

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

000-30419

(Commission File Number)

ON SEMICONDUCTOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-3840979

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

5005 E. McDowell Road

Phoenix, AZ 85008

(602) 244-6600

(Address, 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	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was \$3,522,004,475 as of July 1, 2011, based on the closing sales price of such stock on the NASDAQ Global Select Market. Shares held by executive officers, directors and persons owning directly or indirectly more than 10% of the outstanding common stock (as applicable) have been excluded from the preceding number because such persons may be deemed to be affiliates of the registrant.

The number of shares of the registrant's common stock outstanding at February 17, 2012 was 452,136,921.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement relating to its 2012 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after the registrant's fiscal year end December 31, 2011 are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. Business

Business Overview

ON Semiconductor Corporation and its subsidiaries (“we,” “us,” “our,” “ON Semiconductor,” or the “Company”) are a supplier of high performance silicon solutions for energy efficient electronics. Our broad portfolio of power and signal management, logic, discrete and custom devices helps customers efficiently solve their design challenges in automotive, communications, computing, consumer, industrial, LED lighting, medical, military/aerospace, smart grid and power applications. We design, manufacture and market an extensive portfolio of semiconductor components that address the design needs of sophisticated electronic systems and products. Our power management semiconductor components control, convert, protect and monitor the supply of power to the different elements within a wide variety of electronic devices. Our custom application specific integrated circuits (“ASICs”) use analog, digital signal processing, mixed-signal and advanced logic capabilities to act as the brain behind many of our automotive, medical, military, aerospace, consumer and industrial customers’ unique products. Our data management semiconductor components provide high-performance clock management and data flow management for precision computing and communications systems. Our standard semiconductor components serve as “building block” components within virtually all types of electronic devices. These various products fall into the logic, analog, discrete, image sensors and memory categories used by the World Semiconductor Trade Statistics (“WSTS”) group.

We serve a broad base of end-user markets, including automotive, communications, computing, consumer, medical, industrial, smart grid and military/aerospace. Applications for our products in these markets include portable electronics, computers, game consoles, servers, automotive and industrial control systems, LED lighting, power supplies, networking and telecom gear and automated test equipment.

Our extensive portfolio of devices enables us to offer advanced integrated circuits and the “building block” components that deliver system level functionality and design solutions. Our product portfolio consisted of approximately 40,500 products in 2011 and we shipped approximately 42.6 billion units in 2011 as compared to 38.2 billion units in 2010. We specialize in micro packages, which offer increased performance characteristics while reducing the critical board space inside today’s ever shrinking electronic devices. We believe that our ability to offer a broad range of products, global manufacturing network and logistics provides our customers with single source purchasing on a cost-effective and timely basis.

In October 2011, we announced a change in our organizational structure and the way we report our segment information. Previously reported information has been recast to reflect current organizational structure and reporting segments. We now are organized into four operating segments, which also represent four reporting segments: computing and consumer products group; automotive, industrial, medical and mil-aero products group; standard products; and SANYO Semiconductor products. Our SANYO Semiconductor products operating segment, acquired on January 1, 2011, designs, manufactures and sells discrete components, hybrid integrated circuits, radio frequency and power related products as well as custom integrated circuits. Many of these devices fall into the existing product categories described above, however, our SANYO Semiconductor products operating segment expands our capability in microcontrollers and extends our custom ASICs to integrated power modules and motor control devices for the consumer, automotive and industrial end-markets. Each of our major product lines has been assigned to a segment, as illustrated in the table below, based on our operating strategy. 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 revenues 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.

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<u>Computing & Consumer Products</u>	<u>Automotive, Industrial, Medical and Mil-Aero Products</u>	<u>Standard Products</u>	<u>SANYO Semiconductor Products</u>
DC-DC Conversion	Automotive Application Specific Standard Products (“ASSPs”)	Bipolar Power	Power MOSFETs
Analog Switches	Analog Automotive	Thyristor	IGBTs
AC-DC Conversion	Automotive Power Switching	Small Signal	Power and Signal Discretes
Low Voltage Power Management	Automotive Mixed-Signal solutions	Zener	Intelligent Power Modules
Standard Logic	Medical ASICs & ASSPs	Protection	Motor Driver ICs
Power Switching	Linear Light Sensors	Rectifier	Display Drivers
Signal & Interface	CMOS Image Sensors	Filters	ASICs
LDO & Vregs	Military & Aerospace	MOSFETs	Microcontrollers
	Mixed Signal ASICs		Flash Memory
	Industrial ASSPs		Touch Sensor
	High Frequency / Timing		Power Supply IC
	EE Memory and Programmable Analog		Audio DSP
	Integrated Passive Devices (“IPD”)		Audio Tuners
	Foundry and Manufacturing Services		Image stabilizer ICs
	Hearing Components		

The addition of SANYO Semiconductor Co. Ltd. (“SANYO Semiconductor”) also provides us with a strong market presence in Japan, with many leading Japan-based customers, some of which were previously our customers. We have approximately 440 direct customers worldwide, and we also service approximately 300 significant original equipment manufacturers (“OEMs”) indirectly through our distributor and electronic manufacturing service provider customers. Our direct and indirect customers include: (1) leading OEMs in a broad variety of industries, such as Continental Automotive Systems, Delta, Samsung, Hella, Delphi, LG Electronics, Motorola Mobility, Motorola Solutions, Panasonic, Schneider, GE, Honeywell, Broadcom, Siemens, Nokia, Cisco Systems, and Sony Ericsson; (2) electronic manufacturing service providers, such as Flextronics, Celestica, Benchmark Electronic, and Jabil; and (3) global distributors, such as Arrow, Avnet, EBV Elektronik, Future, World Peace and Yosun.

We currently have domestic design operations in Arizona, California, Idaho, Oregon, Rhode Island and Texas, as well as foreign design operations in Belgium, Canada, China, the Czech Republic, France, Germany, India, Ireland, Korea, Romania and Switzerland. Additionally, we currently operate domestic manufacturing facilities in Idaho and Oregon and have foreign manufacturing facilities in Belgium, Canada, China, the Czech Republic, Japan, Malaysia, the Philippines, Thailand and Vietnam.

During the fourth quarter of 2011, we committed to a plan to close our wafer manufacturing facility located in Aizu, Japan by the end of the second quarter of 2012 (“Aizu Plan”). Under the Aizu Plan, a majority of the Aizu, Japan production will be transferred to other Company-owned wafer fabrication facilities. The Aizu Plan is

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being undertaken as part of our overall drive for operational efficiencies and is in line with an ongoing strategy aimed at migrating in-house production to large, high volume facilities, and investing in more advanced wafer technologies.

During the fourth quarter of 2011, we committed to a plan to close our probe, assembly and test operations located in Ayutthaya, Thailand and partially close our Bang Pa In, Thailand facility by the end of the first quarter of 2012, as a result of the damage caused to those facilities by the 2011 flooding in that region. For further information, see “Manufacturing Operations” below.

Company Highlights During 2011

- Record total revenues of approximately \$3,442.3 million, up approximately 49% compared to 2010
- Completed the acquisitions of SANYO Semiconductor in January and the CMOS Image Sensor Business Unit from Cypress Semiconductor Corporation (“Cypress Semiconductor”) in February
- Record cash, cash equivalents and short-term investments of \$901.5 million
- Completed a \$325.0 million five-year senior revolving credit facility
- Extended debt maturity of \$198.6 million of 2.625% convertible senior subordinated notes from December 2013 to December 2016 through an exchange transaction

Company History and Capital Structure

Prior to August 1999, we were a wholly-owned subsidiary of Motorola, Inc. (“Motorola”) and operated as the Semiconductor Components Group of Motorola’s Semiconductor Products sector. On August 4, 1999, we were recapitalized (the “recapitalization”) and certain related transactions were effected pursuant to an agreement among us, our principal domestic operating subsidiary, Semiconductor Components Industries, LLC (“SCI LLC”), Motorola and affiliates of Texas Pacific Group (“TPG”). During 2007, TPG sold all of its remaining shares of our common stock to multiple buyers and ceased being our principal stockholder. We continue to hold and operate, through direct and indirect subsidiaries, substantially all the assets and operations that we did when we were the Semiconductor Components Group of Motorola’s Semiconductor Products Sector.

Company Mergers and Acquisitions

2011 Acquisitions

On January 1, 2011, we paid SANYO Electric Co., Ltd. (“SANYO Electric”) \$142.1 million in cash and issued a \$377.5 million note payable to SANYO Electric, through SCI LLC, and as a result SANYO Semiconductor became our wholly-owned subsidiary. In the second quarter of 2011, we received approximately \$39.7 million in cash from SANYO Electric for working capital and pension adjustments as determined in accordance with the purchase agreement, which resulted in a net purchase price of \$479.9 million.

We believe that this acquisition has provided and will continue to provide us with access to market-leading Japanese and Asian customers, while providing SANYO Semiconductor customers with access to advanced front-end mixed-signal and analog manufacturing, and ultra high volume back-end facilities. Ultimately, we believe that the combination of SANYO Semiconductor operations with our existing operations will provide us with highly complementary products, customers and geographic regions. In addition, we expect SANYO Semiconductor to benefit from access to ON Semiconductor’s market leading customers not previously doing business with SANYO Semiconductor in North America, Europe and China.

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On February 27, 2011, we acquired 100% of the CMOS Image Sensor Business Unit (“ISBU”) from Cypress Semiconductor for \$34.1 million in cash. The ISBU includes a broad portfolio of high-performance custom and standard image sensors used in multi-megapixel machine vision, linear and two dimensional (2D) bar code imaging, medical x-ray imaging, biometrics, digital photography and cinematography, and aerospace applications. The acquired products include the VITA, LUPA, STAR, and IBIS families, which are all well known throughout the industry.

Acquisitions prior to 2011

On June 9, 2010, we acquired 100% of Sound Design Technologies, Ltd. (“SDT”) for approximately \$22.0 million. We believe that this acquisition has improved and will continue to improve our position as a leading supplier of ultra-low power digital processing (“DSP”) technology for hearing aids and audio processing applications, strengthens our talent base and adds an experienced design and applications engineering team for medical devices within our automotive, industrial, medical and mil-aero products group. In addition, SDT’s advanced manufacturing expertise in chip-scale capacitors and high density packaging also expands our capabilities in delivering advanced, highly miniaturized packaging technology crucial for hearing aid and similarly size-constrained applications that demand medical-grade quality.

On January 27, 2010, we acquired 100% of California Micro Devices Corporation (“CMD”) in an all cash transaction for approximately \$113.2 million. We believe that the combination has strengthened and will continue to strengthen our offering of application specific integrated passive (“ASIP”) devices to protect products in the wireless, computing and consumer electronics end-markets. In addition, CMD’s expertise in protection solutions for the high brightness LED (“HBLED”) market, as well as its strengths in low current-based electromagnetic interference (“EMI”) filtering and low capacitance electrostatic discharge (“ESD”) protection, complement our existing portfolio of protection and lighting solutions.

On November 4, 2009, we acquired 100% of PulseCore Holdings (Cayman) Inc. (“PulseCore”) in an all cash transaction for approximately \$17.0 million. The acquisition of PulseCore expands our clock and circuit protection offerings for the consumer, wireless and computing end-market customers. PulseCore’s capabilities in standard and custom high-speed and low power analog and mixed signal solutions for EMI reduction also enhance our overall EMI filtering and circuit protection portfolios. In addition, PulseCore’s history in India represents our first foray of design activity in that country.

On October 10, 2008, we acquired 100% of Catalyst Semiconductor, Inc. (“Catalyst”), whereby Catalyst became our wholly-owned subsidiary. At the effective time of the merger, each issued and outstanding share of common stock of Catalyst was converted into 0.706 shares of our common stock, which resulted in the issuance of 10.9 million shares of our common stock upon the consummation of the merger. The aggregate purchase price was approximately \$120.1 million, which included common stock, restricted stock units (“RSUs”), options and warrants and estimated direct transaction costs. We believe the combination has enhanced and will continue to enhance shareholder value by: (1) accelerating our higher margin analog products for the digital consumer market; (2) providing entry into the LED drivers and non-volatile memories (“EEPROM”) business; (3) leveraging scale to drive growth in the business; and (4) achieving cost savings by leveraging our operational excellence and increasing the activity in our Gresham, Oregon wafer fabrication facility.

On March 17, 2008, we acquired 100% of AMIS Holdings, Inc. (“AMIS”), whereby AMIS became our wholly-owned subsidiary. At the effective time of the merger, each issued and outstanding share of common stock of AMIS was converted into 1.15 shares of our common stock, which resulted in the issuance of approximately 103.2 million shares of our common stock upon the consummation of the merger. The aggregate purchase price was approximately \$939.7 million. We believe the combination has enhanced and will continue to enhance shareholder value by: (1) accelerating our transformation from a discrete supplier to a key supplier with scale; (2) strengthening our end-market presence, facilitating our entry into new markets and deepening customer

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relationships; (3) obtaining significant scale and cash flow generation; and (4) achieving cost savings by leveraging our operational excellence and increasing the activity in our Gresham, Oregon wafer fabrication facility.

On December 31, 2007, we acquired from Analog Devices, Inc. and its subsidiaries (“ADI”) certain assets, including property, plant and equipment and intellectual property rights related to ADI’s voltage regulation and thermal monitoring products for its computing applications business (“PTC Business”) for a total acquisition cost of \$148.0 million of cash. As a result of the acquisition, we have benefited from the technical expertise, customer relationships and power management know-how of the PTC Business and its employees. This acquisition expanded our overall computing power management business and increased our notebook power management market share.

See Note 4: “Acquisitions” of the notes to our audited consolidated financial statements included elsewhere in this report for further discussion of some of these acquisitions.

Products and Technology

The following table provides information regarding our operating segments:

	Computing and Consumer Products Group	Automotive, Industrial, Medical and Mil-Aero Products Group	Standard Products Group	SANYO Semiconductor Products Group
Revenues				
2011	\$609.1	\$ 894.7	\$878.2	\$1,060.3
2010	\$609.1	\$ 794.7	\$909.6	\$—
2009	\$473.0	\$ 623.8	\$672.1	\$—
Representative OEM customers, distributors and end-users	Flextronics	Continental Automotive Systems*	Samsung	Panasonic*
	Celestica	Hella KG*	Delta	Sony*
	Seagate	Boston Scientific	Flextronics	Midea*
	Sony Ericsson	FLIR Systems	LG	Samsung*
	Samsung	Siemens	Apple	Canon*
	Jabil	Starkey Laboratories	Jabil	Fujitsu Ten*
	Motorola	Valeo	Motorola	Sharp
	LG	Bosch GmbH	Continental Automotive	LG
	Delta	Delphi	Seagate	Apple
	Delphi	Raytheon	Sony Ericsson	Western Digital
	Avnet*	Avnet*	Avnet*	
	World Peace*	Arrow*	World Peace*	
	Arrow*	Flextronics*	Arrow*	
	WT.		WT.	
	Microelectronics*		Microelectronics*	
	Yosun*		Yosun*	

* Our principal customers for that segment.

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See “Business Overview” above and Note 17: “Segment Information” of the notes to our audited consolidated financial statements included elsewhere in this report for other information regarding our revenues and property, plant and equipment, and also our segments and the income derived therefrom.

Computing and Consumer Products Group As computing platforms, both desktop and portable, evolve from data-processing systems (database manipulation, word processing and spreadsheets) to signal processing systems (audio, video, and wireless communications), the core processors need to be more and more powerful. More powerful processors in turn require more efficient power supplies and more efficient use of power on the motherboard and subsequent peripherals. The Computing & Consumer Products Group is focused on delivering power efficient analog IC solutions for power management in VCORE, DDR, and chipsets for audio, video, and graphics processing subsystems. Additionally, we provide efficient AC-DC conversion solutions for the power supplies in computing and consumer applications. We believe our success in these markets is attributable to our superior technology, and manufacturing and supply chain capabilities, which are needed to serve this high-volume market.

Automotive, Industrial, Medical and Mil-Aero Products Group The Automotive, Industrial, Medical and Mil-Aero Products Group designs and develops analog, mixed-signal and advanced logic ASIC and ASSP solutions for the automotive, medical, military/aerospace, consumer and industrial markets.

Our Automotive businesses are well recognized global suppliers of power management analog and mixed-signal ASIC and ASSP products for automotive applications. Our diverse portfolio includes automotive-grade low-dropout (“LDO”) voltage regulators, drivers, and ignition IGBTs. These offerings address the challenges of power efficiency and lower product drain modes that have become critical with the proliferation of electronic features throughout the automotive industry.

The Custom Industrial and Timing Products business is focused on mixed-signal ASICs and ASSPs for industrial, medical imaging, computing and consumer applications as well as clock and timing management products for industrial, communications and consumer applications. Our *PureEdge*[™] phase lock loop (“PLL”) family includes low noise jitter clock synthesizers and clock modules that are targeted at replacing traditional crystal oscillators. The acquisition of PulseCore Semiconductor further enhances this portfolio by adding new capabilities in active EMI protection and optimization utilizing advanced spread-spectrum clocking technology.

Our Medical Products business develops ASICs and ASSPs used in defibrillators, pacemakers, neurostimulators, hearing health applications, glucose meters and patient monitoring products as well as consumer and industrial audio products. These offerings leverage our ultra-low-power DSP and SRAM expertise and mixed-signal, firmware/software, algorithm system design and miniaturized packaging capabilities to provide best-in-class power efficiency.

Our Digital ASIC, Mil-Aero and Image Sensors business specializes in mid-range (above 90 nm) standard-cell ASICs conversions for the military/aerospace, industrial, communications, computing and consumer markets. The image sensor products business also develops ambient light sensors, proximity sensors, and linear contact image sensors (die and module form) to support various industrial and consumer applications. Our 2011 acquisition of the CMOS Image Sensor Business from Cypress Semiconductor includes a broad portfolio of well-known high-performance custom and standard image sensor products used in a variety of applications.

Our Memory product line offers serial EEPROM solutions in a wide range of densities for data parameter storage in a wide range of electronic products serving multiple market segments. Our configurable analog products include microcontroller supervisors and precision analog voltage references designed with patented post-packaging programmability to provide custom voltage programming capability for a wide range of industrial and consumer products. Additionally, our configurable analog products (Quantum Charge Programmable[™]) include microcontroller supervisors with on-board EEPROM to ensure safe, sustained

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operation of electronic products while also enabling them to recover more efficiently from power disruptions. Our Digitally Programmable Potentiometers™ (“DPPs”) replace mechanical potentiometers which are used to fine tune and trim electronic circuitry in a variety of applications.

Finally, our Custom Foundry business, in addition to offering Integrated Passive Device technology, leverages ON Semiconductor’s broad range of manufacturing, IC design, package and silicon technology offerings to provide flexible, turnkey foundry solutions and manufacturing services for fabless semiconductor companies and OEMs.

Standard Products Group We serve a broad base of end-user markets, including consumer electronics, computing, wireless and wired communications, automotive electronics, industrial electronics and medical via four major discrete semiconductor technology categories: diodes and transistors, configurable analog products, LED drivers, EEPROMs and power MOSFETs.

The wide array of discrete and integrated semiconductor products that we offer within these categories perform multiple application functions, including power switching, signal conditioning, circuit protection, signal amplification and voltage reference functions. The consumer trends driving growth within our end-user markets are primarily the demand for greater functionality in small hand held devices, faster data transmission rates in all communications applications and higher efficiency in all power applications. The proliferation of electronic content in automobiles (the value of the electronic content now exceeds that of the metal in many cars) has induced tremendous stress on the existing 12 volt electrical infrastructure. Power efficiency and exceptionally low power drain modes have now become a critical automotive issue as more and more electronic features exist. The new technologies being developed to support these market trends include lower capacitance protection and integrated signal conditioning products to support faster data transmission rates, micro packages for multiple hand held applications and switching and rectification technologies that allow for high efficiency energy usage and conversion.

We offer serial EEPROM products in a wide range of densities for data parameter storage in a wide range of electronic products across multiple market segments. Our drivers are used in color screen applications to ensure uniform brightness and color purity, while minimizing power consumption in cell phones, digital cameras, MP3 music players, portable gaming consoles, personal digital assistants, industrial instrumentation, automotive instrument clusters and home appliances. Our configurable analog products include our Quantum Charge Programmable™ microcontroller supervisors and precision analog voltage references designed with patented post-packaging programmability to provide customers with custom voltage programming for a very wide range of industrial and consumer electronic products. Additional configurable analog products include microcontroller supervisors with on-board EEPROM to ensure safe, sustained operation of electronic products and allow them to recover more efficiently from power disruptions; DPPs, which replace mechanical potentiometers used to fine tune and trim electronic circuitry in a variety of applications like interactive game consoles, digital cameras and optical transceivers; DC-DC converters and low drop-out regulators for battery-powered products; and bus products used in a wide range of electronic products to connect the digital control bus to the external user interface.

SANYO Semiconductor Products Group Our SANYO Semiconductor Products Group is a global supplier of analog and mixed signal integrated circuits, microcontrollers, DSPs, analog and digital tuners, intelligent power modules, memory and discrete semiconductors to the consumer, industrial and automotive end markets. Our diverse product portfolio includes analog power management ICs; motor drive ICs; intelligent modules for power inversion, motor control, and automotive electronics; 8 and 16-bit microcontrollers; audio and video tuners; DSPs and image enhancement products supporting a broad range of applications, including automotive infotainment and motor control systems, consumer white goods, wireless communications devices (smartphones, media tablets, etc.), LCD TVs, and digital still cameras and camcorders. The continuing transformation to make all electronics systems “smart”, connected and more power efficient presents a substantial opportunity to draw on our diverse product portfolio and applications expertise to provide customers with comprehensive systems solutions for their applications. We further possess unique micro-packaging capabilities that help customers meet

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their need to reduce device size and weight as more semiconductor content is incorporated into electronics systems and device dimensions shrink to increase portability. Moreover, for home appliance and industrial power applications, we possess unique power assembly packaging and composite material IP, which allows our customers to improve power efficiency in their end products.

Customers

We have been doing business with 49 of our 50 largest customers for more than five years. Sales agreements with customers are renewable periodically and contain certain terms and conditions with respect to payment, delivery, warranty and supply but do not require minimum purchase commitments. Most of our OEM customers negotiate pricing terms with us on an annual basis near the end of the calendar year, while our other customers, including electronic manufacturer service providers, generally negotiate pricing terms with us on a quarterly basis. Our products are ultimately purchased for use in a variety of end-markets, including computing, automotive electronics, consumer electronics, industrial electronics, wireless communications, networking, military aerospace and medical. For the year ended December 31, 2011, we had no sales to customers that accounted for 10% or more of our revenues. Prior to 2011, sales to customers of 10% or more of revenues were as follows: Avnet, Inc. 13% in 2010 and 11% in 2009, 2008 and 2007. As Avnet is a distributor, they have revenues in each of our segments with the exception of SANYO Semiconductor.

We generally warrant that products sold to our customers will, at the time of shipment, be free from defects in workmanship and materials and conform to our approved specifications. Subject to certain exceptions, our standard warranty extends for a period of two years. Generally, our customers may cancel orders 30 days prior to shipment for standard products and 90 days prior to shipment for custom products without incurring a significant penalty. For additional information regarding agreements with our customers, see "Backlog" below.

End Markets for Our Products

The following table sets forth our principal end-user markets, the estimated percentage (based in part on information provided by our distributors and electronic manufacturing service providers) of our revenues generated from each end-user market during 2011, sample applications for our products and representative OEM customers and end users.

