series of events or circumstances affecting the United States or global economy generally or capital or financial markets generally, including changes in interest or exchange rates and financial, credit, securities or currency markets, (ii) an event or series of events or circumstances affecting political conditions (including hostilities, acts of war (whether declared or undeclared), sabotage, terrorism or military actions, or any escalation or worsening of any of the foregoing) generally of the United States, (iii) an event or series of events or circumstances affecting the industry generally in which the Transferred Assets are used, (iv) an event or series of events or circumstances solely attributable to the execution or the announcement of, or the consummation of the transactions contemplated by the Transaction Agreements, including the impact thereof on the loss of, or disruption in, any supplier and/or vendor relationships, or loss of personnel, (v) any changes in applicable Law or the enforcement or interpretation thereof, or (vi) actions specifically required to be taken or required to be omitted pursuant to the Transaction Agreements, or taken or omitted with Buyer's prior written consent, except in the case of the foregoing clauses (i), (ii), (iii), or (v), to the extent such circumstance, matter, change, development, event, state of facts, occurrence or effect is (or would reasonably be expected to be) disproportionately adverse with respect to the Transferred Assets, in each case, taken as a whole, compared to other Persons in the industry in which the Seller Parties operate the Transferred Assets; or (b) any material impairment or delay in the ability of any of the Seller Parties to perform its obligations under this Agreement or any other Transaction Agreement to which it is a party or to consummate the transactions contemplated hereby or thereby.

"Material Assets" means those Transferred Assets listed on Section 5.01(a) of the Seller Disclosure Letter.

"Material Contract" means any Transferred Contract, except for this Agreement that is: (a) a Contract that Seller reasonably expects will result in expenditures in an aggregate amount that exceeds $2,700,000 annually and extends or requires performance by any party beyond one (1) year from the date of this Agreement; (b) a Contract for joint ventures, strategic alliances or

partnerships that are material to the Transferred Assets; (c) a Contract that limits the ability of the Seller Parties (with respect to the Transferred Assets) to compete in any line of business or with any Person or in any geographic area during any time period; (d) a Contract to sell, lease or otherwise dispose of any material Transferred Asset that have obligations that have not been satisfied or performed, other than the sale, lease or disposal of Inventory in the ordinary course of business; (e) a Lease; or (f) a Contract that has a term that extends beyond the Closing Date.

"Maximum Cure Period" shall have the meaning set forth in Section 6.07.

"No Further Action Status" means (a) a written determination received from the Governmental Authority having jurisdiction over such matter that all Remedial Actions required to meet Applicable Remedial Standards have been completed; and (b) if applicable Laws do not provide for such a written determination, or if after commercially reasonable efforts by Seller the relevant Governmental Authority has not responded to a request for such a determination, when all clean-up activities required to meet Applicable Remedial Standards and conducted pursuant to a workplan approved by the appropriate Governmental Authority have been completed, and certified in writing as conforming to such criteria by an environmental professional reasonably qualified for such a purpose.

"Non-Party Affiliates" shall have the meaning set forth in Section 12.14.

"NYS Incentives" shall have the meaning set forth in Section 6.04(a).

"Open Source Software" means any Software that is subject to or licensed, provided or distributed under any open source license meeting the Open Source Definition (as promulgated by the Open Source Initiative), including the GNU General Public License, versions 2 and 3, the GNU Library General Public License, version 2, the GNU Lesser General Public License, versions 2 and 3, the Affero General Public License, version 3, the Mozilla Public License, versions 1.1 and 2, the Common Development and Distribution License, version 1.0, the Eclipse Public License, version 1.0, the Creative Commons CC-BY-SA, versions 2.0 and 3.0, and the Netscape Public License, versions 1.0 and 1.1.

"Owned Property" and collectively, the "Owned Properties," means all real property and interests in real property owned by any of the Seller Parties and located in the Town of Fishkill and the Town of East Fishkill in New York and described on Section 3.12(a) of the Seller Disclosure Letter, together with the improvements, structures, buildings and fixtures thereon and all rights and appurtenances pertaining to the land, including all of such Seller Party's right, title and interest in and to: (a) all minerals, oil, gas, and other hydrocarbon substances thereon; (b) all adjacent strips, streets, roads, alleys and rights-of-way, public or private, open or proposed; (c) all development rights, covenants, easements, privileges, and hereditaments, whether or not of record, relating thereto; and (d) all access, air, water, riparian, development, utility, and solar rights, relating thereto; provided, however, "Owned Properties" does not include the Well Fields Properties.