	<u>Computing</u>	<u>Consumer Electronics</u>	<u>Automotive Electronics</u>	<u>Industrial Electronics</u>	<u>Wireless Communications</u>	<u>Networking</u>	<u>Mil-Aero</u>	<u>Medical</u>
Approximate percentage of 2011 Revenue	19%	26%	21%	15%	9%	5%	2%	3%
Sample applications	<ul style="list-style-type: none"> •Computer monitors •Disk drives •PC motherboards •Notebook power supplies 	<ul style="list-style-type: none"> •DVD players, cable decoders, set-top boxes and satellite receivers •Home security systems •Photocopiers •Scanners 	<ul style="list-style-type: none"> •4 wheel drive controllers •Airbags •Anti-lock braking systems •Automatic door locks and windows 	<ul style="list-style-type: none"> •Industrial automation and control systems •Lamp ballasts (power systems for fluorescent lights) •Large household appliances •Electric motor controllers 	<ul style="list-style-type: none"> •Cellular phones (analog and digital) •Pagers •Wireless modems and wireless local area networks 	<ul style="list-style-type: none"> •Routers and switches •Fiber optic networking •Cellular base stations and infrastructure •Ethernet cards and other network controllers 	<ul style="list-style-type: none"> •Cockpit displays •Guidance systems •Munitions •Infrared imaging 	<ul style="list-style-type: none"> •Medical imaging •Cardiac Rhythm Management •Glucose Monitoring •Hearing aids and Cochlear implants

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	<u>Computing</u>	<u>Consumer Electronics</u>	<u>Automotive Electronics</u>	<u>Industrial Electronics</u>	<u>Wireless Communications</u>	<u>Networking</u>	<u>Mil-Aero</u>	<u>Medical</u>
		•Small household appliances	•Automatic transmissions	•Power supplies for manufacturing equipment		•High speed modems (cable, xDSL and ISDN)	•Portable Communication Devices	•Defibrillators
		•Smartcards	•Automotive entertainment systems	•Surge protectors		•PBX telephone systems	•Aircraft Networking and Compute Engines	•Neurostimulators
		•TVs, VCRs and other audio-visual equipment	•Engine management and ignition systems	•Thermostats for industrial and consumer applications		•Network controllers	•Aircraft Communication	
		•Power supplies for consumer electronics	•Fuel injection systems	•Automatic test equipment				
			•GPS and other navigation systems					
			•LIN/CAN multiplexing					
Representative OEM customers and end users	Delta Elec Int'l Ltd Seagate Technology	Microsoft	Hella KG	Delta Elec Int'l Ltd Individual Companies	Samsung Elec Co. Sony Ericson	Alcatel	Raytheon Co	Boston Scientific
	Hewlett Packard Co Emerson Electric Co Schneider Electric	Samsung Elec Co. LG Electronics	Continental Automotive Systems CAS-Former Siemens VDO Delphi	Kionix INC Flir Systems	LG Electronics Huawei Tech Co., Ltd. Motorola	ZTE Hong Kong LTD Cisco	Aeroflex Rockwell Collins ITT Corporation	Starkey Laboratories General Electric Co St. Jude Medical
	Dell Computer LG Electronics Samsung Elec Co. Surface Mount Technology Lite-On Electronics, Inc AP	Xerox Corp Scientific Atlanta Sony Corp Philips Whirlpool Corp Sagem Communications	CAS-Former Motorola Automotive Visteon Bosch GMBH Valeo TRW Inc Magneti Marelli	Emerson Electric Co Siemens Industrial Honeywell Inc. Tyco International Belimo Automation AG Landis & GYR AG	ZTE Hong Kong Ltd Amkor Technology Inc Kyocera V.Tech Gigaset Communications	Nokia Siemens Networks Nortel Networks Delta Elec Int'l Ltd Foxconn	Stellar Microelectronics Sofradir Honeywell Inc L-3 Communications British Aerospace DRS	Medtronic Cardiac Pacemakers Inc ELA Medical Intricon Corp Philips Abbot Labs

Original Equipment Manufacturers Direct sales to OEMs accounted for approximately 56% of our revenues in 2011, 46% of our revenues in 2010 and 47% of our revenues in 2009. The increase from 2010 to 2011 was driven by the significantly higher mix of OEM revenue from the SANYO Semiconductor acquisition. These customers include a variety of companies in the electronics industry such as Continental Automotive Systems, Delta, Samsung, Hella, Delphi, LG Electronics, Motorola Mobility, Motorola Solutions, Schneider, GE, Honeywell, Broadcom, Siemens, Nokia, Cisco Systems, and Sony Ericsson. We focus on three types of OEMs: multi-nationals, selected regional accounts and target market customers. Large multi-nationals and selected regional accounts, which are significant in specific markets, are our core OEM customers. The target market customers in the communications, power management and standard analog and the high frequency clock and data management markets are OEMs that are on the leading edge of specific technologies and provide direction for technology and new product development. Generally, our OEM customers do not have the right to return our products following a sale other than pursuant to the provisions of our standard warranty.

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Distributors Sales to distributors accounted for approximately 37% of our revenues in 2011, 45% of our revenues in 2010 and 42% of our revenues in 2009. The decrease from 2010 to 2011 was driven by significantly lower mix of distributors from the SANYO Semiconductor acquisition. Our distributors, which include Arrow, Avnet, EBV Elektronik, Future, World Peace and Yosun, resell to mid-sized and smaller OEMs and to electronic manufacturing service providers and other companies. Sales to distributors are typically made pursuant to agreements that provide return rights with respect to discontinued or slow-moving products. Under certain agreements, distributors are allowed to return any product that we have removed from our price book. In addition, agreements with certain of our distributors contain stock rotation provisions permitting limited levels of product returns. Due to our inability to reasonably estimate up front the effect of the returns and allowances with these distributors, we defer recognition of revenue and gross profit on sales to these distributors until these distributors resell the product. As a result, sales returns have minimal impact on our results of operations.

Electronic Manufacturing Service Providers Direct sales to electronic manufacturing service providers accounted for approximately 7% of our revenues in 2011, 9% of our revenues in 2010 and 11% of our revenues in 2009. Our largest electronic manufacturing service customers are Flextronics, Jabil, Benchmark Electronic and Celestica. These customers are manufacturers who typically provide contract manufacturing services for OEMs. Originally, these companies were involved primarily in the assembly of printed circuit boards, but they now typically provide design, supply management and manufacturing solutions as well. Many OEMs now outsource a large part of their manufacturing to electronic manufacturing service providers in order to focus on their core competencies. We are pursuing a number of strategies to penetrate this increasingly important marketplace.

See Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 17: “Segment Information” of the notes to our audited consolidated financial statements included elsewhere in this report for revenues by geographic locations.

Manufacturing Operations

We operate front-end wafer site facilities located in Belgium, Canada, the Czech Republic, Japan, Malaysia, and the United States, and back-end assembly and test site facilities located in Canada, China, Japan, Malaysia, Philippines, Thailand, and Vietnam. In addition to these front-end and back-end manufacturing operations, our facility in Roznov, Czech Republic manufactures silicon wafers that are used by a number of our facilities. We operate all of our manufacturing facilities directly, except in the case of our joint venture in Leshan, China.

During the fourth quarter of 2011, we committed to the Aizu Plan to close our wafer manufacturing facility located in Aizu, Japan by the end of the second quarter of 2012. Under the Aizu Plan, a majority of the Aizu, Japan production will be transferred to other wafer fabrication facilities. The Aizu Plan is being undertaken as part of our overall drive for operational efficiencies and is in line with an ongoing strategy aimed at migrating in-house production to large, high volume facilities, and investing in more advanced wafer technologies.

During the fourth quarter of 2011, we committed to a plan to close our probe, assembly and test operations located in Ayutthaya, Thailand and to partially close our facility in Bang Pa In, Thailand (“Thailand Plans”) as a result of the damage caused to those facilities by the 2011 flooding in that region and the fact that the costs to recover and reconstruct those facilities would be excessive. Under the Thailand Plans, a majority of the Ayutthaya and Bang Pa In production will be transferred to other Company-owned facilities that have excess equipment capacity and excess floor space, and to some external subcontractors. We anticipate that the Thailand Plans will be completed by the end of June 2012.

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The table below sets forth information with respect to the manufacturing facilities we operate either directly or through our joint venture, as well as the reporting segments that use these facilities. The sizes of the locations represent the approximate gross square footage of each site's building and include, among other things, manufacturing, laboratory, warehousing, office, utility, support and unused areas.

<u>Location</u>	<u>Products</u>	<u>Size (sq. ft.)</u>
Front-end Facilities:		
Burlington, Canada	Automotive, Industrial, Medical and Mil-Aero Products Group	95,400
Gresham, Oregon	Computing and Consumer Products Group and Automotive, Industrial, Medical and Mil-Aero Products Group	518,000
Pocatello, Idaho	Automotive, Industrial, Medical and Mil-Aero Products Group	443,000
Roznov, Czech Republic	Computing and Consumer Products Group and Automotive, Industrial, Medical and Mil-Aero Products Group	237,000
Aizu, Japan (1)	Computing and Consumer Products Group, Automotive, Industrial, Medical and Mil-Aero Products Group and Standard Products Group	289,500
Oudenaarde, Belgium	Automotive, Industrial, Medical and Mil-Aero Products Group	167,900
Seremban, Malaysia (Site-2)	Automotive, Industrial, Medical and Mil-Aero Products Group and Standard Products Group	81,200
Oizumi town, Gunma, Japan (2) (4)	SANYO Semiconductor Products Group	406,600
Anpachi town, Gifu, Japan (1) (4)	SANYO Semiconductor Products Group	424,000
Ojiya city, Niigata, Japan	SANYO Semiconductor Products Group	1,724,600
Back-end Facilities:		
Ayutthaya, Thailand (1)	SANYO Semiconductor Products Group	1,243,900
Burlington, Canada	Automotive, Industrial, Medical and Mil-Aero Products Group	95,400
Leshan, China	Standard Products Group	363,000
Seremban, Malaysia (Site-1)	Computing and Consumer Products Group, Automotive, Industrial, Medical and Mil-Aero Products Group and Standard Products Group	309,300
Calamba, Philippines (2) (4)	Automotive, Industrial, Medical and Mil-Aero Products Group	200,600
Carmona, Philippines	Computing and Consumer Products Group, Automotive, Industrial, Medical and Mil-Aero Products Group and Standard Products Group	222,500
Bang Pa In, Thailand (3) (4)	Standard Products Group	9,000
Saitama, Japan	SANYO Semiconductor Products Group	377,000
Tarlac City, Philippines	SANYO Semiconductor Products Group	861,100
Shenzhen, China	SANYO Semiconductor Products Group	208,000
Ho Chi Minh City, Vietnam	SANYO Semiconductor Products Group	59,200

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<u>Location</u>	<u>Products</u>	<u>Size (sq. ft.)</u>
Other Facilities:		
Roznov, Czech Republic	Computing and Consumer Products and Automotive, Industrial, Medical and Mil-Aero Products Group	405,300
Santa Clara, California	Automotive, Industrial, Medical and Mil-Aero Products Group.	42,000

- (1) As noted above, the sites are scheduled to be closed during 2012.
- (2) During 2012, we will be exiting certain of these leased facilities.
- (3) During 2012, we will partially close this facility.
- (4) These facilities are leased.

We operate an assembly and test operations facility in Leshan, China. This facility is owned by a joint venture company, Leshan-Phoenix Semiconductor Company Limited ("Leshan"), of which we own a majority of the outstanding equity interests. Our investment in Leshan has been consolidated in our financial statements. Our joint venture partner, Leshan Radio Company Ltd., is formerly a state-owned enterprise. Pursuant to the joint venture agreement, requests for production capacity are made to the board of directors of Leshan by each shareholder of the joint venture. Each request represents a purchase commitment by the requesting shareholder, provided that the shareholder may elect to pay the cost associated with the unused capacity (which is generally equal to the fixed cost of the capacity) in lieu of satisfying the commitment. We committed to purchase 70% of Leshan's production capacity in 2011, 70% in 2010 and 73% in 2009 and are currently committed to purchase approximately 70% of Leshan's expected production capacity in 2012. In 2011 and 2010, we incurred no underutilization charges. In 2009, we incurred \$2.7 million in underutilization charges. As part of our manufacturing agreements with Leshan, we supply die used in the production process.

The Leshan facility is one of our lowest cost manufacturing operations. In June 2002, we obtained approval from the Chinese government for the Leshan joint venture to invest up to \$231.0 million in semiconductor operations, which is in addition to the \$278.0 million originally approved. In 2004, we committed to make capital contributions of approximately \$25.0 million to this joint venture by 2012, subject to market conditions. As of December 31, 2011, we had made capital contributions of approximately \$16.4 million to this joint venture. We have the ability to time these expenditures at our discretion to meet market demand.

We also use third-party contractors for some of our manufacturing activities, primarily for wafer fabrication and the assembly and testing of finished goods. Our agreements with these contract manufacturers typically require us to forecast product needs and commit to purchase services consistent with these forecasts. In some cases, longer-term commitments are required in the early stages of the relationship. These contract manufacturers, including Amkor, UTAC, Unisem, Nantong, Stars, UMC and TSMC, accounted for approximately 18%, 29% and 25% of our manufacturing costs in 2011, 2010 and 2009, respectively.

Raw Materials

Our manufacturing processes use many raw materials, including silicon wafers, gold, copper, and lead frames, mold compound, ceramic packages and various chemicals and gases. We obtain our raw materials and supplies from a large number of sources generally on a just-in-time basis, and material agreements with our suppliers that impose minimum or continuing supply obligations are reflected in our table showing commitments, contingencies and indemnities in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report. From time to time, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. Although we believe that supplies of the raw materials we use are currently and will continue to be available, shortages could occur in various essential materials due to interruption of supply or increased demand in the industry.

Sales, Marketing and Distribution

As of December 31, 2011, our global sales and marketing organization consisted of approximately 1,258 professionals operating out of approximately 47 offices which serve customers in 77 countries. We support our customers through logistics organizations and just-in-time warehouses. Global and regional distribution channels further support our customers' needs for quick response and service. We offer efficient, cost-effective Internet-based applications support from our laboratories in the Czech Republic, China and the United States. Through on-line connectivity, applications developed in one region of the world are now instantaneously available to all other regions. We continue to monitor our freight and logistical support operations for potential cost savings.

Patents, Trademarks, Copyrights and Other Intellectual Property Rights

We market our products under our registered trademark ON Semiconductor® and our ON logo, as well as under the licensed trademark and logo of SANYO Semiconductor, which we are able to utilize for a three year period from the acquisition date with some extension of time for certain products that are manufactured but not yet sold by the end of 2013. We own rights to a number of patents, trademarks, copyrights, trade secrets and other intellectual property directly related to and important to our business. In connection with our 1999 recapitalization, Motorola assigned, licensed or sublicensed to us, as the case may be, certain intellectual property to support and continue the operation of our business. We also acquired or were licensed or sublicensed a significant amount of intellectual property, including patents and patent applications, in connection with our acquisition of SANYO Semiconductor. In connection with the intellectual property received from both the Motorola and SANYO Semiconductor transactions, we received a limited indemnity umbrella to protect us from general unknown and certain known infringement claims from third parties. As of December 31, 2011, we had approximately 6,129 U.S. and foreign patents and approximately 3,511 patent applications pending worldwide. Our patents have expiration dates ranging from 2012 to 2031. None of our patents that expire in the near future materially affect our business. Additionally, we have rights to more than 370 registered and common law trademarks. Our policy is to protect our products and processes by asserting our intellectual property rights where appropriate and prudent and by obtaining patents, copyrights and other intellectual property rights used in connection with our business when practicable and appropriate.

Seasonality

Our revenues are affected by the cyclical nature of the semiconductor industry and the seasonal trends of related end-markets. Traditionally, the seasonal trend consisted of a soft first half of the year with a stronger second half of the year for consumer products. In recent years, the industry has also been affected by significant shifts in consumer demand due to economic downturns or other factors, which may result in volatility in order patterns and lead times, sudden shifts in product demand and periodic production over-capacity. We have, in the past, experienced substantial quarter-to-quarter fluctuations in revenues and operating results and, in the future, could continue to experience short term period-to-period fluctuations in operating results due to general industry or economic conditions.

Backlog

Our trade sales are made primarily pursuant to orders that are predominately booked as far as 26 weeks in advance of delivery. Generally, prices and quantities are fixed at the time of booking. Backlog as of a given date consists of existing orders and forecasted demands from our Electronic Data Interface customers, in each case scheduled to be shipped over the 13-week period following such date. Backlog is influenced by several factors including market demand, pricing and customer order patterns in reaction to product lead times. For those shipments to distributors who are allowed sales return rights and allowances, we record revenues on a "sell-through" basis. Thus, backlog comprised of orders from these distributors will not result in revenues until these distributors sell the products ordered. During 2011, our backlog at the beginning of each quarter represented between 82% and 91% of actual revenues during such quarter, which is lower on a percentage basis than prior years, due to the acquisition of SANYO Semiconductor, as that business has a lower backlog as compared to the

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historical ON Semiconductor business. As manufacturing capacity utilization in the industry increases, customers tend to order products further in advance and, as a result, backlog at the beginning of a period as a percentage of revenues during such period is likely to increase.

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

We sell products to key customers pursuant to contracts that allow us to schedule production capacity in advance and allow the customers to manage their inventory levels consistent with just-in-time principles while shortening the cycle times required for producing ordered products. However, these contracts are typically amended to reflect changes in customer demands and periodic price renegotiations.

Competition

The semiconductor industry, particularly the market for general-purpose semiconductor products like ours, is highly competitive. Although only a few companies compete with us in all of our product lines, we face significant competition within each of our product lines from major international semiconductor companies, as well as smaller companies focused on specific market niches. Because our components are often building block semiconductors that in some cases can be integrated into more complex integrated circuits, we also face competition from manufacturers of integrated circuits, ASICs and fully customized integrated circuits, as well as customers who develop their own integrated circuit products. (See Part I, Item 1A “Risk Factors—Trends, Risks and Uncertainties Related to Our Business” located elsewhere in this report.)

When compared to us, several of the competitors noted below are larger in scale and size, have substantially greater financial and other resources with which to pursue development, engineering, manufacturing, marketing and distribution of their products and may generally be better situated to withstand adverse economic or market conditions. Below we discuss the effects of competition on our four primary operating segments:

Computing and Consumer Products Group

The principal methods of competition in the Computing and Consumer Products Group are technical performance, total solution cost of ownership, quality and assurance of supply. Our architectures for AC-DC conversion offer a competitive total cost of ownership and leadership in power efficiency to compete. Our architecture for our microprocessor and DDR memory controllers offers a competitive cost of ownership and performance position to compete in the computing and consumer game console market. In addition, the breadth of our portfolio in other support functions such as DC-DC converters, over voltage protection IC’s, video and audio ICs, and standard analog and logic IC’s give us the opportunity to serve multiple requirements and allow customers to control their vendor lists more easily. Our significant competitors in this market include Intersil Corporation, Maxim Integrated Products, Inc., Texas Instruments Incorporated, STMicroelectronics N.V. and Power Integrations, Inc.

Automotive, Industrial, Medical and Mil-Aero

The principal methods of competition in the Automotive, Industrial, Medical and Mil-Aero Product Group are with other customer-specific semiconductor vendors based on design experience, manufacturing capability, depth and quality of intellectual property, ability to service customer needs from the design phase to the shipping of a completed product, length of design cycle, longevity of technology support and experience of sales and technical support personnel.

Our ability to compete successfully depends on internal and external variables, both inside and outside of our control. These variables include, but are not limited to, the timeliness with which we can develop new

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products and technologies, product performance and quality, manufacturing yields and availability, customer service, pricing, industry trends and general economic trends.

Our Medical and Custom Industrial businesses face direct competition from large diversified semiconductor suppliers that supply custom and semi-custom ICs, such as STMicroelectronics N.V. and Texas Instruments Incorporated. The business also faces direct competition from smaller end-market-focused mixed-signal suppliers, such as Elmos Semiconductor and ZMD AG. Direct competition also comes from our target customers themselves, who may have internal IC design resources dedicated to supporting the parent. Our Timing Products business faces direct competition from clock suppliers such as Cypress Semiconductor and Integrated Device Technology, Inc., and our Digital ASIC business faces threats from FPGA vendors such as Xilinx, Inc. and Altera Corporation, as well as digital ASIC suppliers like Open-Silicon, Inc. and e-Silicon Corporation. Our primary foundry competition includes X-FAB Semiconductor Foundries AG, Taiwan Semiconductor Manufacturing Company, Ltd., Tower Semiconductor Ltd. and MagnaChip Semiconductor LLC.

We also face indirect competition from ASSP suppliers such as Microchip Technology, Inc., whose mixed-signal microcontroller products capture low-end mixed-signal ASIC opportunities. Indirect competition also comes from analog standard products suppliers such as Maxim Integrated Products, Inc., Analog Devices, Inc. and Linear Technology Corporation, whose technical performance or off-the-shelf availability may be better than what we can offer.

The principal methods of competition in the configurable analog products, LED drivers and EEPROM spaces are product performance and new product innovations, where we are specifically focusing on integrating IP (e.g., EEPROM, digital potentiometer, and voltage reference blocks) as building blocks to create high value-added ASSPs. Our significant competitors include Atmel Corporation, STMicroelectronics N.V., Microchip Technology Incorporated, Fairchild Semiconductor International, Inc., Intersil Corporation, Linear Technology Corporation, Maxim Integrated Products, Inc., National Semiconductor Corporation and Texas Instruments Incorporated.

Standard Products Group

Our competitive strengths are in our market leading protection and filtering products, the breadth of our portfolio, technical performance, micro-packaging expertise, our high quality, low cost structure, and supply chain management which ensures supply to key customers. In addition, our strengths include our strong intellectual property ("IP") portfolio and our ability to leverage IP blocks across the Company to develop high value-added ASSPs.

The principal methods of competing in our discrete semiconductor products are through new product and package innovations with enhanced performance over existing products. Of particular importance are our over voltage protection and filtering portfolios (ESD Protection, TVS Zeners), power switching and rectification products and constant current regulators ("CCRs"), where we enjoy significant performance advantages over our competition. Our significant competitors include Diodes Incorporated, NXP B.V., Rohm Co., Ltd., TSPS Corporation, Infineon Technologies AG, Vishay Intertechnology, Inc., Fairchild Semiconductor International, Inc., STMicroelectronics N.V., and Semtech Corporation. One specific competitive challenge this group faces is our small market share with certain Japanese automotive customers that tend to favor local suppliers for their new product designs. With the acquisition of SANYO Semiconductor in January 2011, we expect this weakness to be mitigated.

SANYO Semiconductor Products Group

The principal methods of competition for SANYO Semiconductor are technical performance, quality, service and price. Our competitive strengths in this group are our strong technology and design capability, breadth of product portfolio, systems design expertise and long-standing supply relationships with leading OEM customers. Our significant competitors include Toshiba Corporation, Renesas Electronics Corporation, NXP

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B.V., Rohm Co. Ltd., Mistubishi Electric, STMicroelectronics N.V., Fairchild Semiconductor International, Inc., International Rectifier Corporation and Texas Instruments Incorporated.

Research and Development

Company-sponsored research and development costs in 2011, 2010 and 2009 were \$362.5 million (10.5% of revenue), \$248.0 million (10.7% of revenue) and \$198.8 million (11.2% of revenue), respectively. Our new product development efforts continue to be focused on building solutions in power management that appeal to customers in focused market segments and across multiple high growth applications. During 2011, research and development costs increased due to increased expense associated with on-going research and development activities associated with our SANYO Semiconductor acquisition, along with an increase in labor cost related to increases in head count.

Government Regulation

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

Our headquarters in Phoenix, Arizona is located on property that is a "Superfund" site, a property listed on the National Priorities List and subject to clean-up activities under the Comprehensive Environmental Response, Compensation, and Liability Act. Motorola and now Freescale Semiconductor, Inc. ("Freescale") have been actively involved in the cleanup of on-site solvent contaminated soil and groundwater and off-site contaminated groundwater pursuant to consent decrees with the State of Arizona. As part of our 1999 recapitalization, Motorola retained responsibility for this contamination and Motorola and Freescale have agreed to indemnify us with respect to remediation costs and other costs or liabilities related to this matter.

Our manufacturing location in Aizu, Japan is located on property where soil and ground water contamination has been detected. We believe that the contamination originally occurred during a time when the facility was operated by a prior owner. We are working with local authorities to determine the appropriate remediation actions and expect remediation costs, subject to certain limitations, to be indemnified pursuant to an agreement between us and the prior owner or covered by insurance subject to a deductible. Based on information available, any net costs to us in connection with this matter are not expected to be material.

Our manufacturing facility in the Czech Republic has ongoing remediation projects to respond to releases of hazardous substances that occurred during the years that this facility was operated by government-owned entities. The remediation project consists primarily of monitoring groundwater wells located on-site and off-site, with additional action plans developed to respond in the event activity levels are exceeded. The government of the Czech Republic has agreed to indemnify us and the respective subsidiaries, subject to specified limitations, for remediation costs associated with this historical contamination. Based upon the information available, we do not believe that total future remediation costs to us will be material.

Our design center in East Greenwich, Rhode Island is located on property that has localized soil contamination. When we purchased the East Greenwich facility, we 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. Based on the information available, we do not believe that any costs to us in connection with this matter will be material.

As a result of the acquisition of AMIS, we are a "primary responsible party" to an environmental remediation and cleanup 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

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other project management costs. However, AMIS's former parent company, a subsidiary of Nippon Mining contractually agreed to indemnify AMIS and us for any obligation relating to environmental remediation and cleanup at this location. We have not offset the receivable from Nippon Mining's subsidiary against the estimated liability on the consolidated balance sheets. Therefore, a receivable from Nippon Mining's subsidiary is recorded on the accompanying consolidated balance sheets as of December 31, 2011 related to this matter in the amount of \$0.1 million. We do not believe that the liability and receivable amounts are material to our consolidated financial position, results of operations or cash flow.

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

Employees

As of December 31, 2011, we had approximately 19,442 employees worldwide, of which 2,411 employees are in the United States. None of our employees in the United States are covered by collective bargaining agreements. Certain of our foreign employees are covered by collective bargaining arrangements (i.e., Japan and Belgium) or similar arrangements or are represented by workers councils. For information regarding employee risk associated with our international operations, see Part I, Item 1A "Risk Factors—Trends, Risks and Uncertainties Related to Our Business" elsewhere in this report. Of the total number of our employees as of December 31, 2011, approximately 15,286 were engaged in manufacturing, approximately 1,258 were engaged in our sales and marketing organization which includes customer service, approximately 708 were engaged in administration and approximately 2,190 were engaged in research and development.

Executive Officers of the Registrant

Certain information concerning our executive officers as of February 17, 2012 is set forth below.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Keith D. Jackson	56	President, Chief Executive Officer and Director*
Donald A. Colvin	58	Executive Vice President and Chief Financial Officer*
Robert Charles Mahoney	62	Executive Vice President, Sales and Marketing*
William John Nelson, PhD	57	Executive Vice President and Chief Operating Officer*
George H. Cave	54	Senior Vice President, General Counsel, Chief Compliance and Ethics Officer and Corporate Secretary*
William M. Hall	56	Senior Vice President and General Manager, Standard Products Group*
Bob Klosterboer	51	Senior Vice President and General Manager, Automotive, Industrial, Medical and Mil-Aero Products Group*
William A. Schromm	53	Senior Vice President and General Manager, Computing and Consumer Products Group*
Teruo Tabata	62	Vice President of SCI LLC and President of SANYO Semiconductor

* Executive Officers of both ON Semiconductor and SCI LLC.

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

Keith D. Jackson. Mr. Jackson was appointed as President and Chief Executive Officer of ON Semiconductor and SCI LLC in November 2002. Mr. Jackson has over 30 years of semiconductor industry experience. Before joining ON Semiconductor, he was with Fairchild Semiconductor Corporation, serving as Executive Vice President and General Manager, Analog, Mixed Signal, and Configurable Products Groups, beginning in 1998, and, more recently, was head of its Integrated Circuits Group. From 1996 to 1998, he served as President and a member of the board of directors of Tritech Microelectronics in Singapore, a manufacturer of analog and mixed signal products. From 1986 to 1996, Mr. Jackson worked for National Semiconductor Corporation, most recently as Vice President and General Manager of the Analog and Mixed Signal division. He also held various positions at Texas Instruments Incorporated, including engineering and management positions, from 1973 to 1986. Mr. Jackson has served on the board of directors of the Semiconductor Industry Association since 2008.

Donald A. Colvin. Mr. Colvin joined ON Semiconductor and SCI LLC as the Senior Financial Director in March 2003 and currently serves as the Executive Vice President and Chief Financial Officer. From April 2003 to May 2010, Mr. Colvin served as the Treasurer for ON Semiconductor and SCI LLC. Before joining the Company, beginning in 1998, he served as Vice President of Finance and Chief Financial Officer at Atmel Corporation, a manufacturer of advanced semiconductors. Mr. Colvin served as Chief Financial Officer of a subsidiary of Atmel from 1995 to 1998. From 1985 to 1995, he held various positions with European Silicon Structures, most recently as Chief Financial Officer. He held various financial positions with Motorola Semiconductors Europe from 1977 to 1985. Mr. Colvin holds a B.A. in Economics and an M.B.A. from the University of Strathclyde, Scotland. From May 2007 to July 2011, Mr. Colvin served as a member of the board of directors of Applied Micro Circuits Corporation.

Robert Charles Mahoney. Mr. Mahoney joined the Company in November 2002 and has served in various positions. Most recently, in June 2006, he was appointed as Executive Vice President for Sales and Marketing for ON Semiconductor and SCI LLC. Mr. Mahoney has over 20 years of semiconductor industry experience in sales and sales management. From May 2006 through June 2006, Mr. Mahoney served as the interim Senior Vice President of Marketing and Sales for the Company. From August 2004 through April 2006, he served as the Vice President of North America Sales, Computing Segment Sales and Sales Operations, and from November 2002 through August 2004, he served as the Company's Vice President of Global Distribution and Electronic Manufacturing Services Industry. Before joining the Company, Mr. Mahoney was Vice President of World Wide Sales at Xicor Semiconductor from October 2001 until November 2002 and Vice President of Strategic Accounts at Altera Corporation from May 2000 until October 2001. During his career, he has also held sales management roles at Analog Devices, Inc. and National Semiconductor Corp.

William John Nelson, Ph.D. Dr. Nelson joined the Company in May 2007 and serves as Executive Vice President and Chief Operating Officer of ON Semiconductor and SCI LLC. From May 2009 to May 2011, Dr. Nelson served as the Chief Environmental Officer for ON Semiconductor and SCI LLC. Dr. Nelson has more than 31 years of experience in the semiconductor industry. Prior to joining ON Semiconductor, Dr. Nelson was Chief Executive Officer of 1st Silicon, where he was responsible for day-to-day operations, including worldwide manufacturing, sales, marketing and product development. From 1990 to 2002, Dr. Nelson served in several executive positions with General Instrument/General Semiconductor, including as Chief Operations Officer and President of the company's Asia-Pacific operation. Dr. Nelson's industry experience also includes key positions at General Instrument, Unitrode, Fairchild Semiconductor and Analog Devices. Dr. Nelson earned both a Bachelor of Science degree with honors and a PhD in physics from the University of Ulster, Northern Ireland.

George H. Cave. Mr. Cave has served as the General Counsel of ON Semiconductor and SCI LLC since August 1999. He also currently serves as a Senior Vice President, Corporate Secretary and Chief Compliance & Ethics Officer for the Company. Mr. Cave's professional career spans over 25 years of broad legal and business

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experience, including working for over 18 years in the semiconductor industry. Before his tenure with ON Semiconductor and SCI LLC, he served for two years as the Regulatory Affairs Director for Motorola's Semiconductor Components Group in Geneva, Switzerland. Prior to that position, Mr. Cave was Senior Counsel in the Corporate Law Department of Motorola in Phoenix, Arizona for five years. Mr. Cave also serves as the Vice Chairman of the Board of Directors of the American Medical College of Homeopathy.

William M. Hall. Mr. Hall joined ON Semiconductor and SCI LLC in May 2006 as Senior Vice President and General Manager of the Standard Products Group. During his career, Mr. Hall has held various marketing and product line management positions. Before joining the Company, he served as Vice President and General Manager of the Standard Products Group at Fairchild Semiconductor Corp. Between March 1997 and May 2006, Mr. Hall served at different times as Vice President of Business Development, Analog Products Group, Standard Products Group, and Interface and Logic Group, as well as serving as Vice President of Corporate Marketing at Fairchild. He has also held management positions with National Semiconductor Corp. and was a RADAR design engineer with RCA.

Robert A. Klosterboer. Mr. Klosterboer joined the Company in March 2008 and currently serves as Senior Vice President and General Manager, Automotive, Industrial, Medical and Mil-Aero Products Group of ON Semiconductor and SCI LLC. He has more than two decades of experience in the electronics industry. During his career, Mr. Klosterboer has held various engineering, marketing and product line management positions and responsibilities. Prior to joining ON Semiconductor in 2008, Mr. Klosterboer was Senior Vice President, Automotive & Industrial Group for AMI Semiconductor, Inc. Mr. Klosterboer joined AMIS in 1982 as a test engineer and during his tenure there he also was a design engineer, field applications engineer, design section manager, program development manager, and product marketing manager. Mr. Klosterboer holds a bachelor's degree in electrical engineering technology from Montana State University.

William A. Schromm. Mr. Schromm has been with the Company since August 1999 and as of May 2006, serves as Senior Vice President and General Manager, Computing and Consumer Products Group for ON Semiconductor and SCI LLC. Mr. Schromm has over 30 years of semiconductor industry experience. During his tenure with the Company, he has held various positions. From December 2005 through May 2006, he served as the Vice President and General Manager of the High Performance Analog Division and also led the Analog Products Group. Beginning in January 2003, he served as Vice President of the Clock and Data Management business and continued in that role with additional product responsibilities when this business became the High Performance Analog Division in August 2004. Prior to that, he served as the Vice President of Tactical Marketing from July 2001 through December 2002, after leading the Company's Standard Logic Division since August 1999.

Teruo Tabata. Mr. Tabata was appointed as Vice President of SCI LLC in February 2012 and has served as President of ON Semiconductor's SANYO Semiconductor Division since its acquisition by ON Semiconductor in January 2011. Mr. Tabata also served as President of SANYO Semiconductor from July 2006 to January 2011, during which time it was a subsidiary of SANYO Electric. Also, from July 2006 to March 2008, he served as Innovation Group Executive of SANYO Electric (SANYO Electric's CTO). From 1974 to July 2006, Mr. Tabata served in various positions for SANYO Electric and its predecessors including most recently as Senior Vice President of SANYO Electric and Semiconductor Company President. During his tenure at SANYO Electric, Mr. Tabata also served as President of SANYO EPSON IMAGING DEVICES CORPORATION, General Manager of SANYO Electric's LSI business unit, the Display Company President of SANYO Electric's Component business unit, General Manager of SANYO Electric's BIP-LSI business unit and Vice President of Niigata SANYO Electric Co., Ltd. Mr. Tabata graduated with a Masters Degree from The University of Tokyo, Faculty of Engineering (the department of electronics).

Geographical Information

For certain geographic operating information, see Note 9: "Income Taxes" and Note 17: "Segment Information" of the notes to our audited consolidated financial statements and Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations," in each case, as included elsewhere

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in this report. For information regarding other aspects of risks associated with our foreign operations, see Part I, Item 1A “Risk Factors — Trends, Risks and Uncertainties Related to Our Business” elsewhere in this report.

Available Information

We make our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports available, free of charge, in the “Investor Relations” section of our Internet website as soon as reasonably practicable after we electronically file these materials with, or furnish these materials to, the Securities and Exchange Commission (the “SEC”). Our website is www.onsemi.com.

You may also read or copy any materials that we file with the SEC at their Public Reference Room at 100 F. Street, N.E., Washington, DC 20549. You may obtain additional information about the Public Reference Room by calling the SEC at 1-800-SEC-0330. Additionally, you will find these materials on the SEC Internet site at <http://www.sec.gov> that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors

Overview

This Annual Report on Form 10-K includes “forward-looking statements,” as that term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical facts, included or incorporated in this Form 10-K could be deemed forward-looking statements, particularly statements about our plans, strategies and prospects under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” Forward-looking statements are often characterized by the use of words such as “believes,” “estimates,” “expects,” “projects,” “may,” “will,” “intends,” “plans,” or “anticipates,” or by discussions of strategy, plans or intentions. All forward-looking statements in this Form 10-K are made based on our current expectations and estimates, 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 revenues and operating performance, poor economic conditions and markets (including current credit and financial conditions), 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 intellectual property rights and related risks, availability of raw materials, electricity, gas, water and other supply chain uncertainties, and our ability to effectively shift production to other facilities 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, competitor actions, including the adverse impact of competitor product announcements, pricing and gross profit pressures, loss of key customers, order cancellations or reduced bookings, changes in manufacturing yields, control of costs and expenses and realization of cost savings from restructurings and synergies, significant litigation, risks associated with decisions to expend cash reserves for various uses such as debt prepayment or acquisitions rather than to retain such cash for future needs, risks associated with acquisitions and dispositions (including from integrating and consolidating and timely filing financial information with the Commission for acquired businesses such as SANYO Semiconductor and difficulties encountered in accurately predicting the future financial performance of acquired businesses, such as SANYO Semiconductor), risks associated with our substantial leverage and restrictive covenants in our debt agreements from time to time, risks associated with our worldwide operations including foreign employment and labor matters associated with unions and collective bargaining arrangements as well as man-made and/or natural disasters such as the flooding in Thailand or the Japan earthquake and tsunami affecting our operations and finances/financials, the threat or occurrence of international armed conflict and terrorist activities both in the United States and internationally, risks and costs associated with increased and new regulation of corporate governance and disclosure standards (including pursuant to Section 404 of the Sarbanes-Oxley Act of 2002), risks related to new legal requirements and risks

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involving environmental or other governmental regulation. Additional factors that could affect our future results or events are described from time to time in our SEC reports. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information.

You should carefully consider the trends, risks and uncertainties described below and other information in this 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 the following 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 investment. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

Trends, Risks and Uncertainties Related to Our Business

From time to time, we have experienced declines in revenues and incurred operating losses, and we may experience additional declines in revenues and incur additional operating losses in the future.

At times our historical financial results have been subject to substantial fluctuations and during those times we have experienced declines in revenues and incurred operating losses. Reduced end-user demand, price declines, excess inventory, underutilization of our manufacturing capacity, the effects of natural disasters such as the flooding in Thailand or the Japan earthquake and tsunami and other factors could adversely affect our business. In order to remain profitable, we must continue to successfully implement our business plan and examine and implement potentially advantageous cost reduction initiatives.

We have significant operations in Thailand and the recent flooding in Thailand has negatively impacted our operations in Thailand.

Our SANYO Semiconductor division's Thailand operations, including buildings and equipment and books and financial and other corporate records located at the Rojana Industrial Park in Ayutthaya, Thailand, have been severely damaged by or lost as a result of the recent flooding in Thailand. We also have operations located in an industrial park in Bang Pa In, Thailand that were affected by the flood. We are continuing to monitor customer production needs and are shifting production to other facilities within and outside of our global manufacturing network. We believe that it will take multiple quarters for restoration of our production capacity to pre-flood levels and/or to transfer production to other sites. The flooding will negatively impact revenues and earnings. Such impacts could include, but are not limited to, (i) impacts on our ability to continue to acquire the components of our products on a timely basis from vendors that have been affected by the floods or from alternative sources of supply, if any; (ii) impacts on the continuing availability of uninterrupted services from subcontractors; (iii) impacts on the cost of component materials and services that we acquire from our vendors and subcontractors, which may increase as a result of supply shortages or otherwise; (iv) impacts from customer purchase order or inventory cancellations or reductions and lost market share; and (v) impacts from restructuring or facility closure activities including employee severance payments.

In addition, we have not been able to determine the extent to which our historical books and financial and other corporate records and data for our SANYO Semiconductor division's Thailand operations have been lost due to the flooding, including any records that may have been saved electronically and the backup storage for these electronic records. We are continuing to evaluate the extent to which this data may have been lost, our ability to recover or reconstruct any such data that has been lost, and other impacts of the loss of any such data and our options for dealing with the resultant circumstances. If any such data has been lost and we are unable to recover or reconstruct the data, it could adversely impact our historical reporting of our financial results.

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We operate in the highly cyclical semiconductor industry, which is subject to significant downturns and upturns.

The semiconductor industry is highly cyclical and, as a result, is subject to significant downturns and upturns. The industry has experienced significant downturns, often in connection with, or in anticipation of, maturing product cycles (for semiconductors and for the end-user products in which they are used) and declines in general economic conditions. These downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. On the other hand, significant upturns have led to increased customer demand for our products and the risk of not being able to meet this demand in a timely and cost efficient manner. In some ways, we have experienced these conditions in our business in the past and may experience these in the future. We cannot accurately predict the timing of the current and future downturns and upturns in the semiconductor industry and how severe and prolonged these conditions might be. These future conditions in the semiconductor industry could seriously impact our revenues and harm our business, financial condition and results of operations.

Economic conditions, including those related to the credit markets, may adversely affect our industry, business and results of operations.

Uncertainty about global economic conditions could result in fluctuations to and reductions in consumer and commercial spending from time to time. The semiconductor industry has traditionally been highly cyclical and has often experienced significant downturns in connection with, or in anticipation of, declines in general economic conditions. Reduced spending has in the past and may in the future drive us and our competitors to reduce product pricing, which results in a negative impact on gross profit. Volatility in global economic conditions may adversely and materially affect our industry, business and results of operations, and we cannot accurately predict volatility or how severe and prolonged any downturn or recovery might be. In addition, to the extent we incorrectly plan for favorable economic conditions that do not materialize or take longer to materialize than expected, then our business and results of operations could be adversely and materially affected. Moreover, volatility in revenues as a result of unpredictable economic conditions may alter our anticipated working capital needs and interfere with our short term and long term strategies.

Furthermore, the United States and global credit markets could experience renewed financial turmoil. If the past pressures on credit were renewed or we experience an additional global downturn, we may not be able to obtain additional financing on favorable terms, or at all and we may not be able to refinance, if necessary, any outstanding debt when due, all of which could have a material adverse effect on our business. While we believe we have adequate sources of liquidity to meet our anticipated requirements for working capital, debt service and capital expenditures for the immediate future, if our operating results falter and our cash flow or capital resources prove inadequate, or if interest rates increase significantly, we could face liquidity problems that could materially and adversely affect our results of operations and financial condition.

In addition, unanticipated global financial uncertainty affecting the financial and other markets could impact our business in a number of other ways, including causing (1) our customers and consumers in general to defer purchases, (2) our customers difficulties in obtaining sufficient credit to finance purchases of our products and meet their payment obligations to us, (3) our key suppliers to become capacity constrained or insolvent resulting in a reduction or interruption in supplies or a significant increase in the price of supplies and (4) our key suppliers to require acceleration of payments to them or our customers to delay payments to us. Any of the foregoing could materially and adversely affect our results of operations and financial condition.

We have made and may continue to make strategic acquisitions of other companies or businesses and these acquisitions introduce significant risks and uncertainties, including risks related to integrating the acquired businesses, incurring additional debt, assuming contingent liabilities or diluting our existing stockholders.

In order to position ourselves to take advantage of growth opportunities, we have made, and may continue to make, strategic acquisitions, mergers and alliances that involve significant risks and uncertainties. Successful

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acquisitions and alliances in the semiconductor industry are difficult to accomplish because they require, among other things, efficient integration and aligning of product offerings and manufacturing operations and coordination of sales and marketing and research and development efforts. We face risks resulting from the expansion of our operations through acquisitions, including but not limited to: (1) the difficulty of integrating, aligning and coordinating organizations, which will likely be geographically separated and involve separate technologies and corporate cultures; (2) risks of entering new semiconductor markets or regions of the world in which we have limited experience; (3) risks associated with integrating financial reporting and internal control systems of acquired companies, such as SANYO Semiconductor, particularly if such company is lacking adequate financial reporting and internal control systems or possesses systems that are materially different from ours; (4) the risk that our due diligence in the acquisition process may not identify compliance issues or other liabilities that are in existence at the time of our acquisition; (5) the risk that our existing or prospective customers or customers of the acquired business may delay or defer their purchasing or other decisions as we integrate new businesses and companies into our business, or that they may seek to change their existing business relationships; (6) challenges in achieving strategic objectives, cost savings and other benefits from acquisitions including difficulties in entering into new market segments in which we are not experienced; (7) the risk that our markets do not evolve as anticipated and that the technologies acquired do not prove to be those needed to be successful in those markets; (8) difficulties in expanding information technology systems and other business processes to accommodate the acquired businesses; and (9) negative pressure on gross margins resulting from increased operating and restructuring costs associated with the target.

In addition, current and prospective employees could experience uncertainty about their future with us, and as a result, we could lose key employees. These uncertainties may also impair our ability to recruit or motivate key personnel. In connection with a transaction, key employees of acquired businesses may receive substantial value in the form of change-in-control agreements, acceleration of stock options and the lifting of restrictions on other equity-based compensation rights. Further, as a result of our acquisitions, we may assume liabilities from the target's current employee benefit plans that may require us to bring plan documentation into compliance with current law, including ensuring that plans are adequately funded.

In connection with our acquisition activity, we are required by generally accepted accounting principles and SEC rules and regulations to integrate newly acquired businesses into our consolidated financial statements. The acquired businesses may not have independent audited financial statements, or if they do have independent audited financial statements, such statements may not be prepared under generally accepted accounting principles in the United States. Acquired businesses may have financial controls and systems that are not compatible with our financial controls and systems, which could materially impair our ability to obtain or prepare necessary financial information concerning such businesses in a format required to allow proper integration with our systems and financials. In addition, immediately after an acquisition and until such time as we are able to fully integrate an acquired business into our financial statements, we may be dependent on the acquired business' financial controls and systems for reporting and other financial information, including projections and goals for such acquired business. We may not be able to successfully prepare and file required financial statements or other financial information for the acquired business, or to integrate the acquired business into our financial controls and systems and our consolidated financial statements in a timely manner. Failure to prepare accurate financial reports for our acquired businesses in a timely manner in accordance with generally accepted accounting principles in the United States could cause material inaccuracies in our financial statements and SEC filings, which could result in the necessity to restate our financials or lead to unknown liabilities and possibly result in a material impact on our stock price.

The integration of newly acquired businesses will also require a significant amount of time and attention from management. In particular, the integration of SANYO Semiconductor has and will continue to require significant internal and external coordination. The diversion of management attention away from ongoing operations and key research and development, marketing or sales efforts could adversely affect ongoing operations and business relationships. Moreover, even if we were able to fully integrate new acquisition's business operations and other assets successfully, there can be no assurance that such integration will result in the

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realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible from the acquisition or that these benefits will be achieved within a reasonable period of time. Delays in integrating our acquisitions, which could be caused by factors outside of our control, could adversely affect the intended benefits of our business, financial results, financial condition and stock price.

In connection with an acquisition, it is possible that we may anticipate tax savings through integration of the newly acquired business into our business and rationalization of a combined infrastructure. As with any estimate, it is possible that the estimates of the potential cost savings could turn out to be incorrect.