"Patents" shall have the meaning set forth in the definition of "Intellectual Property."

"Permits" shall have the meaning set forth in Section 3.06(a).

"Permitted Exceptions" means (a) Liens for Taxes, assessments or other governmental charges or levies that are not yet delinquent or the amount or validity of which are being contested in good faith by appropriate proceedings, in each case, for which adequate reserves have been established on the books and records of the Seller Parties (as relevant); provided, however, that for purposes of the Title Policies, such Liens shall be limited to amounts accruing for the year in which the Closing occurs and after the Closing, or for which Buyer has received a credit at Closing; (b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, workmen, repairmen and other Liens imposed by Law, incurred in the ordinary course of business and on a basis consistent with past practice; provided, however, that, for purposes of the Title Policies, any such Liens shall be limited to amounts accruing after the Closing or for which Buyer has received a credit at Closing; (c) zoning, entitlement and other land use regulations issued by any Governmental Authority (provided that such regulations are not on the Closing Date violated in any material respect); (d) the Leases, including without limitation the Seller Lease and the Related Sale Lease; provided that the Related Sale Lease is on form reasonably approved by Buyer and conform substantially to the to the form attached hereto; (e) the Blue Declaration; (f) all matters shown on the Seller Title Policy which are applicable to the Owned Property and Well Field Properties as of Closing, to the extent such matters remain in effect at Closing and to the extent such matters are not Liens filed to secure debt or materially interfere with the use of the Transferred Assets as currently used by Seller Parties, provided that notwithstanding anything to the contrary in this clause (f), any matters listed on Exhibit G shall not be deemed Permitted Exceptions; (g) all agreements entered into between the Seller Parties with respect to the operation of the Owned Property in connection with the sale to i.Park of a part of the original facility listed on Section 3.12(c) of the Seller Disclosure Letter; (h) any other minor defects in title to or ownership of the Owned Property or Well Field Properties which do not materially interfere with the use of the Transferred Assets as currently used by Seller Parties and (i) outbound non-exclusive licenses of Intellectual Property or Technology entered into in the ordinary course of business consistent with past practice.

"Person" means any natural person, general or limited partnership, corporation, company, trust, limited liability company, limited liability partnership, firm, association, organization, Governmental Authority or other entity.

"Personal Data" means information related to an identified or identifiable individual or device.

"Personnel" shall have the meaning set forth in Section 5.02(c)(i).

"Privacy Laws" means all applicable laws, rules, regulations and contractual obligations relating to the collection, use, disclosure, transfer (including cross-border transfer), transmission, security, storage, disposal or other processing of Personal Data.

"Process Design Kit" means process design kit of any Seller Party (including design rule checking deck (DRC), electrical rule checking deck (ERC), layout versus schematic (LVS), parametric extraction (PEX), runsets, Cadence tech files, electrostatic discharge (ESD) and eFuse documentation kits, static random-access memory (SRAM) cells, technology design manuals, spice models, model reference guides and related information) intended to be used by a designer to prepare a design.

"Process Step" means one physical operation: (a) in the semiconductor wafer fabrication process where material is deposited, removed or altered in some way; or (b) to measure, test or inspect any material or Tool which may be used in such process.

"Property Taxes" means all real property taxes, personal property taxes and any ad valorem or similar taxes or fees.

"Purchase Price" shall have the meaning set forth in Section 2.08.

"Real Property Leases" means the real property leases listed on Section 3.12(c) of the Seller Disclosure Letter to which the applicable Seller Party is the tenant party.

"Related Materials" shall have the meaning set forth in Section 2.01(b).

"Related Sale Lease" means that certain real property lease for a portion of the Owned Property as more particularly described on Section 3.12(c) of the Seller Disclosure Letter.