We review goodwill associated with our acquisitions for impairment on an annual basis (See Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 2: “Significant Accounting Policies — Goodwill” of the notes to our consolidated audited financial statements located elsewhere in this Form 10-K for additional information about goodwill). In the past, we recorded goodwill impairment charges related to certain of our acquisitions. Factors we consider important that could trigger a subsequent impairment to goodwill include significant underperformance relative to historical or projected future operating results, significant changes in the manner of the use of our assets or the strategy for our overall business and significant negative industry or economic trends. If current economic conditions worsen causing decreased revenues and/or increased costs, we may have further material goodwill impairments.

In addition, we may also issue equity securities to pay for future acquisitions or alliances, which could be dilutive to existing stockholders. We may also incur debt or assume contingent liabilities in connection with acquisitions and alliances, which could harm our operating results. For example, in the acquisition of SANYO Semiconductor and related assets in early 2011 (“SANYO Transaction”), a portion of the purchase price was financed by a seven-year loan with an adjustable interest rate from SANYO Electric to SCI LLC. The loan agreement contains customary events of default as well as representations, warranties, and covenants, but does not contain any financial or negative covenants. It is possible that factors outside of our control, including but not limited to increases in interest rates and loss of key customers, could adversely affect the intended benefits from the SANYO Transaction, but we will continue to have a repayment obligation under the loan agreement.

Our gross profit is dependent on a number of factors, including our level of capacity utilization and realizing expected synergies from acquisitions.

Semiconductor manufacturing requires significant capital investment, leading to high fixed costs, including depreciation expense. We believe that our success materially depends on our ability to maintain or improve our current margin levels related to our manufacturing. For instance, if we are unable to utilize our manufacturing and testing facilities at a high level, the fixed costs associated with these facilities will not be fully absorbed, resulting in higher average unit costs and lower gross profits. In addition, increased competition and other factors beyond our control, including economic factors, may lead to price erosion, lower revenues and lower margins for us in the future.

Moreover, we believe that we will need to improve the historic margin levels of the business and assets we acquired in connection with the SANYO Transaction and successfully execute on available opportunities in order to realize the intended benefits of this transaction. While we anticipate that this acquired business will benefit from expected synergies with our business and planned restructuring, which could improve its historic margin levels, we may not be able to successfully integrate this business within our estimated timeframes (or at all) to allow it to benefit from expected synergies and planned restructuring or we may have generally overestimated the anticipated benefits of expected synergies and planned restructurings. Furthermore, SANYO Electric has agreed to provide certain operational support to SANYO Semiconductor for a period of time, which is meant to reduce SANYO Semiconductor’s existing operational costs to market-based costs. This operational support relates to, among other things, costs, expenses and other amounts associated with seconded employees, the services agreement, and various lease agreements. There is no guarantee that we will be able to take advantage of all of

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the operational support available or that, following the expiration of such operational support, margin levels of SANYO Semiconductor will have improved to the point that we are able to operate SANYO Semiconductor profitably.

In addition, the SANYO Transaction will continue to allow for cross-selling opportunities between the Company and the acquired company and its customers, but we cannot guarantee that these cross-selling opportunities will be as great as anticipated or result in synergies, as expected. Ultimately, failure to realize anticipated synergies, complete planned restructurings or execute on expected opportunities from the SANYO Transaction may lead to lower revenues and lower margins than anticipated in the future.

The failure to implement, as well as the completion and impact of, our profitability enhancement programs and cost reductions, including restructuring activities, could adversely affect our business.

From time to time, we have implemented various cost reduction initiatives in response to, among other things, significant downturns in our industry. These initiatives have included accelerating our manufacturing moves into lower cost regions, transitioning higher-cost external supply to internal manufacturing, working with our material suppliers to further lower costs, personnel reductions, reductions in employee compensation, temporary shutdowns of facilities with mandatory vacation and aggressively streamlining our overhead. In the past, we have recorded net restructuring charges to cover costs associated with our cost reduction initiatives. These costs were primarily comprised of employee separation costs and asset impairments as well as gains on the sale of assets and insurance recoveries.

We also often undertake restructuring activities in connection with our business acquisitions and integrations, which can result in significant charges, including charges for severance payments to terminated employees and asset impairment charges. For a description of certain restructuring activities in connection with our SANYO Semiconductor and other recent acquisitions, see Note 4: "Acquisitions" within the notes to Consolidated Financial Statements included elsewhere in this Form 10-K.

We cannot assure you that our current restructuring plans or future cost reduction initiatives will be successfully or timely implemented, or will materially impact our profitability. Because our restructuring activities involve changes to many aspects of our business, the cost reductions could adversely impact productivity and sales to an extent we have not anticipated. Even if we fully execute and implement these activities and they generate the anticipated cost savings, there may be other unforeseeable and unintended factors or consequences that could adversely impact our profitability and business, including unintended employee attrition.

For additional information regarding our profitability enhancement programs and cost reduction measures, see Part II Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K.

If we are unable to implement our business strategy, our revenues and profitability may be adversely affected.

Our future financial performance and success are largely dependent on our ability to implement our business strategy successfully. Our present business strategy to build upon our position as a global supplier of power and data management semiconductors and standard semiconductor components includes, without limitation, plans to: (1) continue to aggressively manage, maintain and refine our product portfolio; (2) continue to develop leading edge customer support services; (3) further expand our just-in-time delivery capabilities; (4) increase our die manufacturing capacity in a cost-effective manner; (5) further reduce the number of our product platforms and process flows; (6) rationalize our manufacturing operations; (7) relocate manufacturing operations or outsource to lower cost regions; (8) reduce selling and administrative expenses; (9) manage capital expenditures to forecasted production demands; (10) actively manage working capital; (11) develop new products in a more efficient manner; and (12) integrate newly acquired products, manufacturing capabilities and sales channels. We cannot assure you that we will successfully implement our business strategy or that implementing our strategy

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will sustain or improve our results of operations. In particular, we cannot assure you that we will be able to build our position in markets with high growth potential, increase our volume or revenue, rationalize our manufacturing operations or reduce our costs and expenses.

Our business strategy is based on our assumptions about the future demand for our current products and the new products and applications that we are developing and on our ability to produce our products profitably. Each of these factors depends on our ability, among other things, to finance our operating and product development activities, maintain high quality and efficient manufacturing operations, relocate and close manufacturing facilities and reduce operating expenses as part of our ongoing cost restructuring with minimal disruption to our operations, access quality raw materials and contract manufacturing services in a cost-effective and timely manner, protect our intellectual property portfolio and attract and retain highly-skilled technical, managerial, marketing and finance personnel. Several of these factors and other factors that could affect our ability to implement our business strategy, such as risks associated with international operations, the threat or occurrence of armed international conflict and terrorist activities, increased competition, legal developments and general economic conditions, are beyond our control. In addition, circumstances beyond our control and changes in our business or industry may require us to change our business strategy.

We may be unable to make the substantial research and development investments required to remain competitive in our business.

The semiconductor industry requires substantial investment in research and development in order to develop and bring to market new and enhanced technologies and products. We cannot assure you that we will have sufficient resources to maintain the level of investment in research and development that is required to remain competitive.

An inability to introduce new products could adversely affect us, and changing technologies or consumption patterns could reduce the demand for our products.

Rapidly changing technologies and industry standards, along with frequent new product introductions, characterize the industries that are currently the primary end-users of semiconductors. As these industries evolve and introduce new products, our success will depend on our ability to predict and adapt to these changes in a timely and cost-effective manner by designing, developing, manufacturing, marketing and providing customer support for our own new products and technologies. The development of new products is a complex and time-consuming process. New products and enhancements to existing products can require long development and testing periods. Significant delays in new product releases or significant problems in creating new products could adversely affect our ability to generate revenue.

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

Uncertainties involving the ordering and shipment of, and payment for, our products could adversely affect our business.

Our sales are typically made pursuant to individual purchase orders or customer agreements and we generally do not have long-term supply arrangements with our customers. Generally, our customers may cancel orders 30 days prior to shipment for standard products and 90 days for customer products without incurring a

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significant penalty. We routinely purchase inventory based on customers' estimates of demand for their products, which is difficult to predict. This difficulty may be compounded when we sell to OEMs indirectly through distributors or contract manufacturers, or both, as our forecasts for demand are then based on estimates provided by multiple parties. In addition, our customers may change their inventory practices on short notice for any reason. Furthermore, short customer lead times are standard in the industry due to overcapacity. The cancellation or deferral of product orders, the return of previously sold products or overproduction due to the failure of anticipated orders to materialize could result in excess obsolete inventory, which could result in write-downs of inventory or the incurrence of significant cancellation penalties under our arrangements with our raw materials and equipment suppliers.

Competition in our industry could prevent us from maintaining our revenues and from raising prices to offset increases in costs.

The semiconductor industry, particularly the market for semiconductor components, is highly competitive. As a result of current economic uncertainty, competition in the markets in which we operate has intensified, as manufacturers of semiconductor components have offered reduced prices in order to combat production overcapacity and high inventory levels. Although only a few companies compete with us in all of our product lines, we face significant competition within each of our product lines from major international semiconductor companies as well as smaller companies focused on specific market niches. In addition, companies not currently in direct competition with us may introduce competing products in the future.

The semiconductor components industry has also been undergoing significant restructuring and consolidations that could adversely affect our competitiveness. Many of our competitors, particularly larger competitors resulting from consolidations, may have certain advantages over us, including substantially greater financial and other resources with which to withstand adverse economic or market conditions and pursue development, engineering, manufacturing, marketing and distribution of their products; longer independent operating histories; presence in key markets; patent protection; and greater name recognition.

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

We compete in different product lines to various degrees on the basis of price, quality, technical performance, product features, product system compatibility, customized design, strategic relationships with customers, new product innovation, availability, delivery timing and reliability and customer sales and technical support. Gross margins in the industry vary by geographic region depending on local demand for the products in which semiconductors are used, such as personal computers, industrial and telecommunications equipment, consumer electronics and automotive goods. Our ability to compete successfully depends on elements both within and outside of our control, including industry and general economic trends.

Unless we maintain manufacturing efficiency, our future profitability could be adversely affected.

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

From time to time, we have experienced difficulty in beginning production at new facilities, transferring production to other facilities or in effecting transitions to new manufacturing processes that have caused us to

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suffer delays in product deliveries or reduced yields. We cannot assure you that we will not experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, construction delays, transferring production to other facilities (including as a part of our cost reduction measures and in reaction to man-made and natural disasters, such as the flooding in Thailand and earthquake and resulting tsunami in Japan), upgrading or expanding existing facilities, changing our process technologies or uncertainty as a result of the acquisition and integration of manufacturing facilities acquired as a result of our acquisition activities, any of which could result in a loss of future revenues. Our results of operations could also be adversely affected by the increase in fixed costs and operating expenses related to increases in production capacity, if revenues do not increase proportionately.

We could be required to incur significant capital expenditures for manufacturing, information technology and equipment to remain competitive, the failure, inadequacy or delayed implementation of which could harm our ability to effectively operate our business and such capital expenditures and commitments, as well as other commitments, may materially decrease our liquidity.

Our principal sources of liquidity are cash on hand, cash generated from operations and funds from external borrowings and equity issuances. Semiconductor manufacturing has historically required a constant upgrading of process technology to remain competitive, as new and enhanced semiconductor processes are developed which permit smaller, more efficient and more powerful semiconductor devices. We maintain certain of our own manufacturing, assembly and test facilities, which have required and will continue to require significant investments in manufacturing technology and equipment. We have made substantial capital expenditures and installed significant production capacity to support new technologies and increased production volume.

We also may incur significant costs to implement new manufacturing and information technologies to increase our productivity and efficiency. Any such implementation, however, can be negatively impacted by failures or inadequacies of the new manufacturing or information technology and unforeseen delays in its implementation, any of which may require us to spend additional resources to correct these problems or, in some instances, to conclude that the new technology implementation should be abandoned. In the case of abandonment, we may have to recognize losses for amounts previously expended in connection with such implementation that have been capitalized on our balance sheet.

In the recent past, we have undertaken various and material cost reduction measures which we believe have been largely successful. However, these reductions, and any future reductions, may unintentionally affect our ability to remain competitive in efficiency and productivity. Ultimately, we may be forced to increase our future capital expenditures in unexpected ways to meet our operational needs in, among other areas, manufacturing, information technology and equipment. We cannot assure you that we will have sufficient capital resources to make timely and necessary investments in the areas discussed above or other areas we have not identified.

In addition, we have had and expect to have significant cash and capital expenditures related to the SANYO Transaction and Thailand flooding in 2011. Although we have incurred and may continue to incur significant costs and expenses related to this transaction and subsequent 2011 Thailand flooding, we believe that cash flow from operating activities, coupled with cash on hand, short-term investments and funds from external borrowings, will be adequate to operate our business and otherwise satisfy our capital needs. Given these capital expenditures and other costs associated with SANYO Semiconductor, if we are unable to generate expected cash flows, our liquidity may be adversely affected and we may need to raise additional equity or borrow additional funds to achieve our longer term objectives related to the SANYO Semiconductor operations. 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 are subject to risks associated with natural disasters and other extraordinary events.

Our worldwide operations are subject to natural disasters and other business disruptions from time to time, which could adversely impact our business, results of operations and financial reporting and condition. We are

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susceptible to losses and interruptions caused by floods, hurricanes, typhoons, droughts, and other extreme weather conditions, earthquakes, tsunamis, volcanoes, and similar natural disasters, as well as power outages, power shortages, telecommunications failures and similar events. Such events can cause direct injury or damage to our employees and property, including our books and financial and corporate records and data, and related internal controls and can also have significant direct and indirect consequences. For example, such events can negatively impact revenues and earnings and can significantly impact cash flow, both from decreased revenue and from increased costs associated with the event. Such costs may include expenses to restore production or to move production to other facilities, including incremental capital expenditures and costs for expedited shipping, expenses incurred with a shut-down of the damaged facility, including employee severance payments, and other unusual costs and expenses such as fixed asset impairments, inventory write-downs, charges relating to cancellation of purchase orders for excess materials and charges for restoration and recovery work. Overall costs may also be impacted by other factors, such as the under absorption of our manufacturing and operating support overhead. Such events may also affect the infrastructure of the country in which the event occurs, causing water damage, power outages, transportation delays and restrictions, public health issues and economic instability, and disrupting local and international supply chains. As a result, we could experience shortages of and interruptions in supply and increased prices for components that we source from companies located in or with operations in any such country, as well as from other suppliers whose supply chains may similarly be affected. Such shortages and interruptions may also affect our ability to timely deliver our products to customers and, as a result, our customers may seek substitute products from other manufacturers. Consequences such as power outages, including any rolling blackouts or other anticipated problems, could adversely affect our business by, among other things, harming our internal operations, limiting our ability to communicate with our customers and suppliers, and limiting our customers' ability to sell or use our products. In addition, damage or destruction to our property, including our books and financial and corporate records and data, could adversely affect our ability to prepare our financial statements in accordance with generally accepted accounting principles and the historical and future reporting of our financial results and our ability to integrate the financial reporting and internal control systems of acquired companies. Responding to natural disasters and their consequences will also require a significant amount of time and attention from management. The diversion of management attention away from ongoing operations and key research and development, marketing or sales efforts could adversely affect ongoing operations and business relationships. Although we carry insurance to generally compensate for losses of the type noted above, such insurance may be subject to deductible and coverage limits and may not be adequate to cover all losses that may be incurred or continue to be available in the affected area at commercially reasonable rates and terms.

If we were to lose one of our large customers our revenues and profitability could be adversely affected.

Product sales to our ten largest customers have traditionally accounted for a significant amount of our business. Many of our customers operate in cyclical industries, and, in the past, we have experienced significant fluctuations from period to period in the volume of our products ordered. Generally, our agreements with our customers impose no minimum or continuing obligations to purchase our products. We cannot assure you that any of our customers will not significantly reduce orders or seek price reductions in the future or that the loss of one or more of our customers would not have a material adverse effect on our business or prospects. In addition, the integration of the business acquired in connection with the SANYO Transaction requires significant coordination and we cannot assure you that our existing customer relationships or SANYO Semiconductor's prior customer relationships will not be materially and adversely affected as a result of uncertainty in connection with or other factors relating to the newly combined entity.

The loss of our sources of raw materials or manufacturing services, or increases in the prices of such goods or services, could adversely affect our operations and productivity.

Our results of operations could be adversely affected if we are unable to obtain adequate supplies of raw materials in a timely manner or if the costs of our raw materials increase significantly or their quality deteriorates. Our manufacturing processes rely on many raw materials, including polysilicon, silicon wafers,

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gold, copper, lead frames, mold compound, ceramic packages and various chemicals and gases. Generally, our agreements with suppliers impose no minimum or continuing supply obligations, and we obtain our raw materials and supplies from a large number of sources on a just-in-time basis. From time to time, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. Although we believe that our current supplies of raw materials are adequate, shortages could occur in various essential materials due to interruption of supply or increased demand in the industry.

In addition, for some of our products, we are dependent upon a limited number of highly specialized suppliers for required components and materials. The number of qualified alternative suppliers for these kinds of technologies is extremely limited. The inability of such suppliers to deliver adequate supplies of production materials or other supplies could disrupt production in material ways. In addition, we cannot assure you that we will not lose our suppliers for these key technologies or that our suppliers will be able to meet performance and quality specifications or delivery schedules. Disruption or termination of our limited supply sources for these components and materials could delay our shipments of products utilizing these technologies and damage relationships with current and prospective customers.

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

Our international operations subject us to risks inherent in doing business on an international level that could adversely impact our results of operations.

A significant amount of our total revenue is derived from the Asia/Pacific region, the Americas, and Europe (including the Middle East). Similarly, we maintain significant operations in these regions. In addition, we rely on a number of contract manufacturers whose operations are primarily located in the Asia/Pacific region. We cannot assure you that we will be successful in overcoming the risks that relate to or arise from operating in international markets. Risks inherent in doing business on an international level include, among others, the following:

- economic and political instability (including as a result of the threat or occurrence of armed international conflict or terrorist attacks);
- changes in regulatory requirements, tariffs, customs, duties and other trade barriers;
- transportation delays;
- power supply shortages and shutdowns;
- difficulties in staffing and managing foreign operations including collective bargaining agreements and workers councils, exposure to foreign labor laws, and other employment and labor issues;
- currency convertibility and repatriation;
- taxation of our earnings and the earnings of our personnel; and
- other risks relating to the administration of or changes in, or new interpretations of, the laws, regulations and policies of the jurisdictions in which we conduct our business.

In the last few fiscal years, we have benefited from relatively low effective tax rates because most of our income has been earned and reinvested in jurisdictions outside the U.S. Our effective tax rate is uncertain on an ongoing basis. Changes to income tax regulations in the United States could, under our existing tax structure, significantly increase our effective tax rate and ultimately reduce our cash flow from operations and otherwise

have a material adverse effect on our financial condition. In addition, business combinations and investment transactions could impact our effective tax rate.

We hold a significant amount of cash, cash equivalents and short-term investments outside the United States in various foreign subsidiaries. As we intend to reinvest certain of our foreign earnings indefinitely, this cash held outside the United States in various foreign subsidiaries is not readily available to meet certain of our cash requirements in the United States. We require a substantial amount of cash in the United States for operating requirements, debt repurchases and payments and acquisitions. If we are unable to address our U.S. cash requirements through operations, through borrowings under our current debt agreements or from other sources of cash obtained at an acceptable cost, it may be necessary for us to consider repatriation of earnings that are permanently reinvested, and we may be required to pay additional taxes under current tax laws, which could have a material effect on our results of operations and financial condition.

Other activities outside the United States are subject to additional risks associated with fluctuating currency values and exchange rates, hard currency shortages and controls on currency exchange. For instance, while our sales are primarily denominated in U.S. dollars, worldwide semiconductor pricing is influenced by currency rate fluctuations.

If we fail to attract and retain highly skilled personnel, our results of operations and competitive position could deteriorate.

Our success, both generally and in connection with mergers and acquisitions, depends upon our ability to attract and retain highly-skilled technical, managerial, marketing and financial personnel. The market for personnel with such qualifications is highly competitive. For example, analog component designers are difficult to attract and retain, and the failure to attract and retain analog component designers could compromise our ability to keep pace with our competitors in the market for analog components. In addition, from time to time, we have announced certain cost reductions that included the freezing of salaries and elimination of bonuses, mandatory unpaid time off, factory shutdowns and reduction in personnel. These measures, as well as any future cost reduction measures, could negatively affect morale and lead to unintended employee attrition at all levels of our organization. Moreover, we have not entered into employment agreements with all of our key personnel.

As employee incentives, we have issued common stock options that generally have exercise prices at the market value at time of the grant and that are subject to vesting over time, RSU's with time-based vesting and performance based awards. Any difficulty relating to obtaining stockholder approval of new or amendments to equity compensation plans could limit our ability to issue these types of awards. Our stock price at times has declined substantially, reducing the effectiveness of certain of these incentives. Loss of the services of, or failure to effectively recruit, qualified personnel, including senior managers and design engineers, could have a material adverse effect on our business.

We use a significant amount of intellectual property in our business. Some of that intellectual property is currently subject to disputes with third parties, and litigation could arise in the future. If we are unable to protect the intellectual property we use, our business could be adversely affected.

We rely on various registered and unregistered intellectual property assets, patents, trade secrets, trademarks, mask works and copyrights to protect our products and technologies. Some of our products and technologies are not covered by any patents or pending patent applications and we cannot assure you that:

- any of the substantial number of U.S. or foreign patents and pending patent applications that we employ in our business, including those assigned, licensed or sublicensed to us in connection with our 1999 recapitalization and subsequent acquisitions, will not lapse or be invalidated, circumvented, challenged, abandoned or licensed to others;
- any of the substantial number of U.S. or foreign patents and pending patent applications that we employ in our business, including those assigned, licensed or sublicensed to us in connection with our 1999

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recapitalization and subsequent acquisitions, will not lapse or be invalidated, circumvented, challenged, abandoned or licensed to others

- the license rights granted, transferred or assigned in connection with our 1999 recapitalization or subsequent acquisitions will provide competitive advantages to us;
- any of our pending or future patent applications will be issued or have the coverage originally sought;
- any of the trademarks, copyrights, trade secrets, know-how or mask works that were assigned, licensed or sublicensed to us in connection with our 1999 recapitalization or subsequent acquisitions will not lapse or be invalidated, circumvented, challenged, abandoned or licensed to others; or
- any of our pending or future trademark, copyright, or mask work applications will be issued or have the coverage originally sought.

In addition, our competitors or others may develop products or technologies that are similar or superior to our products or technologies, duplicate our products or technologies or design around our protected technologies. Effective intellectual property protection may be unavailable, limited or not applied for in the United States and in foreign countries.

Also, we may from time to time in the future be notified of claims that we may be infringing third-party intellectual property rights. If necessary or desirable, we may seek licenses under such intellectual property rights. However, we cannot assure you that we will obtain such licenses or that the terms of any offered licenses will be acceptable to us. The failure to obtain a license from a third party for intellectual property we use could cause us to incur substantial liabilities or to suspend the manufacture or shipment of products or our use of processes requiring the technologies. Litigation could cause us to incur significant expense by adversely affecting sales of the challenged product or technologies and diverting the efforts of our technical and management personnel, whether or not such litigation is resolved in our favor. In the event of an adverse outcome in any such litigation, we may be required to:

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

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

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

We may not be able to enforce or protect our intellectual property rights, which may harm our ability to compete and adversely affect our business.

Our ability to enforce our patents, copyrights, software licenses and other intellectual property is subject to general litigation risks, as well as uncertainty as to the enforceability of our intellectual property rights in various countries. When we seek to enforce our rights, we are often subject to claims that the intellectual property right is invalid, is otherwise not enforceable or is licensed to the party against whom we are asserting a claim. In

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addition, our assertion of intellectual property rights often results in the other party seeking to assert alleged intellectual property rights of its own against us, which may adversely impact our business. An unfavorable ruling in these sorts of matters could include money damages or, in cases for which injunctive relief is sought, an injunction prohibiting us from manufacturing or selling one or more products, which could in turn negatively affect our business, financial condition, results of operations or cash flows. We can provide no assurances as to the outcome of these claims asserted by other parties with respect to their alleged intellectual property rights.

We are subject to litigation risks, including securities class action litigation, which may be costly to defend and the outcome of which is uncertain.

All industries, including the semiconductor industry, are subject to legal claims, with and without merit, including securities class action litigation that may be particularly costly and which may divert the attention of our management and our resources in general. We are involved in a variety of legal matters, most of which we consider either routine matters that arise in the normal course of business or immaterial for our aggregate business operations. These routine matters typically fall into broad categories such as those involving suppliers and customers, employment and labor, and intellectual property. We believe it is unlikely that the final outcome of these legal claims will have a material adverse effect on our financial position, results of operations or cash flows. However, defense and settlement costs can be substantial, even with respect to claims that we believe have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal claim or proceeding could have a material effect on our business, financial condition, results of operations or cash flows.

As mentioned above, from time to time, we have been, or may in the future be, involved in securities litigation or litigation arising from our acquisitions. We can provide no assurance as to the outcome of any such litigation matter in which we are a party. These types of matters are costly to defend and even if resolved in our favor, could have a material adverse effect on our business, financial condition, results of operations and cash flow. Such litigation could also substantially divert the attention of our management and our resources in general. Uncertainties resulting from the initiation and continuation of securities or other litigation could harm our ability to compete in the marketplace. Because the price of our common stock has been, and may continue to be, volatile, we can provide no assurance that securities litigation will not be filed against us in the future. In addition, we can provide no assurance that our past or future acquisitions will not subject us to additional litigation. See Part I, Item 3 “Legal Proceedings” of this report for more information on our legal proceedings.

We are exposed to increased costs and risks associated with complying with increasing and new regulation of corporate governance and disclosure standards, including Section 404 of the Sarbanes-Oxley Act.

Like most publicly-traded companies, we incur significant cost and spend a significant amount of management time and internal resources to comply with changing laws, regulations and standards relating to corporate governance and public disclosure, including under Section 404 of the Sarbanes-Oxley Act of 2002 (“SOX”), which requires management’s annual review and evaluation of our internal control over financial reporting and attestations of the effectiveness of these systems by our management and by our independent registered public accounting firm. As we continue to make strategic acquisitions, mergers and alliances, the integration of these businesses increases the complexity of our systems of controls. While we devote significant resources and time to comply with the internal control over financial reporting requirements under Section 404 of SOX, we cannot be certain that these measures will ensure that we design, implement and maintain adequate control over our financial process and reporting in the future.

The integration of SANYO Semiconductor into our internal control over financial reporting will require additional time and resources from our management and other personnel and will increase our compliance costs. We are continuing to evaluate the impact that the integration of SANYO Semiconductor will have in the future on our ability to maintain effective internal control over financial reporting. There can be no assurance that we or our independent registered public accounting firm will not identify a material weakness in the combined company’s internal control over financial reporting in the future. Failure to comply with SOX, including delaying

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or failing to successfully integrate SANYO Semiconductor into our internal control over financial reporting or the identification and reporting of a material weakness, may cause investors to lose confidence in our consolidated financial statements or even in our ability to recognize the anticipated synergies and benefits of this transaction, and the trading price of our common stock may decline. In addition, if we fail to remedy any material weakness, our investors and others may lose confidence in our financial statements, our financial statements may be materially inaccurate, our access to capital markets may be restricted and the trading price of our common stock may decline.

See Part II, Item 9A “Controls and Procedures” of this report for information on disclosure controls and procedures and internal controls over financial reporting.

Environmental and other regulatory matters could adversely affect our ability to conduct our business and could require expenditures that could have a material adverse effect on our results of operations and financial condition.

Our manufacturing operations are subject to various environmental laws and regulations relating to the management, disposal and remediation of hazardous substances and the emission and discharge of pollutants into the air, water and ground. Our operations are also subject to laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances. Motorola (in some cases through successor entities including but not limited to Freescale, Motorola Mobility and Motorola Solutions) has agreed to indemnify us for environmental and health and safety liabilities related to the conduct or operations of our business or Motorola’s ownership, occupancy or use of real property occurring prior to the closing of our 1999 recapitalization. We also have purchased environmental insurance to cover certain claims related to historical contamination and future releases of hazardous substances. However, we cannot assure you that such indemnification arrangements and insurance policy will cover all material environmental costs. In addition, the nature of our operations exposes us to the continuing risk of environmental and health and safety liabilities.

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

- changes in environmental or health and safety laws or regulations;
- the manner in which environmental or health and safety laws or regulations will be enforced, administered or interpreted;
- our ability to enforce and collect under indemnity agreements and insurance policies relating to environmental liabilities; or
- the cost of compliance with future environmental or health and safety laws or regulations or the costs associated with any future environmental claims, including the cost of clean-up of currently unknown environmental conditions.

Warranty claims, product liability claims and product recalls could harm our business, results of operations and financial condition.

We face an inherent business 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 bodily injury or property damage (or both). In addition, if any of our designed products are or are alleged to be defective, we may be required to participate in their recall. As suppliers become more integrally involved in the electrical design, OEMs are increasingly expecting them to warrant their products and are increasingly looking to them for contributions when faced with product liability claims or recalls. A successful warranty or product liability claim

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against us in excess of our available insurance coverage and established reserves, or a requirement that we participate in a product recall, would have adverse effects (that could be material) on our business, results of operations and financial condition.

New legal requirements, particularly with respect to health care reform, could increase the cost of our employee benefits and adversely affect our business, liquidity, and results of operations.

We incur significant costs to maintain competitive employee benefits to attract and retain our highly skilled personnel. Changes to the regulatory environment with respect to these benefits could adversely affect our business, liquidity and results of operations. In particular, the health care reform legislation enacted by the U.S. Congress is intended to result in significant changes to the U.S. health care system. This legislation may lead to additional costs related to the implementation of the new healthcare regulations and may impair our ability to provide the same level of coverage.

We may be subject to disruptions or breaches of our secured network that could damage our reputation and harm our business and operating results.

We may be subject to disruptions or breaches of our secured network caused by computer viruses, illegal hacking, acts of vandalism or terrorism. Our security measures and/or those of our third party service providers may not detect or prevent such security breaches. Any such compromise of our information security could result in the unauthorized publication of our confidential business or proprietary information, cause an interruption in our operations, result in the unauthorized release of customer or employee data, result in a violation of privacy or other laws, expose us to a risk of litigation or damage our reputation, which could harm our business and operating results.

Trends, Risks and Uncertainties Relating to Our Indebtedness

Our substantial debt could impair our financial condition and adversely affect our ability to operate our business.

Despite the fact that we have recently retired some of our historic debt obligations with existing cash flow, we are still highly leveraged and have recently assumed more debt in connection with the SANYO Transaction and therefore have substantial debt service obligations. In addition, we may incur additional debt in the future, subject to certain limitations contained in our debt instruments from time to time. The degree to which we are leveraged could have important consequences to our potential and current investors, including:

- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired;
- a significant portion of our cash flow from operations must be dedicated to the payment of interest and principal on our debt, which reduces the funds available to us for our operations;
- some of our debt is and will continue to be at variable rates of interest, which may result in higher interest expense in the event of increases in market interest rates;
- our debt agreements may contain, and any agreements to refinance our debt likely will contain, financial and restrictive covenants, and our failure to comply with them may result in an event of default which, if not cured or waived, could have a material adverse effect on us;
- our level of indebtedness will increase our vulnerability to general economic downturns and adverse industry conditions;
- as our long-term debt ages, we may need to reclassify or repay such debt or seek additional financing (see Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this report under “Contractual Obligations” within the “Liquidity and Capital Resources” section);

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- our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and the semiconductor industry; and
- our substantial leverage could place us at a competitive disadvantage vis-à-vis our competitors who may have less leverage relative to their overall capital structures.

We may incur more debt and may require additional capital in the future to service this new debt, which could exacerbate the risks described above.

We may need to incur substantial additional indebtedness in the future. The agreements relating to our outstanding indebtedness from time to time may limit us and our subsidiaries from incurring additional indebtedness. While we expect to have sufficient cash and cash equivalents for the next 12 months, if we incur additional debt, the related risks that we now face could intensify and it is possible that we may need to raise additional capital to service this new debt and to fund our future activities. Moreover, the debt we may incur from time to time may require collateral to secure such indebtedness, which would place our assets at risk, as well as limit our flexibility related to such assets. Ultimately, we may not be able to obtain additional funding on favorable terms, or at all, and we may need to curtail our operations significantly, reduce planned capital expenditures and research and development, or be forced to obtain funds through arrangements that management did not anticipate, including disposing of our assets and relinquishing rights to certain technologies or other activities that may impair our ability to remain competitive.

The agreements relating to our indebtedness may restrict our current and future operations, particularly our ability to respond to changes or to take some actions.

Our debt agreements from time to time may contain, and any future debt agreements may include, a number of restrictive covenants that impose significant operating and financial restrictions on, among other things, our ability to:

- incur additional debt, including guarantees;
- incur liens;
- sell or otherwise dispose of assets;
- make some acquisitions;
- engage in mergers or consolidations;
- make distributions to our shareholders;
- engage in restructuring activities;
- engage in certain sale and leaseback transactions; and
- issue some types of stock.

These restrictions may limit our ability to engage in activities that could otherwise benefit us. Any future debt could contain financial and other covenants more restrictive than those that are currently applicable.

Our failure to comply with the agreements relating to our outstanding indebtedness, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our operating results and our financial condition.

If there were an event of default under any of the agreements relating to our outstanding indebtedness, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments, either upon maturity or if accelerated upon an event of default or, if we

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were required to repurchase any of our debt securities upon a change of control, that we would be able to refinance or restructure the payments on those debt securities. Further, if we are unable to repay, refinance or restructure our indebtedness under our secured debt, the holders of such debt could proceed against the collateral securing that indebtedness. In addition, any event of default or declaration of acceleration under one debt instrument could also result in an event of default under one or more of our other debt instruments.

We may not be able to generate sufficient cash flow to meet our debt service obligations.

Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt obligations will depend on our future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of our control. If we do not generate sufficient cash flow from operations and proceeds from sales of assets in the ordinary course of business to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling additional assets, reducing or delaying capital investments or seeking to raise additional capital. The terms of our financing agreements from time to time may contain limitations on our ability to incur additional indebtedness. We cannot assure you that any refinancing would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales, or that additional financing could be obtained on acceptable terms, if at all, or would be permitted under the terms of our various debt instruments then in effect. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms, would have an adverse effect on our business, financial condition and results of operations, as well as on our ability to satisfy our other debt obligations. In addition, to the extent we are not able to borrow or refinance debt obligations, we may have to issue additional shares of our common stock which would have a dilutive effect to then current stockholders.

Trends, Risks and Uncertainties Relating to Our Common Stock

Fluctuations in our quarterly operating results may cause our stock price to decline.

Given the nature of the markets in which we participate, we cannot reliably predict future revenues and profitability, and unexpected changes may cause us to adjust our operations. A large portion of our costs are fixed, due in part to our significant sales, research and development and manufacturing costs. Thus, small declines in revenues could negatively affect our operating results in any given quarter. In addition to the other factors described above, factors that could affect our quarterly operating results include:

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

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- cancellations, changes or delays of deliveries to us by our third-party manufacturers, including as a result of the availability of manufacturing capacity and the proposed terms of manufacturing arrangements;
- our liquidity and access to capital; and
- our research and development activities and the funding thereof.

Our stock price may be volatile, which could result in substantial losses for investors in our securities.

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

The market price of the common stock may also fluctuate significantly in response to the following factors, some of which are beyond our control:

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

The trading price of our common stock since our initial public offering has had significant variance and we cannot accurately predict every potential risk that may materially and adversely affect our stock price.

Provisions in our charter documents may delay or prevent the acquisition of our company, which could decrease the value of our stock.

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

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

Although we believe these provisions make a higher third-party bid more likely by requiring potential acquirers to negotiate with our board of directors, these provisions apply even if an initial offer may be considered beneficial by some stockholders.

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Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our corporate headquarters as well as certain design center and research and development operations are located in approximately 1.4 million square feet of building space on property that we own in Phoenix, Arizona. We also lease properties around the world for use as sales offices, design centers, research and development labs, warehouses, logistic centers, trading offices and manufacturing support. The size and/or location of these properties change from time to time based on business requirements. We operate distribution centers, which are leased or contracted through a third party, in locations throughout Asia, Europe and the Americas. We own or lease our manufacturing facilities in the United States, Japan, Malaysia, the Philippines, China, Vietnam, Canada, the Czech Republic, Thailand and Belgium. These facilities are primarily manufacturing operations, but also include office, utility, laboratory, warehouse and unused space. Additionally, we own research and development facilities located in Romania, the Czech Republic, Canada, East Greenwich, Rhode Island and Santa Clara, California. Our joint venture in Leshan, China also owns manufacturing, warehouse, laboratory, office and other unused space.

Certain of our properties are subject to encumbrances such as mortgages and liens. See Note 8: “Long-Term Debt” of the notes to our audited consolidated financial statements included elsewhere in this report for further information. In addition, due to local law restrictions, the land upon which our facilities are located in certain foreign locations are subject to varying long-term leases.

We believe that our facilities around the world, whether owned or leased, are well maintained. Subject to our ability to successfully transfer production capacity following the Thailand flood, we believe that we have sufficient access to productive capacity to meet our needs for the majority of the products in our business lines for the foreseeable future. However, significant upturns have, from time to time, led to increased customer demand for our products and the risk of not being able to meet this demand in a timely and cost efficient manner.

See Part I, Item 1 “Business-Manufacturing Operations and Sales, Marketing and Distribution” included elsewhere in this report for further details on our properties, including the impact of the Thailand flood, and “Business-Governmental Regulation” for further details on environmental regulation of our properties.

Item 3. *Legal Proceedings*

See Note 15: “Commitments and Contingencies” under the heading “Legal Matters” of the notes to the unaudited consolidated financial statements included elsewhere in this Form 10-K for a description of legal proceedings and related matters.

Item 4. *Removed and Reserved*

PART II**Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded under the symbol "ONNN" on the Nasdaq Global Select Market. The following table sets forth the high and low sales prices for our common stock for the fiscal periods indicated as reported by the Nasdaq Global Select Market.

Range of Sales Price

	<u>High</u>	<u>Low</u>
2011		
First Quarter	\$ 11.95	\$9.40
Second Quarter	\$ 11.85	\$9.21
Third Quarter	\$ 10.68	\$6.59
Fourth Quarter	\$ 8.41	\$6.53
2010		
First Quarter	\$ 9.11	\$7.06
Second Quarter	\$ 8.92	\$6.17
Third Quarter	\$ 7.45	\$6.07
Fourth Quarter	\$ 9.97	\$6.87

As of February 17, 2012, there were approximately 285 holders of record of our common stock and 452,136,921 shares of common stock outstanding.

We have neither declared nor paid any cash dividends on our common stock since our initial public offering. Our future dividend policy with respect to our common stock will depend upon our earnings, capital requirements, financial condition, debt restrictions and other factors deemed relevant by our Board of Directors.

Our senior revolving credit facility permits us to pay cash dividends to our common stockholders, if after giving effect thereto, the senior leverage ratio (calculated in accordance with the credit agreement) does not exceed 2.50 to 1.00. As of December 31, 2011, we were within the required senior leverage ratio and therefore permitted to pay cash dividends. See Note 8: "Long-Term Debt" of the notes to the audited consolidated financial statements included elsewhere in this Form 10-K for further discussion.

See Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financing Events—2011 Financing Events—December 2011 Convertible Note Exchange" and "—2.625% Convertible Senior Subordinated Notes due 2026 Repurchase" for a description of certain transactions with respect to our 2.625% Convertible Senior Subordinated Notes due 2026.

Equity Compensation Plan Table

Information concerning equity compensation plans is included in Part III, Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," found elsewhere in this report.

Item 6. Selected Financial Data

The following table sets forth certain of our selected financial data for the periods indicated. The statement of operations and balance sheet data set forth below for the years ended and as of December 31, 2011, 2010, 2009, 2008, and 2007 are derived from our audited consolidated financial statements. The table below includes consolidated results, including our recent acquisitions, thus comparability will be materially affected. You should

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read this information in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements, including the notes thereto, included elsewhere in this report.

	Year ended December 31,				
	2011	2010	2009	2008	2007
(in millions, except per share data)					
Statement of Operations data:					
Revenues	\$3,442.3	\$2,313.4	\$1,768.9	\$2,054.8	\$1,566.2
Restructuring, asset impairments and other, net (1)	102.7	10.5	24.9	26.2	3.0
Goodwill and intangible impairment charges (2)	—	16.1	—	544.5	—
Net income (loss) attributable to ON Semiconductor Corporation	11.6	290.5	61.0	(428.9)	203.6
Diluted earnings (loss) per common share	\$ 0.03	\$ 0.65	\$ 0.14	\$ (1.13)	\$ 0.68
	Year ended December 31,				
	2011	2010	2009	2008	2007
Balance Sheet data:					
Total assets	\$3,883.5	\$2,919.2	\$2,414.3	\$2,354.2	\$1,637.6
Long-term debt, less capital leases	1,106.1	773.3	854.9	917.8	1,096.7
Capital leases	100.9	115.5	78.6	92.0	62.7
Stockholders’ equity	1,493.5	1,388.0	1,004.6	855.5	242.7

- (1) Restructuring, asset impairments and other, net includes employee severance and other exit costs associated with our worldwide cost reduction and profitability enhancement programs, asset impairments, and executive severance costs and any other infrequent or unusual items in 2011, such as \$70.1 million associated with the closure of our Aizu, Japan facility, \$11.9 million associated with the closure of our Thailand facilities, \$10.0 million associated with our consolidation efforts for our 2011 SANYO Semiconductor acquisition, \$4.8 million from losses resulting from the Japan earthquake and resulting tsunami, \$4.3 million associated with the closure of our Phoenix, Arizona wafer manufacturing facility, \$2.4 million from our 2011 global workforce reduction, \$0.5 million for the write-off of one in process research and development project associated with an acquisition, partially offset by the reduction of \$1.5 million for a previously accrued amount associated with a lease termination; a \$0.4 million gain in 2010 associated with the sale of assets and intellectual property, partially offset by a \$0.8 million payment for settlement of various litigation matters and a \$3.9 million write-off of the net book value of a cost investment; a \$2.0 million gain in 2009 associated with the sale of assets and intellectual property combined with a \$2.5 million gain associated with the settlement of a legal dispute, partially offset by the write-off of net book value of property, plant, and equipment of \$6.3 million; and a \$0.7 million gain in 2008 associated with the reversal of certain capital lease obligations, partially offset by the write-off of the net book value of certain software licenses that were included in property, plant, and equipment.
- (2) For the year ended December 31, 2010, we recorded \$16.1 million of goodwill and intangible asset impairment charges relating to our PulseCore acquisition on our statement of operations and for the year ended December 31, 2008, we recorded \$544.5 million of goodwill impairment charges relating to AMIS, our PTC Business and to Cherry Semiconductor Corporation goodwill on our statement of operations.

Item 7. 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 elsewhere in this Form 10-K. Management’s Discussion and Analysis of Financial Condition and Results of Operations contain 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 in Part 1, Item 1A “Risk Factors” and included elsewhere in this Form 10-K.

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Executive Overview

This section presents summary information regarding our industry, markets, business and operating trends only. For a full understanding of the information summarized in this overview, you should read Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in its entirety.

Industry Overview

According to WSTS (an industry research firm), worldwide semiconductor industry sales were \$299.5 billion in 2011, an increase of 0.4% from \$298.3 billion in 2010. We participate in unit and revenue surveys and use data summarized by WSTS to evaluate overall semiconductor market trends and also to track our progress against the total market in the areas we provide semiconductor components. The following table sets forth total worldwide semiconductor industry revenues and revenues in our total addressable market since 2007:

<u>Year Ended December 31,</u>	<u>Worldwide Semiconductor Industry Sales (1) (in billions)</u>	<u>Percentage Change</u>	<u>Total Addressable Market Sales (1)(2) (in billions)</u>	<u>Percentage Change</u>
2011	\$ 299.5	0.4%	\$ 142.8	19.0%
2010	\$ 298.3	31.8%	\$ 120.0	25.0%
2009	\$ 226.3	(9.0)%	\$ 96.0	55.3%
2008	\$ 248.6	(2.7)%	\$ 61.8	86.7%
2007	\$ 255.6	3.2%	\$ 33.1	7.8%

- (1) Based on shipment information published by WSTS. WSTS collects this information based on product shipments, which is different from our revenue recognition policy as described in “Critical Accounting Policies and Estimates—Revenue Recognition” in the notes to our audited consolidated financial statements contained elsewhere in this report. We believe the data provided by WSTS is reliable, but we have not independently verified it. WSTS periodically revises its information. We assume no obligation to update such information.
- (2) Our total addressable market comprises the following specific WSTS product categories: (a) discrete products (all discrete semiconductors other than sensors, microwave power transistors/modules, microwave diodes, and microwave transistors, power modules, logic and optoelectronics); (b) standard analog products (amplifiers, voltage regulators and references, comparators, ASSP consumer, ASSP computer, ASSP automotive and ASSP industrial and others); (c) standard logic products (general purpose logic); (d) SP logic (consumer other, computer other peripherals, wired communications, automotive and industrial); (e) CMOS image sensors; (f) memory; (g) microcontrollers; and (h) motor control modules.

Worldwide semiconductor industry sales grew 3.2% in 2007, declined 2.7% in 2008, declined 9.0% in 2009, grew 31.8% in 2010 and grew 0.4% in 2011, following a pattern associated with the financial crisis and subsequent recovery. The increase from 2010 to 2011 is related to the economic expansion in emerging and developing markets, the transition from mechanical to electronic systems, increased semiconductor content in applications, offset by slow economic recovery in mature markets. Sales in our total addressable market grew significantly in 2008, reflecting the expanded markets we now serve with the acquisitions of AMIS and Catalyst that exceeded the impact of any price declines. Sales in our total addressable market increased to \$96.0 billion in 2009 and to \$120.0 billion in 2010 and to \$142.8 billion in 2011, which is consistent with the trend in the worldwide market. The increase from \$120.0 billion in 2010 to \$142.8 billion in 2011 is related to the acquisition of SANYO Semiconductor, which expanded access to Japanese markets as well as motor control and inverter market spaces. The most recently published estimates of WSTS project a compound annual growth rate in our total addressable market of approximately 3.2% for the next three years. These projections are not ours and may not be indicative of actual results.

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Recent Results

Our total revenues for the year ended December 31, 2011 were \$3,442.3 million, an increase of 49% from \$2,313.4 million for the year ended December 31, 2010, the majority of which was due to revenues from our acquisition of SANYO Semiconductor. During 2011, we reported net income of \$11.6 million compared to net income of \$290.5 million in 2010. Our gross margin decreased by approximately 1,200 basis points to 29.3% in 2011 from 41.3% in 2010, due to a lower margin on the SANYO Semiconductor business which includes decreases from expensing of fair market value step-up on inventory of \$58.3 million during 2011, combined with \$80.4 million of amortization of non-cash manufacturing expenses associated with a favorable supply agreement.

During 2011, we committed to plans to close our Aizu, Japan manufacturing facility, our probe, assembly and test operations located in Ayutthaya, Thailand and to partially close our Bang Pa In, Thailand facility. See Note 6: "Restructuring, Asset Impairments, and Other, Net" of the notes to the audited consolidated financial statements located elsewhere in this report for further detail.