"Release" means any release, spill, emission, leaking, pumping, pouring, injection, deposit, dumping, emptying, disposal, discharge, dispersal, leaching or migration into the outdoor environment or, with respect to exposure to Hazardous Materials in the workplace or the migration of Hazardous Materials from the outdoor environment, the indoor environment.

"Remedial Action" means all actions undertaken to: (a) clean up, remove, treat or in any other way address any Release of Hazardous Material; (b) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material so it does not endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; or (c) perform pre-remedial studies and investigations or post-remedial monitoring and care with respect to any Release of Hazardous Material.

"Representatives" of a Person means the directors, officers, employees, advisors, agents, controlling persons, consultants, attorneys, accountants, investment bankers and/or other representatives of such Person.

"Required Approvals" shall have the meaning set forth in Section 9.01(a) of the Seller Disclosure Letter.

"Required Business Employees" shall have the meaning set forth in Section 9.03(d) of the Disclosure Letter.

"Retention Period" shall have the meaning set forth in Section 5.03.

"Seller" shall have the meanings set forth in the Preamble.

"Seller Disclosure Letter" means the disclosure letter dated as of the date of this Agreement delivered by Seller to Buyer and which forms a part of this Agreement.

"Seller Fundamental Representations" means the representations and warranties set forth in Section 3.01 (Organization, Qualification and Authority), Section 3.07(a) (Title to Transferred Assets), Section 3.13 (Taxes) and Section 3.14 (Brokers).

"Seller Indemnified Parties" shall have the meaning set forth in Section 11.03.

"Seller IT Systems" means the hardware for the computer systems, servers, network equipment and other computer hardware owned, leased or licensed by any of the Seller Parties, in each case located in, and used by any of the Seller Parties in their operation of, the EFK Facility as of the date of this Agreement.

"Seller Lease" means the lease of a portion of the second (2nd) floor of Building 321 located on the Owned Property to be entered into by and between Buyer, as lessor, and Seller, as lessee, to be entered into as of the Closing Date on a form to be mutually agreed to between Buyer and Seller prior to the Closing Date.

"Seller Licensed IP and Technology" means the Intellectual Property and Technology (a) licensed by Seller or any of its Affiliates to Buyer or any of its Affiliates under the Technology License Agreement or (b) made available by or on behalf of Seller or any of its Affiliates to Buyer or any of its Affiliates in the Initial Delivery (as defined in the Technology License Agreement).

"Seller Identified Background IP and Technology" shall have the meaning set forth in Section 6.05(a).

"Seller Background Licensed IP and Technology" means the Intellectual Property and Technology (other than Seller Licensed IP and Technology) licensed by Seller or any of its Affiliates to Buyer under the Technology Transfer and Development Agreement.

"Seller Marks" means (a) the Marks set forth on Exhibit E; (b) any derivatives or modifications of any such Marks; (c) any Marks, identifying symbols, signs or insignia related to any of the foregoing in clause (a) or (b) or containing or comprising any of the foregoing in clause (a) or (b); and (d) any other Marks, Internet domain names or other source identifiers confusingly similar to or dilutive of any of the foregoing in clause (a), (b) or (c).

"Seller Parties" shall have the meaning set forth in the Recitals.

"Seller Permits" means all Permits which are required for or utilized in connection with the ownership and operation of the Transferred Assets.

"Seller Plans" shall have the meaning set forth in Section 3.11(a).

"Seller Specified Representations" means the representations and warranties set forth in Section 3.08 (Intellectual Property) and Section 3.09 (Environmental Matters).

"Seller Title Policy" means the Owner's Policy of Title Insurance dated June 29, 2015, and issued to Global Foundries U.S. 2 LLC, Policy Number 0-8911-000707280, issued by Stewart Title Insurance Company, with respect to the Owned Property and the Well Fields Properties.

"Shared Contracts" shall have the meaning set forth in Section 2.06(b).

"Software" means all (a) computer programs, including all software implementations of algorithms, models and methodologies, whether in source code or object code and (b) documentation, including user manuals and other training documentation, related to the foregoing.