ON Semiconductor Q1 2012 Outlook

Based upon product booking trends, backlog levels, and estimated turns levels, we estimate that our revenues will be approximately \$720.0 million to \$760.0 million in the first quarter of 2012. Backlog levels for the first quarter of 2012 represent approximately 80% to 85% of our anticipated first quarter 2012 revenues. We estimate average selling prices for the first quarter of 2012 will be down approximately 2% to 3% compared to the fourth quarter of 2011. For the first quarter of 2012, we estimate that gross margin as a percentage of revenues will be approximately 31.5% to 32.5%.

Business Overview

We are a supplier of high performance, silicon solutions for energy efficient electronics. Our broad portfolio of power and signal management, logic, discrete and custom devices helps customers efficiently solve their design challenges in automotive, communications, computing, consumer, industrial, LED lighting, medical, military/aerospace and power applications. We design, manufacture and market an extensive portfolio of semiconductor components that addresses the design needs of sophisticated electronic systems and products. Our power management semiconductor components control, convert, protect and monitor the supply of power to the different elements within a wide variety of electronic devices. Our custom ASICs use analog, digital signal processing, mixed-signal and advanced logic capabilities to act as the brain behind many of our automotive, medical, military, aerospace, consumer and industrial customers' unique products. Our data management semiconductor components provide high-performance clock management and data flow management for precision computing and communications systems. Our standard semiconductor components serve as "building block" components within virtually all types of electronic devices. These various products fall into the logic, analog and discrete categories used by WSTS.

Historically, the semiconductor industry has been highly cyclical. During a down cycle, unit demand and pricing have tended to fall in tandem, resulting in revenue declines. In response to such declines, manufacturers have shut down production capacity. When new applications or other factors have eventually caused demand to strengthen, production volumes have eventually stabilized and then grown again. As market unit demand has reached levels above capacity production capabilities, shortages have begun to occur, which typically has caused pricing power to swing back from customers to manufacturers, thus prompting further capacity expansion. Such expansion has typically resulted in overcapacity following a decrease in demand, which has triggered another similar cycle.

New Product Innovation

As a result of our research and development initiatives, we introduced 285 new product families in 2011. There were 237 new product families in 2010. Our new product development efforts continue to be focused on

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building solutions in power management that appeal to customers in focused market segments and across multiple high growth applications. As always, it is our practice to regularly re-evaluate our research and development spending, to assess the deployment of resources and to review the funding of high growth technologies. We deploy people and capital with the goal of maximizing our investment in research and development in order to position ourselves for continued growth. As a result, we often invest opportunistically to refresh existing products in our commodity logic, analog, memory and discrete products. We invest in these initiatives when we believe there is a strong customer demand or opportunities to innovate our current portfolio in high growth markets and applications.

Cost Savings and Restructuring Activities

Due to the highly competitive nature of the semiconductor industry, we continually evaluate our cost structure and, as necessary, implement profitability enhancement programs to improve our financial performance. In connection with these programs, we aim to rank, as compared to our primary competitors, among the lowest in terms of cost structure. Our programs include efforts to:

- increase our die manufacturing capacity in a cost-effective manner;
- further reduce the number of our product platforms and process flows;
- rationalize our manufacturing operations;
- relocate manufacturing operations or outsource to lower cost regions; and
- reduce selling and administrative expenses.

In 2012, our cost savings and restructuring activities will be focused on our SANYO Semiconductor business, and will include rationalization of manufacturing operations and the reduction of overhead and administrative costs. For further details see Part I, Item 1A “Risk Factors—Trends, Risks and Uncertainties Related to Our Business” located elsewhere in this report.

Macroeconomic Environment

We have recognized efficiencies from implemented restructuring activities and programs and continue to implement profitability enhancement programs to improve our cost structure; however, the semiconductor industry has traditionally been highly cyclical and has often experienced significant downturns in connection with, or in anticipation of, declines in general economic conditions. Over the past twelve months, we believe the business environment has weakened due to economic uncertainty and volatility in the United States and Europe and has been further impacted by the Japan earthquake and resulting tsunami, as well as the recent flooding in Thailand. These factors have either impacted us directly or have affected our customers and suppliers, which in turn has affected our business, including sales, our production capacity, and results of operations. Although we view many of these issues as temporary, our continuing outlook for the future will ultimately affect our future emphasis on marketing to various industries, our future research and development efforts into new product lines and our segments in general.

Results of Operations

The following table summarizes certain information relating to our operating results that has been derived from our audited consolidated financial statements for the years ended December 31, 2011, 2010 and 2009. The amounts in the following table are in millions:

	Year ended December 31,			Dollar Change	
	2011	2010	2009	2010 to 2011	2009 to 2010
Revenues	\$3,442.3	\$2,313.4	\$1,768.9	\$ 1,128.9	\$ 544.5
Cost of revenues	2,433.5	1,357.4	1,148.2	1,076.1	209.2
Gross profit	1,008.8	956.0	620.7	52.8	335.3

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	Year ended December 31,			Dollar Change	
	2011	2010	2009	2010 to 2011	2009 to 2010
Operating expenses:					
Research and development	362.5	248.0	198.8	114.5	49.2
Selling and marketing	195.1	145.6	120.9	49.5	24.7
General and administrative	192.4	129.9	104.5	62.5	25.4
Amortization of acquisition-related intangible assets	42.7	31.7	29.0	11.0	2.7
Restructuring, asset impairments and other, net	102.7	10.5	24.9	92.2	(14.4)
Goodwill and intangible asset impairment charges	—	16.1	—	(16.1)	16.1
Total operating expenses	895.4	581.8	478.1	313.6	103.7
Operating income	113.4	374.2	142.6	(260.8)	231.6
Other income (expenses):					
Interest expense	(68.9)	(61.4)	(64.6)	(7.5)	3.2
Interest income	1.1	0.5	0.8	0.6	(0.3)
Other	(8.9)	(6.9)	(4.7)	(2.0)	(2.2)
Loss on debt repurchase and exchange	(23.2)	(0.7)	(3.1)	(22.5)	2.4
Gain on SANYO Acquisition	24.3	—	—	24.3	—
Other income (expenses), net	(75.6)	(68.5)	(71.6)	(7.1)	3.1
Income before income taxes and minority interests	37.8	305.7	71.0	(267.9)	234.7
Income tax provision	(22.9)	(12.8)	(7.7)	(10.1)	(5.1)
Net income	14.9	292.9	63.3	(278.0)	229.6
Net income attributable to minority interests	(3.3)	(2.4)	(2.3)	(0.9)	(0.1)
Net income attributable to ON Semiconductor Corporation	<u>\$ 11.6</u>	<u>\$ 290.5</u>	<u>\$ 61.0</u>	<u>\$ (278.9)</u>	<u>\$ 229.5</u>

Revenues

Revenues were \$3,442.3 million, \$2,313.4 million and \$1,768.9 million for 2011, 2010 and 2009, respectively. The increase from 2010 to 2011 was due to revenues from our newly acquired SANYO Semiconductor segment combined with an increase of \$68.6 million from our historical segments, which includes the impact from the February 2011 ISBU acquisition and the June 2010 SDT acquisition. Our historical segment improvement was a result of a 6.2% increase from volume and mix, partially offset by a 2.0% decrease from average selling prices. The increase from 2009 to 2010 was due to an increase in volume and mix of sales of 33.7%, combined with an increase in revenues from our acquisitions of SDT, PulseCore and CMD of \$63.1 million, partially offset by decreases in average selling prices of 4.4%. The revenues by reportable segment were as follows (dollars in millions):

	Year Ended December 31, 2011	As a % of Revenue	Year Ended December 31, 2010	As a % of Revenue	Year Ended December 31, 2009	As a % of Revenue
Computing & Consumer Products Group	609.1	18%	609.1	27%	473.0	27%
Automotive, Industrial, Medical and Mil-Aero Products Group	894.7	25%	794.7	34%	623.8	35%
Standard Products Group	878.2	26%	909.6	39%	672.1	38%
SANYO Semiconductor Products Group	1,060.3	31%	—	—%	—	—%
Total revenues	<u>\$ 3,442.3</u>		<u>\$ 2,313.4</u>		<u>\$ 1,768.9</u>	

Revenues from the computing and consumer products group remained even from 2010 to 2011 and increased from 2009 to 2010. In 2011, the results can be attributed to increased revenue of approximately 4%

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from our logic products offset by a decrease of approximately 1% from our analog products. In 2010, the increase of \$136.1 million in the segment was in large part due to the improved macroeconomic conditions as compared to 2009, coupled with a recovery period in the semiconductor cycle, which resulted in volume improvements in both analog and logic products.

Revenues from the automotive, industrial, medical and mil-aero products group increased from 2010 to 2011 and increased from 2009 to 2010. In 2011, the increase in revenue is attributed to \$50.3 million from products related to the ISBU and SDT acquisitions, as well as an approximate 7% increase in ASIC products, which was attributable to stronger demand in the mixed signal automotive end market. These increases were partially offset by decreases in revenue from high frequency products of 14.1% which was driven by lower demand in industrial and networking end markets. In 2010, the increase of \$170.9 million can be primarily attributed to economic and semiconductor cycles strengthening in 2010 as compared to 2009, which resulted in higher revenue of approximately 25% from our ASIC products and a 42% increase in our memory products with the remaining increase being attributed to the \$9.5 million of revenues from our acquisition of SDT.

Revenues from the standard products group decreased from 2010 to 2011 and increased from 2009 to 2010. In 2011, the decrease in revenue is a result of decreases of approximately 10% from our analog standard products and an approximate 2% from TMOS standard products. In 2010, this increase can be attributed to the impact of our CMD acquisition which contributed additional revenue of \$49.0 million as compared to 2009, with the remaining increase due to the economic factors and semiconductor cycle recovery, as described above in our other segments. These increases in 2010 were primarily in our discrete and TMOS products.

Revenues from the SANYO Semiconductor products group were \$1,060.3 million during 2011. These revenues are the result of our January 1, 2011 SANYO Semiconductor acquisition.

Revenues by geographic area as a percentage of total revenues were as follows (dollars in millions):

	Year Ended December 31, 2011	As a % of Revenue	Year Ended December 31, 2010	As a % of Revenue (1)	Year Ended December 31, 2009	As a % of Revenue (1)
Americas	\$ 560.6	16%	\$ 495.5	21%	378.5	21%
Asia/Pacific	2,453.2	71%	1,444.1	62%	1,103.8	62%
Europe	428.5	13%	373.8	16%	286.6	16%
Total	<u>\$ 3,442.3</u>	<u>100%</u>	<u>\$ 2,313.4</u>	<u>100%</u>	<u>\$ 1,768.9</u>	<u>100%</u>

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

For additional information, see the table of revenues by geographic location included in Note 17: "Segment Information" of the notes to our audited consolidated financial statements included elsewhere in this report.

With our acquisition of SANYO Semiconductor, there has been a further shift in our global revenues to the Asia/Pacific region, with revenues from this region increasing to \$2,453.2 million in 2011, an increase of more than 69.9% as compared to 2010.

A majority of our end customers, served directly or through distribution channels, are manufacturers of electronic devices. For the year ended December 31, 2011, none of our customers accounted for more than 10% of our revenues. One of our customers accounted for 13% of our revenues for the year ended December 31, 2010 and 11% for the year ended December 31, 2009.

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Gross Profit

The gross profit and gross margin by reportable segment in each of the below three years were as follows (in millions):

	Year Ended December 31, 2011	As a % of Segment Revenue	Year Ended December 31, 2010	As a % of Segment Revenue	Year Ended December 31, 2009	As a % of Segment Revenue
Computing & Consumer Products Group	\$ 238.3	39.1%	\$ 257.4	42.3%	\$ 158.7	33.6%
Automotive, Industrial, Medical and Mil-Aero	450.9	50.4%	415.3	52.3%	292.0	46.8%
Standard Products Group	295.5	33.6%	339.1	37.3%	205.2	30.5%
SANYO Semiconductor Products Group	79.1	7.5%	—	—%	—	—%
Gross profit by segment	<u>\$ 1,063.8</u>		<u>\$ 1,011.8</u>		<u>\$ 655.9</u>	
Unallocated						
Manufacturing (1)	(55.0)	(1.6)%	(55.8)	(2.4)%	(35.2)	(2.0)%
Total gross profit	<u>\$ 1,008.8</u>	29.3%	<u>\$ 956.0</u>	41.3%	<u>\$ 620.7</u>	35.1%

(1) Unallocated manufacturing costs are being shown as a percentage of total revenues.

Our gross profit was \$1,008.8 million, \$956.0 million and \$620.7 million in 2011, 2010, and 2009, respectively. The gross profit increase in 2011 is primarily attributable to the SANYO Semiconductor acquisition and an increase in our automotive, industrial, medical and mil-aero products group, partially offset by a decline in the computing and consumer products and standard products group segments. The \$35.6 million increase in the automotive, industrial, medical and mil-aero products group, was driven by the impact of our ISBU and SDT acquisitions which contributed a combined \$27.2 million in additional gross profit in 2011 as compared to 2010. Additionally our automotive, industrial, medical and mil-aero products group is comprised of more custom products than our other segments, and, as a result, is less impacted by general pricing pressures on commodity products. The increase was partially offset by decreases in the other historic segments as sales mix and volume improvements during 2011 were outpaced by selling price declines within those segments. The gross profit increases in 2010 were primarily due to improved sales volume in each of our segments, as 2009 was adversely impacted by the global economic slowdown and a downturn in the semiconductor cycle which negatively impacted demand volume and pricing across all of our segments.

Any future improvement to gross profit and margin in our SANYO Semiconductor segment will be largely contingent on the execution of our manufacturing consolidation strategy discussed in Note 6: "Restructuring, Asset Impairments and Other, Net" of the notes to the audited consolidated financial statements included elsewhere in this report and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Executive Overview – Cost Savings and Restructuring Activities" in this Form 10-K.

Gross margin as a percentage of revenues decreased from 41.3% to 29.3% during 2011 compared to 2010, primarily due to lower gross margin of our SANYO Semiconductor segment, which included the impact of \$58.3 million associated with the expensing of the step-up in fair market value of inventory and \$80.4 million of non-cash manufacturing expenses associated with our SANYO Semiconductor acquisition. For the historic segments, the gross margin decline was due to lower average selling prices combined with the impact of lower factory utilization and higher commodity costs, which negatively impacted the gross margin for each segment. The gross margin increase from 2009 to 2010 for each of the segments, was primarily due to increases in production volume driving better factory utilization and the impact of cost savings from our profitability enhancement programs, combined with lower expensing of fair market value of inventory in 2010 compared to 2009, partially offset by a decrease in average selling prices during 2010.

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Operating Expenses

Research and development expenses were \$362.5 million, \$248.0 million and \$198.8 million, representing 10.5%, 10.7% and 11.2% of revenues for 2011, 2010 and 2009, respectively. The increase from 2010 to 2011 was primarily attributed to increased expenses associated with our on-going research and development activities associated with our SANYO Semiconductor acquisition, combined with an increase in labor cost related to increased head count during fiscal 2011 as compared to 2010. The increase from 2009 to 2010 was primarily attributed to increased expenses associated with ongoing research and development activities as a result of the acquisition of the SDT, PulseCore and CMD businesses, increased salaries and wages due to the elimination of work furloughs or short work weeks in 2010 based on local requirements, and an increase in performance bonuses as a result of our achievement of certain financial goals.

Selling and marketing expenses were \$195.1 million, \$145.6 million and \$120.9 million, representing 5.7%, 6.3% and 6.8% of revenues in 2011, 2010 and 2009, respectively. The increase from 2010 to 2011 was primarily attributed to increased expenses associated with our on-going sales and marketing activities associated with our SANYO Semiconductor acquisition combined with an increase in labor cost related to increased head count during fiscal 2011 as compared to 2010. The increase from 2009 to 2010 was primarily attributed to increased salaries and wages due to the elimination of work furloughs or short work weeks in 2010 based upon local requirements and an increase in performance bonuses as a result of our achievement of certain financial goals.

General and administrative expenses were \$192.4 million, \$129.9 million and \$104.5 million representing 5.6%, 5.6% and 5.9% of revenues in 2011, 2010 and 2009, respectively. The increase from 2010 to 2011 was attributed to increased expenses associated with our on-going general and administrative activities associated with our SANYO Semiconductor acquisition combined with an increase in labor cost related to increased head count during fiscal 2011 as compared to 2010. The increase from 2009 to 2010 was attributed to increases in acquisition related expenses, employee salaries and wages due to the elimination of work furloughs or short work weeks in 2010 based upon local requirements and an increase in performance bonus as a result of our achievement of certain financial goals, partially offset by decreased stock compensation expense.

Other Operating Expenses

The following table shows the amounts of other operating expenses for 2011, 2010 and 2009 (in millions):

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Amortization of acquisition-related intangible assets	\$ 42.7	\$ 31.7	\$ 29.0
Restructuring, asset impairments and other, net	\$ 102.7	\$ 10.5	\$ 24.9
Goodwill and intangible asset impairment	\$ —	\$ 16.1	\$ —

Other Operating Expenses—Amortization of Acquisition—Related Intangible Assets

Amortization of acquisition-related intangible assets was \$42.7 million, \$31.7 million and \$29.0 million in 2011, 2010 and 2009 respectively. The increase of \$11.0 million from 2010 to 2011 was primarily attributed to amortization of intangible assets associated with our acquisitions of the ISBU from Cypress Semiconductor, SANYO Semiconductor, and SDT. The increase of \$2.7 million from 2009 to 2010 was primarily attributed to amortization of intangible assets associated with our acquisitions of PulseCore, CMD and SDT.

Other Operating Expenses—Restructuring, Asset Impairments and Other, Net

Restructuring, asset impairments and other, net was \$102.7 million, \$10.5 million and \$24.9 million in 2011, 2010 and 2009, respectively. The information below summarizes the major activities in each year. For detailed information see Note 6: "Restructuring, Asset Impairments and Other, Net" of the notes to our audited consolidated financial statements included elsewhere in this report.

2011

During the year ended December 31, 2011, we recorded \$24.8 million of asset impairment charges associated with the December 2011 announced closure of our Ayutthaya, Thailand facility and partial closure of the Bang Pa In, Thailand facility due to the flooding that occurred. These closures are expected to be completed by June of 2012. Additionally, we recorded a \$28.3 million inventory write-off as a result of the recent flooding. The asset impairment charges and inventory write-off were partially offset by the receipt of insurance proceeds of \$25.0 million in 2011, combined with a non-cash insurance recovery of \$23.9 million, which represents insurance proceeds received in the first quarter of 2012. Additionally, we recorded \$5.7 million of employee separation charges and other charges of \$2.1 million for costs incurred since the announced closures due to the halt in manufacturing at these facilities resulting from the flooding.

During the year ended December 31, 2011, we recorded \$61.5 million of asset impairment charges associated with the October 2011 announced shutdown of our Aizu, Japan wafer manufacturing facility, which is expected to be completed by June 2012. Additionally, we recorded \$6.5 million of employee separation charges and \$2.0 million of other costs for the pension true-up for employees associated with this activity.

In January 2011, we acquired SANYO Semiconductor and announced plans to integrate certain operations of SANYO Semiconductor into our existing operations, primarily for cost savings purposes. During the year ended December 31, 2011, we recorded \$8.5 million in charges related to this integration. Additionally, we recorded exit costs of approximately \$1.5 million for items relating to the consolidation of factories. We recorded \$4.8 million of other charges relating to damaged inventory and other assets relating to the Japanese earthquake and the resulting tsunami that occurred in 2011.

2010

During the year ended December 31, 2010, we recorded \$3.9 million of asset impairment charges associated with the write off of a cost basis investment, \$3.5 million of employee separation costs and \$0.1 million of exit costs associated with our 2010 acquisition of CMD and \$2.2 million of employee separation charges associated with our 2010 acquisition of SDT.

2009

During the year ended December 31, 2009, we recorded \$12.6 million of employee separation charges and \$0.4 million of exit costs associated with our January 2009 worldwide employee reduction program.

During the year ended December 31, 2009, we recorded \$5.4 million of asset impairments on the Piestany, Slovakia manufacturing facility resulting from a decline in the estimated fair value of the Piestany property. Additionally, we recorded \$1.7 million of employee separation charges and \$1.7 million of exit costs associated with the shutdown of the manufacturing facility.

During the year ended December 31, 2009, we recorded a \$3.9 million of employee separation charges associated with our reduction in workforce in Belgium.

During the year ended December 31, 2009, we recorded a \$2.5 million gain on the settlement of two legal disputes.

During the year ended December 31, 2009, we recorded a \$2.0 million gain on the sale of intellectual property.

Other Operating Expenses—Goodwill and Intangible Asset Impairment Charges

During the fourth quarter of 2010, we determined, based on a decline in the business outlook, that \$8.9 million of carrying value of goodwill relating to our 2009 acquisition of PulseCore and \$7.2 million of carrying

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value related to intangible assets was impaired. Impairment charges were recognized in the automotive, industrial, medical and mil-aero product segment.

There was no impairment of goodwill or intangible assets in the years ended December 31, 2011 and 2009.

Operating Income

Information about operating income from our reportable segments for the years ended December 31, 2011, December 31, 2010 and December 31, 2009 is as follows, in millions:

	<u>Computing & Consumer Group</u>	<u>Automotive, Industrial, Medical and Mil-Aero Products Group</u>	<u>Standard Products Group</u>	<u>SANYO Semiconductor Products Group</u>	<u>Total</u>
For year ended December 31, 2011:					
Segment operating income (loss)	\$ 103.0	\$ 165.5	\$ 176.9	\$ (159.4)	\$ 286.0
For year ended December 31, 2010:					
Segment operating income	\$ 122.7	\$ 154.2	\$ 221.2	\$ —	\$ 498.1
For year ended December 31, 2009:					
Segment operating income	\$ 45.0	\$ 67.2	\$ 114.6	\$ —	\$ 226.8

Depreciation and amortization expense is included in segment operating income. Reconciliations of segment information to financial statements is as follows, in millions:

	<u>Year Ended</u>		
	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Operating income for reportable segments	\$ 286.0	\$ 498.1	\$ 226.8
Unallocated amounts:			
Restructuring, asset impairments and other charges, net	(102.7)	(10.5)	(24.9)
Goodwill and intangible asset impairment	—	(16.1)	—
Other unallocated manufacturing costs	(55.0)	(55.8)	(35.2)
Other unallocated operating expenses	(14.9)	(41.5)	(24.1)
Operating income	<u>\$ 113.4</u>	<u>\$ 374.2</u>	<u>\$ 142.6</u>

Other unallocated manufacturing expenses remained flat from 2010 to 2011; however, they increased from \$35.2 million in 2009 to \$55.8 million in 2010 primarily due to increases in the price of commodities from 2009 to 2010.

Other unallocated operating expenses decreased from \$41.5 million in 2010 to \$14.9 million in 2011 due to certain cost activities being attributed to certain segments in the current year. Other unallocated operating expenses increased from \$24.1 million in 2009 to \$41.5 million in 2010 primarily due to increased costs to develop new production processes in our Gresham wafer fabrication facility.

Interest Expense

Interest expense was \$68.9 million, \$61.4 million and \$64.6 million in 2011, 2010 and 2009, respectively. We recorded amortization of debt discount to interest expense of \$34.9 million, \$33.7 million and \$34.9 million for 2011, 2010 and 2009, respectively. Our average long-term debt balance (including current maturities and net of debt discount) during 2011, 2010 and 2009 was \$1,048.0 million, \$911.2 million and \$971.6 million, respectively. Our weighted average interest rate on long-term debt (including current maturities and net of debt

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discount) was 6.6%, 6.7% and 6.6% per annum in 2011, 2010 and 2009, respectively. See “Liquidity and Capital Resources — Key Financing Events” below for a description of our refinancing activities.

Other

Other expense, which is comprised of foreign translation currency loss was \$8.9 million, \$6.9 million and \$4.7 million in 2011, 2010 and 2009, respectively. The change from year to year is attributable to the strength of foreign currencies against the dollar for the periods presented, net of the impact from our hedging activity.

Loss on Debt Repurchase and Exchange

During 2011, we exchanged \$198.6 million in par value (\$177.2 million of carrying value) of our 2.625% Convertible Senior Subordinated Notes due 2026 for \$198.6 million in par value (\$176.4 million of carrying value) of 2.625% Convertible Senior Subordinated Notes due 2026, Series B and \$15.9 million in cash, which resulted in a loss on debt exchange of \$17.9 million, including the write-off of \$1.7 million in unamortized debt issuance costs.

During 2011, we repurchased \$53.0 million in par value (\$46.6 million of carrying value) of our 2.625% Convertible Senior Subordinated Notes due 2026 for \$56.2 million in cash, which resulted in a loss on debt repurchase of \$5.3 million, including the write-off of \$0.5 million in unamortized debt issuance costs.

During 2010, we prepaid \$169.8 million of our senior bank facilities and incurred a \$0.8 million loss on the prepayment, for the write-off of \$0.8 million in unamortized debt issuance costs. Additionally, during 2010, we recognized a \$0.1 million gain on the modification of our Zero Coupon Convertible Senior Subordinated Notes due 2024.

During 2009, we repurchased \$99.7 million of our Zero Coupon Convertible Senior Subordinated Notes due 2024 for \$64.8 million in cash and the issuance of 7.4 million shares of common stock, which had a value of \$28.5 million based on the closing price of our common stock at the time of repurchase. We reduced unamortized debt discount by \$8.7 million and recognized a \$3.1 million loss on the repurchases, which included the write-off of \$0.7 million in unamortized debt issuance costs.

For further discussion of loss on debt repurchase and exchange see Note 8: “Long-Term Debt” of the notes to our audited consolidated financial statements included elsewhere in this Form 10-K.

Gain on SANYO Semiconductor Acquisition

The purchase price of SANYO Semiconductor was less than the fair value of its net assets, resulting in a gain on acquisition of \$24.3 million. We believe the gain recognized upon acquisition was the result of a number of factors, including the following: SANYO Electric wanting to discontinue semiconductor operations, significant losses recognized by SANYO Electric, SANYO Electric viewing this as the best outcome for SANYO Semiconductor and the fact that we expect to incur future expenses associated with the transfer and consolidation of certain operations. For further discussion of the gain on the SANYO Semiconductor acquisition see Note 4: “Acquisitions” of the notes to our audited consolidated financial statements included elsewhere in this Form 10-K.

Provision for Income Taxes

Provision for income taxes was \$22.9 million, \$12.8 million and \$7.7 million in 2011, 2010 and 2009, respectively.

The 2011 provision of \$22.9 million included \$19.4 million for income and withholding taxes of certain of our foreign operations, \$3.2 million of additional valuation allowance against certain deferred tax assets and \$2.9

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million of interest on existing reserves for potential liabilities in foreign taxing jurisdictions. This is partially offset by the reversal of \$2.6 million for reserves and interest for potential liabilities in foreign taxing jurisdictions which were effectively settled or for which the statute lapsed during 2011.

The 2010 provision for income taxes of \$12.8 million included \$13.5 million for income and withholding taxes of certain of our foreign operations and \$2.7 million of interest on existing reserves for potential liabilities in foreign taxing jurisdictions. This is partially offset by the reversal of \$3.4 million for reserves and interest for potential liabilities in foreign taxing jurisdictions which were effectively settled or for which the statute lapsed during 2010.

The 2009 provision for income taxes of \$7.7 million included \$13.0 million for income and withholding taxes of certain of our foreign and U.S. operations and \$3.4 million of new reserves and interest on existing reserves for potential liabilities in foreign taxing jurisdictions, partially offset by a tax benefit of \$8.7 million for the reversal of previously accrued income taxes for uncertain tax positions that have been effectively settled through examination.

Our provision for income taxes is subject to volatility and could be adversely impacted by earnings being lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates. Our effective tax rate was 60.6% for the year ended December 31, 2011, which is above the U.S. statutory federal income tax rate of 35%, due to the impact of impairment losses and other operating losses recognized during the year in foreign jurisdictions for which tax benefits have not been recognized because uncertainty regarding their future realization exists. Our effective tax rate was lower than the U.S. statutory federal income tax rate for the years ended December 31, 2010 and 2009, due to our domestic tax losses and tax rate differentials in our foreign subsidiaries. We continue to maintain a full valuation allowance on all of our domestic deferred tax assets.

Our provision for income taxes does not include provisions for U.S. income taxes and foreign withholding taxes associated with the repatriation of undistributed earnings of certain foreign subsidiaries that have not been previously taxed in the United States, which we intend to reinvest in our foreign subsidiaries. If these earnings were distributed to the United States in the form of dividends or otherwise, or if the shares of the relevant foreign subsidiaries were sold or otherwise transferred, we would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes.

For a full reconciliation of our effective tax rate to the U.S. federal statutory rate of 35% and for further explanation of our provision for income taxes, see Note 9: "Income Taxes" of the notes to the audited consolidated financial statements included elsewhere in this Form 10-K.

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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.

Cash Requirements

Contractual Obligations

Our principal outstanding contractual obligations relate to our long-term debt, operating leases, pension obligations and purchase obligations. The following table summarizes our contractual obligations at December 31, 2011 and the effect such obligations are expected to have on our liquidity and cash flow in the future (in millions):

Contractual obligations (1)(2)	Payments Due by Period						
	Total	2012	2013	2014	2015	2016	Thereafter
Long-term debt, excluding capital leases (3)	\$1,251.6	\$369.9	\$319.5	\$ 62.2	\$ 74.0	\$247.2	\$ 178.8
Capital leases (3)	108.4	39.1	34.1	28.4	2.9	1.3	2.6
Operating leases (4)	93.9	22.0	17.1	14.1	11.7	12.6	16.4
Pension obligation (2)	30.5	15.3	3.6	3.6	4.0	4.0	—
Purchase obligations (4):							
Capital purchase obligations	103.5	95.8	5.1	1.5	0.5	0.3	0.3
Inventory purchase obligations	127.9	72.5	14.0	10.0	9.4	4.9	17.1
Mainframe support	11.7	5.8	5.9	—	—	—	—
Information technology and communication services	21.2	16.7	4.5	—	—	—	—
Other	14.4	12.6	0.9	0.6	0.3	—	—
Total contractual obligations	\$1,763.1	\$649.7	\$404.7	\$120.4	\$102.8	\$270.3	\$ 215.2

- (1) The table above does not include approximately \$21.4 million of liabilities related to unrecognized tax benefits because we are unable to reasonably estimate the timing of the settlement of such liabilities.
- (2) The table above does not include approximately \$151.0 million of underfunded obligation relating to our proportionate share of liability under SANYO Electric's multiemployer defined benefit pension plans from which we intend to withdraw and \$5.0 million of unfunded liability under defined benefit plans from which we do not intend to withdraw.
- (3) Includes the interest payments for long-term debt and capital leases (applicable rates at December 31, 2011).
- (4) These represent our off-balance sheet arrangements (See "Liquidity and Capital Resources — Off-Balance Sheet Arrangements" for a description of our off-balance sheet arrangements).

See Note 8: "Long-Term Debt," of the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for a discussion of long-term debt.

Our other long-term contractual obligations consist of estimated payments to fund liabilities that have been accrued in our consolidated balance sheet for our foreign pension plans (see Note 7: "Balance Sheet Information" and Note 12: "Employee Benefit Plans" of the notes to our audited consolidated financial statements included elsewhere in this Form 10-K).

Our balance of cash and cash equivalents was \$652.9 million at December 31, 2011. Additionally, our balance of short-term investments was \$248.6 million at December 31, 2011. We believe that our cash flows from operations, coupled with our existing cash and cash equivalents and short-term investments will be adequate to fund our operating and capital needs for at least the next 12 months. Total cash and cash equivalents and short-term investments at December 31, 2011 include approximately \$556.9 million available in the United States. In addition to cash and cash equivalents and short-term investments already on hand in the United States,

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we have the ability to raise cash through existing credit facilities, new bank loans, debt obligations or by settling loans with our foreign subsidiaries in order to cover our domestic needs.

Off-Balance Sheet Arrangements

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

In the normal course of business, we provide standby letters of credit or other guarantee instruments to certain parties initiated by either our subsidiaries or us, as required for transactions such as material purchase commitments, agreements to mitigate collection risk, leases or customs guarantees. A bank guarantee issued on our behalf under a non-reusable commitment credit with the bank had an outstanding amount of \$3.6 million as of December 31, 2011. The Belgian bank that issued the guarantee has the right to create a mortgage on the real property of one of our European subsidiaries in the amount of \$3.0 million, but had not done so as of December 31, 2011. We also had outstanding guarantees and letters of credit outside of our non-reusable commitment credit totaling \$9.1 million at December 31, 2011.

As part of securing financing in the normal course of business, we issued guarantees related to our receivable financing, capital lease obligations and real estate mortgages, which totaled approximately \$118.1 million as of December 31, 2011. We are also a guarantor of SCI LLC's unsecured loan with SANYO Electric which had a balance of \$339.8 million as of December 31, 2011. See Note 8: "Long-Term Debt" of the notes to our audited consolidated financial statements found elsewhere in this Form 10-K for further discussion.

For our operating leases, we expect to make cash payments and similarly incur expenses totaling \$93.9 million as payments come due. We have not recorded any liability in connection with these operating leases, letters of credit and guarantee arrangements.

In connection with the SANYO Semiconductor acquisition, we acquired \$5.0 million of off-balance sheet net unfunded multiemployer defined benefit pension plan liabilities.

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

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 intellectual property infringement, property damage including environmental contamination, personal injury, failure to comply with applicable laws, our negligence or willful misconduct, or breach of representations and warranties and covenants related to such matters as title to sold assets.

In connection with the SANYO Semiconductor acquisition, we entered into an operational supply agreement that provides that if we continue to operate in certain of the SANYO Semiconductor manufacturing facilities in Japan using SANYO Electric resources through the end of 2012, including certain seconded employees, we could receive operation support credits of up to approximately \$301.6 million, of which we have used approximately \$184.1 million through December 31, 2011, leaving us a balance of \$117.5 million as of December 31, 2011. There are no guarantees that we will be able to fully utilize these credits.

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 bodily injury or property

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damage (or both). 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 indemnity rights to such customer for valid warranty claims.

From time to time, we have been active in merger and acquisition activity. In connection with these mergers or acquisitions, we have agreed to indemnify the other party or parties to the merger or acquisition agreement for certain claims or occurrences, limited in most instances by time and/or monetary amounts.

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

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

While our future obligations under certain agreements may contain limitations on liability for indemnification, other agreements do not contain such limitations and under such agreements it is not possible to predict the maximum potential amount of future payments due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under any of these indemnities have not had a material effect on our business, financial condition, results of operations or cash flows, 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 Part I, Item 3 "Legal Proceedings" and Note 15: "Commitment and Contingencies" of the notes to our audited consolidated financial statements in this Form 10-K for possible contingencies related to legal matters. See also Part I, Item 1 "Business—Government Regulation" 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 research and development, to make capital expenditures, for strategic acquisitions and investments, to repurchase our stock and other Company securities, and to pay debt service, including principal and interest and capital lease payments. Our principal sources of liquidity are cash on hand, cash generated from operations and funds from external borrowings and equity issuances. In the near term, we expect to fund our primary cash requirements through cash generated from operations and cash and cash equivalents on hand and short-term investments. Additionally, as part of our business strategy, we review acquisition and divestiture opportunities and proposals on a regular basis.

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

- factors that affect our results of operations and cash flows, including the impact on our business and operations as a result of the Thailand flooding, 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

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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 senior subordinated notes, 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 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 twelve 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. This evaluation currently includes evaluating the impact of the recent Thailand flooding and Japan earthquake and resulting tsunami. For example in 2011, we paid \$316.4 million for capital expenditures, while in 2010 we paid \$188.9 million. Our current projection for capital expenditures in 2012 is \$250.0 million to \$275.0 million, of which our current minimum commitment is \$95.8 million. The capital expenditure levels can materially influence our available cash for other initiatives.

On December 23, 2011, we entered into a \$325.0 million, five-year senior revolving credit facility, which significantly increases our liquidity and is described below under “Key Financing Events — Senior Revolving Credit Facility.”

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Primary Cash Flow Sources

Our long-term cash generation is dependent on the ability of our operations to generate cash. Our cash flows from operations is summarized as follows:

	For the year ended		
	December 31,		
	2011	2010	2009
<i>Summarized cash flow from operating activities</i>			
Net income	\$ 14.9	\$292.9	\$ 63.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	229.4	166.9	155.6
Non-cash manufacturing expenses associated with favorable supply agreement	80.4	—	—
Gain on acquisition of SANYO Semiconductor	(24.3)	—	—
Non-cash stock compensation expense	33.5	52.5	54.2
Non-cash interest	34.9	33.7	34.9
Non-cash asset impairment charges	86.3	3.9	6.3
Non-cash goodwill and intangible asset impairment charges	0.5	16.1	—
Other miscellaneous adjustments	48.6	7.1	24.1
Changes in assets and liabilities (exclusive of the impact of acquisitions):			
Receivables	89.1	(22.9)	(71.5)
Inventories	102.1	(84.0)	44.8
Deferred income on sales to distributors	22.5	50.7	(15.4)
Other miscellaneous changes in assets and liabilities	(172.4)	34.9	(17.0)
Net cash provided by operating activities	<u>\$ 545.5</u>	<u>\$551.8</u>	<u>\$279.3</u>

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 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 increase 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. Our working capital, including cash and cash equivalents and short-term investments, was \$852.2 million at December 31, 2011 and has fluctuated between \$523.7 million and \$1,002.7 million over the last eight quarter-ends. Although investments made to fund working capital will reduce our cash balances, these investments are necessary to support business and operating initiatives.

Long-Term Assets and Liabilities

Our long-term assets consist primarily of property, plant and equipment, intangible assets, goodwill, foreign tax receivables and capitalized debt issuance costs.

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. Cash capital expenditures were \$316.4 million, \$188.9 million and \$55.3 million during 2011,

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2010 and 2009, respectively. We will continue to look for opportunities to make strategic purchases in the future for additional capacity. As a result of the Thailand flooding, we will also have to adjust our capital expenditures to replace the damaged equipment.

Our long-term liabilities, excluding long-term debt, consist of liabilities under our foreign defined benefit pension plans and contingent tax reserves. In regard to our foreign defined benefit pension plans, generally, 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. See Note 12: "Employee Benefit Plans" of the notes to our audited consolidated financial statements included elsewhere in this report. For further discussion of our tax reserves, see Note 9: "Income Taxes" of the notes to our audited consolidated financial statements included elsewhere in this report.

Key Financing Events

Overview

For the past several years, we have undertaken various measures to reduce our long-term debt, reduce related interest costs and, in some cases, extend a portion of our debt maturities to continue to provide us additional operating flexibility. These measures continued in 2011. Set forth below is a summary of certain key financing events affecting our capital structure during the last three years. For further discussion of financing events see Note 8: "Long-Term Debt" of the notes to our audited consolidated financial statements included elsewhere in this report.

2011 Financing Events

Senior Revolving Credit Facility

On December 23, 2011, we entered into a \$325.0 million, five-year senior revolving credit facility (the "Facility"), the terms of which are set forth in a Credit Agreement dated as of December 23, 2011 ("Credit Agreement") between us and a group of lenders. The new Facility includes \$40.0 million availability for the issuance of letters of credit, \$15.0 million availability for swingline loans for short-term borrowings and a foreign currency sublimit of \$75.0 million. We have the ability to increase the size of the Facility from time-to-time in increments of \$10.0 million so long as after giving effect to such increases, the aggregate amount of all such increases does not exceed \$125.0 million.

Payments of the principal amounts of revolving loans under the Credit Agreement are due no later than December 23, 2016, which is the maturity date of the Facility. Interest is payable based on either a LIBOR or base rate option, plus an applicable rate that varies based on the total leverage ratio. We have also agreed to pay the lenders certain fees, including a commitment fee that varies based on the total leverage ratio. We may prepay loans under the Credit Agreement at any time, in whole or in part, upon payment of accrued interest and break funding payments, if applicable.

The obligations under the Facility are guaranteed by certain of our domestic subsidiaries and are secured by a pledge of the equity interests in certain of our domestic subsidiaries. We are also required to pledge certain of our equity interests in certain material first tier foreign subsidiaries within a specified time after closing.

The Credit Agreement contains affirmative and negative covenants that are customary for credit agreements of this nature. The negative covenants include, among other things, limitations on asset sales, mergers and acquisitions, indebtedness, liens, investments and transactions with affiliates. The Credit Agreement contains only two financial covenants: (i) a maximum total leverage ratio of consolidated total indebtedness to consolidated earnings before interest, taxes, depreciation and amortization ("consolidated EBITDA") for the trailing four consecutive quarters of 3.75 to 1.00; and (ii) a minimum interest coverage ratio of consolidated EBITDA to consolidated interest expense for the trailing four consecutive quarters of 3.50 to 1.0.

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The Credit Agreement includes customary events of default that include, among other things, non-payment defaults, inaccuracy of representations and warranties, covenant defaults, cross default to material indebtedness, bankruptcy and insolvency defaults, material judgment defaults, ERISA defaults and a change of control default. The occurrence of an event of default could result in the acceleration of the obligations under the Credit Agreement. We were in compliance with the various covenants contained in the Credit Agreement as of December 31, 2011, and expect to remain in compliance with all covenants over the next twelve months.

We can utilize the borrowings under the Facility for areas such as general corporate purposes, working capital and acquisitions. To date, we have not borrowed under the Facility.

December 2011 Convertible Note Exchange

On December 15, 2011, we exchanged \$198.6 million of our 2.625% Convertible Senior Subordinated Notes due 2026, for \$198.6 million of 2.625% Convertible Senior Subordinated Notes due 2026, Series B. The notes bear interest at the rate of 2.625% per year from the date of issuance. Interest on the notes is payable on June 15 and December 15 of each year, beginning on June 15, 2012. The effective interest rate of the notes is 5.25%. The notes are fully and unconditionally guaranteed on an unsecured senior subordinated basis by certain of our existing domestic subsidiaries.

The notes are convertible by holders into cash and shares of our common stock at a conversion rate of 95.2381 shares of common stock per \$1,000 principal amount of notes (subject to adjustment in certain events), which is equivalent to an initial conversion price of approximately \$10.50 per share of common stock. We will settle conversion of all notes validly tendered for conversion in cash and shares of our common stock, if applicable, subject to our right to pay the share amount in additional cash. Holders may convert their notes under the following circumstances: (i) during the five business-day period immediately following any five consecutive trading-day period in which the trading price per \$1,000 principal amount of notes for each day of such period was less than 103% of the product of the closing sale price of our common stock and the conversion rate; (ii) upon occurrence of the specified transactions described in the indenture relating to the notes; or (iii) on and after June 15, 2016. We determined that the conversion option based on a trading price condition meets the definition of a derivative, and should be bifurcated from the debt host and accounted for separately. However, the fair value of this feature was determined to be de minimis at the date of issuance, and we continue to evaluate the significance of this feature on a quarterly basis.

The notes will mature on December 15, 2026. Beginning December 20, 2016, we may redeem the notes, in whole or in part, for cash at a price of 100% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date. If a holder elects to convert its notes in connection with the occurrence of specified fundamental changes that occur prior to December 15, 2016, the holder will be entitled to receive, in addition to cash and shares of common stock equal to the conversion rate, an additional number of shares of common stock, in each case as described in the indenture. Notwithstanding these conversion rate adjustments, these notes contain an explicit limit on the number of shares issuable upon conversion. Holders may require us to repurchase the notes for cash on December 15 of 2016 and 2021 at a repurchase price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest to, but excluding, the repurchase date. Upon the occurrence of certain specified events, each holder may require us to purchase all or a portion of such holder's notes for cash at a price equal to the principal amount of such notes, plus accrued and unpaid interest to, but excluding, the repurchase date.

The notes, which are our unsecured obligations, will be subordinated in right of payment to all of our existing and future senior indebtedness, will rank *pari passu* in right of payment with all of our existing and future senior subordinated indebtedness and will be senior in right of payment to all of our existing and future subordinated obligations. The notes will also be effectively subordinated to any of our subsidiaries' secured indebtedness to the extent of the value of the assets securing such indebtedness.

Acquisition Note Payable to SANYO Electric

In January 2011, SCI LLC, as borrower, and we, as guarantor, entered into a seven-year, unsecured loan agreement with SANYO Electric to finance a portion of the purchase price of the SANYO Semiconductor acquisition. The loan had an original principal amount of approximately \$377.5 million and had a principal balance of \$339.8 million as of December 31, 2011. The loan bears interest at a rate of 3-month LIBOR plus 1.75% per annum, and provides for quarterly interest and \$9.4 million in principal payments, with the unpaid balance of \$122.7 million due in January 2018.

2.625% Convertible Senior Subordinated Notes due 2026 Repurchase

During the year ended December 31, 2011, we repurchased \$53.0 million in par value (\$46.6 million of carrying value) of our 2.625% Convertible Senior Subordinated Notes due 2026 for \$56.2 million in cash. The cash payment was allocated between the fair value of the liability component and the equity component of the convertible security.

2010 Financing Events

April 2010 Amended Indenture for Zero Coupon Convertible Senior Subordinated Notes due 2024

In April 2010, we unilaterally amended the Indenture for our Zero Coupon Convertible Senior Subordinated Notes due 2024. The amendments include:

- One additional opportunity to require us to repurchase the notes on April 15, 2012. The terms of this put option are otherwise identical to pre-existing terms of the notes whereby holders of the notes had the option to require us to purchase the notes on April 15, 2010; and
- Terms eliminating our ability to redeem the notes at our option from April 15, 2010 until April 15, 2012.

In accordance with the right of the holders of the notes to require us to purchase the notes on April 15, 2010, approximately \$3.2 million of the \$99.4 million par value of notes then outstanding were purchased by us. In accordance with ASC 470 — Debt, the amendment was considered a substantial modification for accounting purposes; therefore, the \$96.2 million original remaining debt was deemed to be extinguished, resulting in a \$0.1 million gain, and new convertible debt with fair value of \$98.5 million was deemed to be issued.

May 2010 Prepayment of Senior Bank Facilities

In May 2010, we terminated our senior bank facilities by making a full prepayment of the \$169.8 million aggregate principal amount outstanding under the term loan portion. This amount would have been due in September 2013, subject to scheduled principal amortization and other required prepayments under the senior bank facilities. We incurred no penalties in connection with this early termination.

The termination of the senior bank facilities also resulted in the termination of the \$25.0 million of undrawn revolver and termination of certain ancillary agreements executed in connection with the senior bank facilities in August 1999 and amended over the years, including the pledge agreement, security agreement and guarantee agreement.

Pursuant to the pledge agreement, security agreement, and guarantee agreement, our obligations and the obligations of certain of our subsidiaries under the senior bank facilities and related documents were secured by a first lien on substantially all of our property and assets (tangible and intangible), including the capital stock of certain subsidiaries, and substantially all of the property and assets (tangible and intangible) of certain of our subsidiaries.

The termination of our senior bank facilities negatively impacted our liquidity, but provides additional financial and operational flexibility. Since the termination, we continue to generate strong free cash flow and we

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remain committed to improving the capital structure of the company and shareholder value. We regained this liquidity with the entry into our new senior revolving credit facility in December 2011, as described above.