"Solvent" means, with respect to any Person, that, as of the applicable date of determination, (a) the fair saleable value (determined on a going concern basis) of the assets of such Person and its Subsidiaries, taken as a whole, will be greater than the total amount of its liabilities (including all liabilities, whether or not reflected in a balance sheet prepared in accordance with the generally accepted accounting principles used in the United States, and whether direct or indirect, fixed or contingent, secured or unsecured, disputed or undisputed); (b) such Person and its Subsidiaries, taken as a whole, will be able to pay its debts and obligations in the ordinary course of business as they become due; and (c) such Person and its Subsidiaries, taken as a whole, will have adequate capital to carry on its businesses and all businesses in which it is about to engage.

"Steering Committee" shall have the meaning set forth in Section 12.09(c).

"Steering Committee Discussion Period" shall have the meaning set forth in Section 12.09(d).

"Straddle Period" means any Tax period that includes but does not end on the Closing Date.

"Subsidiary" of any specified Person means any other Person of which such specified Person owns (either directly or through one or more other Subsidiaries) a majority of the outstanding equity securities or securities carrying a majority of the voting power in the election of the board of directors or other governing body of such other Person.

"Surplus Building Idle Items" shall have the meaning set forth in Section 3.12(b).

"Survey" means any survey with respect to the Owned Property and the Well Fields Properties ordered by or on behalf of Buyer and prepared by Chazen Engineering, Land Surveying & Landscape Architecture Co., DPC, or such other surveyor as may be engaged by Buyer from time to time.

"Tax" or "Taxes" means any federal, state, local or foreign income, excise, gross receipts, ad valorem, value added, sales, use, employment, severance, occupation, social security, franchise, profits, capital gains, property (real or personal), real property gains, estimated, alternative or add-on, registration, windfall profits, transfer, payroll, intangibles or other taxes, stamp taxes, duties, charges, levies or other similar taxes, fees, and assessments of any kind whatsoever (whether payable directly or by withholding), together with any interest and any penalties, whether disputed or not, additions to tax or additional amounts imposed by any Tax Authority with respect thereto.

"Tax Authority" means any Governmental Authority responsible for the administration of any Tax.

"Tax Clearance Certificate" shall have the meaning set forth in Section 8.05.

"Tax Returns" means all returns and reports (including claim of refund, elections, declarations, disclosures, schedules, estimates and information returns or statements) filed or required to be filed, maintained or required to be maintained, supplied or required to be supplied to a Tax Authority relating to Taxes.

"Technology" means all Software, designs, semiconductor device structures, circuit block libraries, formulae, algorithms, procedures, methods, techniques, ideas, know-how, research and development, technical data, databases and other compilations of data programs, subroutines, tools, specifications, processes, process recipes, Process Design Kits, inventions (whether patentable or unpatentable) and apparatus, and all recordings, graphs, drawings, reports, analyses and documentation.

"Technology License Agreement" means that certain Technology License Agreement, dated as of the date of this Agreement, by and between Seller and Buyer.

"Technology Transfer and Development Agreement" means that certain Technology Transfer and Development Agreement, dated as of the date of this Agreement, by and between Seller and Buyer.

"Third Party Claim" shall have the meaning set forth in Section 11.04(a).

"Third Party Consents" shall have the meaning set forth in Section 5.06.

"Title Commitments" means any title commitments with respect to the Owned Property and the Well Fields Properties ordered by or on behalf of Buyer and prepared by the Title Company.

"Title Company" means Stewart Title Insurance Company, or such other title company as may be engaged by Buyer from time to time for the provision of Title Commitments or Title Policies.

"Title Notice" shall have the meaning set forth in Section 2.13.

"Title Objections" shall have the meaning set forth in Section 2.13.

"Title Policies" means the 2006 ALTA owner's title insurance policies (with such modifications as may be required in the applicable jurisdiction) with respect to each Owned Property and each Well Fields Property, issued based on the Title Commitments and in favor of Buyer as insured.

"Tool Data" means the maintenance history, chemical history, manuals, process recipes, process capabilities and other performance data with respect to the Tools that are Transferred Assets.

"Tool Decommissioning" means the decontamination, de-installation and/or decommissioning of any of the Tools and Tool Support, Peripheral and Ancillary Equipment (including Additional Assets and Consigned Tools) at the EFK Facility after the Closing Date.

"Tool Support, Peripheral and Ancillary Equipment" means, for any Tool or distinct group of Tools, all support equipment, including RF generators, vacuum pumps, tool chillers and tool-specific abatement equipment, subtools and ancillary tools, that are used or held for use or employed for use in the maintenance, repair, support or operation of such Tool or distinct group of Tools.

"Tools" means (a) those assets designated as Assets Purchased by Buyer on Section 2.01(b)(i) of the Seller Disclosure Letter (whether owned by any Seller Party or any of its Affiliates or leased, loaned or consigned to or by any Seller Party or any of its Affiliates); (b) any Tool Support, Peripheral and Ancillary Equipment for any such asset, solely to the extent located at and used at the EFK Facility; and (c) any support tools, including testers, modeling and characterization tools and analysis tools, solely to the extent located at and primarily used in conjunction with the tools described in clause (a) of this definition at the EFK Facility. For the avoidance of doubt, to the extent a given Tool has multiple chambers, each such chamber shall be included in such Tool.

"Total Loss Event" shall have the meaning set forth in Section 6.07.

"Trade Secrets" shall have the meaning set forth in the definition of "Intellectual Property."

"Transaction Agreements" means this Agreement and each of the Ancillary Agreements.

"Transactions" means the transactions contemplated by this Agreement and the other Transaction Agreements.

"Transfer Taxes" means any and all transfer Taxes, including sales, use, excise, direct or indirect real property transfer, documentary, stamp, filing, recording, gross receipts, registration, duty, securities transaction fees, value added or similar Taxes and related fees or governmental charges.

"Transferred Assets" shall have the meaning set forth in Section 2.01.

"Transferred Contract Interest" shall have the meaning set forth in Section 2.06(b).

"Transferred Contracts" means all Contracts exclusively related to the ownership and operation of the Transferred Assets, including the Real Property Leases.

"Transferred IT Systems" shall have the meaning set forth in Section 2.01(i).

"Transferred Third Party Licensed IP and Technology" means all Intellectual Property and Technology owned by a Person (other than any of the Seller Parties) under or with respect to which any Seller Party has been granted a license under any Transferred Contract.

"Treasury Regulations" means the U.S. Treasury Regulations promulgated under the Code.

"Wafer" means a semiconductor substrate upon which integrated circuits and other devices are built through one or more Process Steps.

"WARN" means the Worker Adjustment and Retraining Notification Act of 1988, as amended, and the rules and regulations promulgated thereunder, and any similar state or local Law.

"Well Fields Properties" means all real property and interests in real property owned by any of the Seller Parties and located in the Town of Fishkill and the Town of East Fishkill in New York and described on Section 2.01(k) of the Seller Disclosure Letter, together with the improvements, structures, buildings and fixtures thereon and all rights and appurtenances pertaining to the land, including all of such Seller Party's right, title and interest in and to: (a) all minerals, oil, gas, and other hydrocarbon substances thereon; (b) all adjacent strips, streets, roads, alleys and rights-of-way, public or private, open or proposed; (c) all development rights, covenants, easements, privileges, and hereditaments, whether or not of record, relating thereto; and (d) all access, air, water, riparian, development, utility, and solar rights, relating thereto.

"WIP" means work-in-process Wafer inventory.

Exhibit 31.1

CERTIFICATIONS

I, Keith D. Jackson, certify that:

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

Date: August 5, 2019

/s/ KEITH D. JACKSON
Keith D. Jackson
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Bernard Gutmann, certify that:

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

Date: August 5, 2019

/s/ BERNARD GUTMANN
Bernard Gutmann
Chief Financial Officer

Exhibit 32

Certification

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

For purposes of Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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 fiscal quarter ended June 28, 2019 (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 (15 U.S.C. 78m or 78o(d)) 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 5, 2019

/s/ KEITH D. JACKSON
Keith D. Jackson
President and Chief Executive Officer

Dated: August 5, 2019

/s/ BERNARD GUTMANN
Bernard Gutmann
Executive Vice President,
Chief Financial Officer, and Treasurer