We also service other loans. See Note 8: “Long-Term Debt” of the notes to our audited consolidated financial statements for further details relating to these loans.

Debt Instruments, Guarantees and Related Covenants

The following table presents the components of long-term debt as of December 31, 2011 and December 31, 2010 (dollars in millions):

	December 31, 2011	December 31, 2010
Senior Revolving Credit Facility (up to \$325.0 million)	\$ —	\$ —
Loan with a Japanese company due 2012 through 2018, interest payable quarterly at 2.33%	339.8	—
Zero Coupon Convertible Senior Subordinated Notes due 2024 (net of discount of \$2.0 million and \$8.7 million, respectively) (1)	94.2	87.5
1.875% Convertible Senior Subordinated Notes due 2025 (net of discount of \$6.6 million and \$12.8 million, respectively) (2)	88.4	82.2
2.625% Convertible Senior Subordinated Notes due 2026 (net of discount of \$24.5 million and \$73.9 million, respectively) (3)	207.9	410.1
2.625% Convertible Senior Subordinated Notes due 2026, Series B (net of discount of \$22.0 million) (4)	176.6	—
Loan with Hong Kong bank, interest payable weekly at 2.04% and 2.03%, respectively	40.0	40.0
Loans with Philippine banks due 2012 through 2015, interest payable monthly and quarterly at an average rate of 2.01% and 1.80%, respectively	68.2	68.8
Loans with Chinese banks due 2013, interest payable quarterly at an average rate of 4.44% and 4.23%, respectively	7.0	34.0
Loans with Japanese banks due through 2013, interest payable monthly and semi-annually at an average rate of 1.71% and 1.45%, respectively	3.5	3.9
Loan with Singapore bank, interest payable weekly at 1.97%	25.0	—
Loan with British finance company, interest payable monthly at 2.42% and 2.18%, respectively	13.1	13.8
U.S. real estate mortgages payable monthly through 2016 at an average rate of 4.86%	31.6	33.0
U.S. equipment financing payable monthly through 2015 at 3.23%	10.8	—
Capital lease obligations	100.9	115.5
Long-term debt, including current maturities	1,207.0	888.8
Less: Current maturities	(370.1)	(136.0)
Long-term debt	<u>\$ 836.9</u>	<u>\$ 752.8</u>

- (1) The Zero Coupon Convertible Senior Subordinated Notes due 2024 may be put back to us at the option of the holders of the notes on April 15 of 2012, 2014 and 2019 or called at our option on or after April 15, 2012.
- (2) The 1.875% Convertible Senior Subordinated Notes due 2025 may be put back to us at the option of the holders of the notes on December 15 of 2012, 2015 and 2020 or called at our option on or after December 20, 2012.
- (3) The 2.625% Convertible Senior Subordinated Notes due 2026 may be put back to us at the option of the holders of the notes on December 15 of 2013, 2016 and 2021 or called at our option on or after December 20, 2013.

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- (4) The 2.625% Convertible Senior Subordinated Notes due 2026, Series B may be put back to us at the option of the holders of the notes on December 15 of 2016 and 2021 or called at our option on or after December 20, 2016.

Our Zero Coupon Convertible Senior Subordinated Notes due 2024, our 1.875% Convertible Senior Subordinated Notes due 2025, our 2.625% Convertible Senior Subordinated Notes due 2026 and our 2.625% Convertible Senior Subordinated Notes due 2026, Series B are subordinated to the senior indebtedness of ON Semiconductor Corporation and its Guarantor Subsidiaries (as defined in Note 18: "Guarantor and Non-Guarantor Statements" of the notes to our audited consolidated financial statements included elsewhere in this report) on the terms described in the indentures for such notes. As of December 31, 2011, we believe that we were in compliance with the indentures relating to our Zero Coupon Convertible Senior Subordinated Notes due 2024, our 1.875% Convertible Senior Subordinated Notes due 2025, our 2.625% Convertible Senior Subordinated Notes due 2026 and our 2.625% Convertible Senior Subordinated Notes due 2026, Series B and with covenants relating to our senior revolving credit facility and various other debt agreements. We believe that we will be able to comply with the various covenants and other requirements contained in such indentures and debt agreements through December 31, 2012.

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 of new products.

Critical Accounting Policies and Estimates

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

Revenue. We generate revenue from sales of our semiconductor products to OEMs, electronic manufacturing service providers and distributors. We also generate revenue, although to a much lesser extent, from manufacturing services provided to customers. Distributor revenue is recognized in various ways within the industry. Some recognize revenue upon sale to the distributor, while others, like us, recognize revenue when the sale is made to the end customer. Additionally, there can often be a lag in the data collection from distributors, which makes the calculation of revenue recognition challenging. Due to our high distributor sales, revenue recognition is a critical accounting policy. We recognize revenue on sales to OEMs and electronic manufacturing service providers and sales of manufacturing services, net of provisions for related sales returns and allowances, when persuasive evidence of an arrangement exists, title and risk of loss pass to the customer (which is generally upon shipment), the price is fixed or determinable and collectability is reasonably assured. Title to products sold to distributors typically passes at the time of shipment by us so we record accounts receivable for the amount of the transaction, reduce our inventory for the products shipped and defer the related margin in our consolidated balance sheet given our inability to reliably estimate up front the effect of the returns and allowances with these distributors. We recognize the related revenue and cost of revenues when the distributor informs us that it has resold the products to the end user. Inaccuracies in the sales or inventory data provided to us by our distributors can therefore result in inaccuracy in our reporting revenues. Although payment terms vary, most distributor agreements require payment within 30 days.

Taxes assessed by government authorities on revenue-producing transactions, including value added and excise taxes, are presented on a net basis (excluded from revenues) in the statement of operations.

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Sales returns and allowances are estimated based on historical experience. Our OEM customers do not have the right to return our products, other than pursuant to the provisions of our standard warranty. Sales to distributors, however, are typically made pursuant to agreements that provide return rights with respect to discontinued or slow-moving products. Under our general agreements, distributors are allowed to return any product that we have removed from our price book. In addition, agreements with our distributors typically contain standard stock rotation provisions permitting limited levels of product returns. However, since we defer recognition of revenue and gross profit on sales to distributors until the distributor resells the product, due to our inability to reliably estimate up front the effect of the returns and allowances with these distributors, sales returns and allowances have minimal impact on our results of operations. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related revenues are recognized, and are netted against revenues. Given that our revenues consist of a high volume of relatively similar products, our actual returns and allowances and warranty claims have not traditionally fluctuated significantly from period to period, and our returns and allowances and warranty provisions have historically been reasonably accurate.

We generally warrant that products sold to our customers will, at the time of shipment be free from defects in workmanship and materials and conform to our approved specifications. Subject to certain exceptions, our standard warranty extends for a period of two years. At the time revenue is recognized, we establish an accrual for estimated warranty expenses associated with our sales, recorded as a component of cost of revenues. In addition, we also offer cash discounts to customers for payments received by us within an agreed upon time, generally 10 days after shipment. We accrue reserves for cash discounts as a reduction to accounts receivable and a reduction to revenues, based on experience with each customer.

Freight and handling costs are included in the cost of revenues and are recognized as period expenses during the period in which they are incurred.

Inventories. We carry our inventories not related to an acquisition at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or market and record provisions for slow moving inventories based upon a regular analysis of inventory on hand compared to historical and projected end user demand. These provisions can influence our results from operations. For example, when demand falls for a given part, all or a portion of the related inventory is reserved, impacting our cost of revenues and gross profit. If demand recovers and the parts previously reserved are sold, we will generally recognize a higher than normal margin. However, the majority of product inventory that has been previously reserved is ultimately discarded. Although we do sell some products that have previously been written down, such sales have historically been relatively consistent on a quarterly basis and the related impact on our margins has not been material.

Inventory acquired in the purchase of a business is stated at the lower of cost or market. Upon the acquisition, we estimate the fair value of the inventory as of the acquisition date. The methodology involves stepping up the value of acquired finished goods and work-in-process to expected sales value less variable costs to dispose. For the year ended December 31, 2011, approximately \$57.7 million of the initial \$57.7 million in the inventory step-up for acquisitions has been charged to cost of goods sold on the statement of operations since the inventory was shipped to the customer, leaving no balances in inventory and inventories at distributors at December 31, 2011.

Deferred Tax Valuation Allowance. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. In determining the amount of the valuation allowance, we consider estimated future taxable income as well as feasible tax planning strategies in each taxing jurisdiction in which we operate. If we determine that we will not realize all or a portion of our remaining deferred tax assets, we will increase our valuation allowance with a charge to income tax expense. Conversely, if we determine that we will ultimately be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be released to income as a credit to income tax expense. We maintain a valuation allowance for our domestic deferred tax assets and most of our foreign

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deferred tax assets. Additionally, throughout 2009, 2010 and 2011, no incremental domestic deferred tax benefits were recognized. As of December 31, 2011 and 2010, deferred tax assets and liabilities before valuation allowances were \$1,619.2 million and \$558.3 million, respectively, and the deferred tax asset valuation allowance was \$1,626.1 million and \$560.8 million, respectively. Our ability to utilize our deferred tax assets and the continuing need for a related valuation allowance are monitored on an ongoing basis.

Impairment of Long-Lived Assets. We evaluate the recoverability of the carrying amount of our property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Impairment is assessed when the undiscounted expected cash flows derived for an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in operating results. We continually apply our best judgment when applying these impairment rules to determine the timing of the impairment test, the undiscounted cash flows used to assess impairments and the fair value of an impaired asset. The dynamic economic environment in which we operate and the resulting assumptions used to estimate future cash flows impact the outcome of our impairment tests. In recent years, most of our assets that have been impaired consist of assets that were ultimately abandoned, sold or otherwise disposed of due to cost reduction activities and the consolidation of our manufacturing facilities. In some instances, these assets have subsequently been sold for amounts higher than their impaired value. When material, these gains are recorded in the restructuring, asset impairment and other, net line item in our consolidated statement of operations and disclosed in the footnotes to the financial statements.

Goodwill. We evaluate our goodwill for potential impairment on an annual basis or whenever events or circumstances indicate that an impairment may exist, using a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the estimated fair value of the reporting unit containing our goodwill with the related carrying amount. If the estimated fair value of the reporting unit exceeds its carrying amount, the reporting unit's goodwill is not considered to be impaired and the second step is unnecessary. The second step of the test compares the implied fair value of the reporting unit's goodwill, determined in the same manner as the amount of goodwill recognized in a business combination, with the carrying amount of such goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. We perform our annual impairment analysis as of the first day of the fourth quarter of each year. We determine the fair value of each reporting unit using the income approach, which is based on the present value of estimated future cash flows, using management's assumptions and forecasts as of the acquisition date. Our methodologies used for valuing goodwill have not changed.

We have determined that our product families, which are components of our operating segments, constitute reporting units for purposes of allocating and testing goodwill. Because the product families are one level below the operating segments, they constitute individual businesses and our segment management regularly reviews the operating results of each product family. As of each acquisition date, all goodwill acquired was assigned to the product families that were expected to benefit from the synergies of the respective acquisition. The amount of goodwill assigned to each reporting unit was the difference between the fair value of the reporting unit and the fair value of identifiable assets and liabilities allocated to the reporting unit as of the acquisition date.

Our next annual test for impairment is expected to be performed on the first day of the fourth quarter of 2012; however, identification of a triggering event may result in the need for earlier reassessments of the recoverability of our goodwill and may result in material impairment charges in future periods.

Defined Benefit Plans and related benefits. As discussed in Note 4: "Acquisitions" in the notes to the audited consolidated financial statements included elsewhere in this Form 10-K, we assumed \$48.8 million of underfunded pension obligations relating to certain defined benefit plans maintained by SANYO Semiconductor. Additionally, we recorded \$144.9 million of estimated liabilities associated with our estimated portion of underfunded pension obligations relating to certain employees participating in the SANYO Electric or its affiliate multi-employer defined benefit pension plans, from which we intend to withdraw.

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We maintain defined benefit pension plans covering certain of our foreign employees. For financial reporting purposes, net periodic pension costs and estimated withdrawal liabilities are calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations, assumed rate of return on pension plan assets and assumed rate of compensation increase for plan employees. All of these assumptions are based upon management's judgment, considering all known trends and uncertainties. Actual results that differ from these assumptions impact the expense recognition and cash funding requirements of our pension plans. As of December 31, 2011, a one percentage point change in the discount rate utilized to determine our continuing foreign pension liabilities and expense for our continuing foreign defined benefit plans would have impacted our results by approximately \$27.0 million.

Contingencies. We are involved in a variety of legal matters that arise in the normal course of business. Based on the available information, we evaluate the relevant range and likelihood of potential outcomes and we record the appropriate liability when the amount is deemed probable and estimable.

Valuation of Stock Compensation. The fair value of each option grant is estimated on the date of grant using a lattice-based option valuation model. The lattice model uses: 1) a constant volatility; 2) an employee exercise behavior model (based on an analysis of historical exercise behavior); and 3) the treasury yield curve to calculate the fair value of shares issued for each option grant. We continue to use the Black-Scholes option-pricing model to calculate the fair value of shares issued under the 2000 Employee Stock Purchase Plan.

New Accounting Pronouncements

For a discussion of new accounting pronouncements, see Note 5: "New Accounting Pronouncements" of the notes to our audited consolidated financial statements included elsewhere in this report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

At December 31, 2011, our long-term debt (including current maturities) totaled \$1,207.0 million. We have no interest rate exposure to rate changes on our fixed rate debt, which totaled \$712.0 million. We do have interest rate exposure with respect to the \$495.0 million balance on our variable interest rate debt outstanding as of December 31, 2011. A 50 basis point increase in interest rates would impact our expected annual interest expense for the next twelve months by approximately \$2.5 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.

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 assure 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 United States Dollar as a normal part of the reporting process. Our Japanese operations utilize Japanese Yen as the functional currency, which results in the Company recording a translation adjustment that is included as a component of accumulated other comprehensive income. With the acquisition of SANYO Semiconductor, we have increased our revenue, expense and capital purchases in Japanese Yen, thus increasing the effects of this translation.

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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) 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 December 31, 2011 and 2010 was \$203.4 million and \$75.5 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, Malaysian ringgit, Philippines peso, Singapore dollars, Canadian dollars, Swiss francs, Chinese renminbi, Czech koruna and British pounds sterling. 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 \$17.0 million as of December 31, 2011, assuming no offsetting hedge positions.

Item 8. Financial Statements and Supplementary Data

Our consolidated Financial Statements of the Company listed in the index appearing under Part IV, Item 15(a)(1) of this report and the Financial Statement Schedule listed in the index appearing under Part IV, Item 15(a)(2) of this report are filed as part of this report and are incorporated herein by reference in this Item 8.

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

None.

Item 9A. 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 Exchange Act Rules 13a-15(e) and 15d-15(e)). 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.

On January 1, 2011, we acquired SANYO Semiconductor and certain related assets, which operated under its own set of systems and internal controls. We are separately maintaining SANYO Semiconductor's systems and much of its control environment until we are able to incorporate SANYO Semiconductor's processes into our own systems and control environment.

Other than as described above, there have been no other changes to our internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended December 31, 2011 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules

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13a-15(f) and 15d-15(f)). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in *Internal Control — Integrated Framework*. We have concluded that our internal control over financial reporting was effective as of December 31, 2011.

Management’s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2011, excluded SANYO Semiconductor because it was acquired by us during 2011. The total assets and total revenue of SANYO Semiconductor represent 22.1% and 30.6% of consolidated total assets and consolidated total revenue, respectively, of the Company as of December 31, 2011. Registrants are permitted to exclude acquisitions from their assessment of internal control over financial reporting during the first year, along with other circumstances and factors, if there is not adequate time between the consummation date of the acquisition and the assessment date for assessing internal controls.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Part IV, Item 15 “Exhibits and Financial Statement Schedules” of this report.

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information under the heading “Executive Officers of the Registrant” in Part I, Item 1 of this Form 10-K is incorporated by reference into this section. Information concerning directors and persons nominated to become directors and executive officers is incorporated by reference from the text under the captions “Management Proposals—Proposal 1—Election of Directors,” “The Board of Directors and Corporate Governance,” and “Section 16(a) Reporting Compliance” in our Proxy Statement to be filed pursuant to Regulation 14A within 120 days after our year ended December 31, 2011 in connection with our 2012 Annual Meeting of Stockholders (“Proxy Statement”).

Code of Business Conduct

Information concerning our Code of Business Conduct is incorporated by reference from the text under the caption “The Board of Directors and Corporate Governance—Code of Business Conduct” in our Proxy Statement.

Item 11. Executive Compensation

Information concerning executive compensation is incorporated by reference from the text under the captions “The Board of Directors and Corporate Governance—Compensation of Directors,” “Compensation of Executive Officers,” “Compensation Committee Report,” “Compensation Discussion and Analysis,” and “Compensation Committee Interlocks and Insider Participation” in our Proxy Statement.

The information incorporated by reference under the caption “Compensation Committee Report” in our Proxy Statement shall be deemed furnished, and not filed, in this Form 10-K and shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, or the Exchange Act, as a result of this furnishing, except to the extent that we specifically incorporate it by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information concerning security ownership of certain beneficial owners and management is incorporated by reference from the text under the captions “Principal Stockholders” and “Share Ownership of Directors and Officers” in our Proxy Statement.

The following table sets forth equity compensation plan information as of December 31, 2011:

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u> (a)	<u>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</u> (5) (b)	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</u> (c)
Equity Compensation Plans Approved By Security Holders (1)	23,160,006 (3)	\$ 7.17	21,468,486 (6)
Equity Compensation Plans Not Approved By Security Holders (2)	5,214,056 (4)	\$ 9.24	—
Total	28,374,062		21,468,486

(1) Consists of the ON Semiconductor Corporation 2000 Stock Incentive Plan (“2000 SIP”), the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (“Amended and Restated SIP”) and the ON Semiconductor Corporation 2000 Employee Stock Purchase Plan (“ESPP”).

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- (2) We have assumed awards in accordance with applicable NASDAQ listing standards under the AMIS Holdings, Inc. Amended and Restated 2000 Equity Incentive Plan, which has not been approved by our stockholders, but which was approved by AMIS stockholders. We have also assumed awards in accordance with applicable NASDAQ listing standards under the following plans, which have not been approved by our stockholders but which were approved by Catalyst stockholders: the Catalyst Options Amended and Restated 2003 Stock Incentive Plan, the Catalyst 2003 Director Stock Option Plan, and the Catalyst 1998 Special Equity Incentive Plan. We have also assumed awards in accordance with applicable NASDAQ listing standards under the following plans, which have not been approved by our stockholders but which were approved by California Micro Devices stockholders: the California Micro Devices Corporation 2004 Omnibus Incentive Compensation Plan, the California Micro Devices Corporation 1995 Non-Employee Directors' Stock Option Plan, the California Micro Devices Corporation 1995 Employee Stock Option Plan and options granted under agreements between California Micro Devices and certain employees. Also included are shares that were added to the 2000 SIP as a result of the assumption of the number of shares remaining available for grant under the AMIS Holdings, Inc. Employee Stock Purchase Plan and AMIS Holdings Inc. Amended and Restated 2000 Equity Incentive Plan.
- (3) Includes 9,233,153 shares of common stock subject to restricted stock units ("RSUs"), which entitle each holder to one share of common stock for each unit that vests over the holder's period of continued service or based on the achievement of certain performance criteria. This column excludes purchase rights accruing under the ESPP that has a shareholder approved reserve of 15,000,000 shares. Under the ESPP, each eligible employee may purchase up to the lesser of (a) 500 shares of common stock or (b) the number derived by dividing \$6,250 by 100% of the fair market value of one share of common stock on the first day of the offering period, as defined in the ESPP, during each three-month period at a purchase price equal to 85% of the lesser of the fair market value of a share of stock on the first day of the period or the fair market value of a share of stock on the last day of the period.
- (4) Includes 413,301 shares of common stock subject to RSUs that will entitle each holder to one share of common stock for each unit that vests over the holder's period of continued service. These RSUs include RSUs assumed in connection with acquisitions and RSUs that were granted from the shares that were added to the 2000 SIP as a result of the assumption of the number of shares remaining available for grant under the AMIS Holdings, Inc. Employee Stock Purchase Plan and AMIS Holdings Inc. Amended and Restated 2000 Equity Incentive Plan.
- (5) Calculated without taking into account shares of common stock subject to outstanding RSUs that will become issuable as those units vest, without any cash consideration or other payment required for such shares.
- (6) Includes 4,050,854 shares of common stock reserved for future issuance under the ESPP and 17,417,632 shares of common stock available for issuance under the Amended and Restated SIP as adjusted to account for full value awards which reduce the shares of common stock available for future issuance at a fungible ratio of 1:1.58 for each full value award previously awarded pursuant to the plan document. The 2000 SIP terminated on February 17, 2010, therefore there are no available shares for future grants under the 2000 SIP as of December 31, 2011.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Information concerning certain relationships and related transactions involving us and certain others is incorporated by reference from the text under the captions "Management Proposals—Proposal No. 1—Election of Directors," "The Board of Directors and Corporate Governance," "Compensation of Executive Officers" and "Relationships and Related Transactions" in our Proxy Statement.

Item 14. *Principal Accountant Fees and Services*

Information concerning principal accounting fees and services is incorporated by reference from the text under the caption "Management Proposals—Proposal No. 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Audit and Related Fees" in our Proxy Statement.

PART IV**Item 15. Exhibits and Financial Statement Schedules**

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements:

ON Semiconductor Corporation and Subsidiaries Consolidated Financial Statements:

Report of Independent Registered Public Accounting Firm	83
Consolidated Balance Sheet as of December 31, 2011 and December 31, 2010	85
Consolidated Statement of Operations for the years ended December 31, 2011, 2010 and 2009	86
Consolidated Statement of Stockholders' Equity for the years ended December 31, 2011, 2010 and 2009	87
Consolidated Statement of Cash Flows for the years ended December 31, 2011, 2010 and 2009	88
Notes to Consolidated Financial Statements	89

(2) Consolidated Financial Statement Schedule:

Schedule I – Supplementary Data Selected Quarterly Data (Unaudited)	153
Schedule II – Valuation and Qualifying Accounts and Reserves	154

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

(3) Exhibit:

EXHIBIT INDEX*

<u>Exhibit No.</u>	<u>Exhibit Description</u>
2.1	Reorganization Agreement, dated as of May 11, 1999, among Motorola, Inc., SCG Holding Corporation and Semiconductor Components Industries, LLC (incorporated by reference from Exhibit 2.1 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)†
2.2(a)	Agreement and Plan of Recapitalization and Merger, as amended, dated as of May 11, 1999, among SCG Holding Corporation, Semiconductor Components Industries, LLC, Motorola, Inc., TPG Semiconductor Holdings LLC, and TPG Semiconductor Acquisition Corp. (incorporated by reference from Exhibit 2.2 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)†
2.2(b)	Amendment No. 1 to Agreement and Plan of Recapitalization and Merger, dated as of July 28, 1999, among SCG Holding Corporation, Semiconductor Components Industries, LLC, Motorola, Inc., TPG Semiconductor Holdings LLC, and TPG Semiconductor Acquisition Corp. (incorporated by reference from Exhibit 2.3 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)†
2.3	Asset Purchase Agreement between LSI Logic Corporation and Semiconductor Components Industries, LLC, dated as of April 5, 2006 (incorporated by reference from Exhibit 2.1 to the Company's First Quarter 2006 Form 10-Q filed with the Commission on April 27, 2006)††

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
2.4	Agreement and Plan of Merger and Reorganization, dated as of December 13, 2007, between ON Semiconductor Corporation (“Company” for purposes of this Exhibit Index), Orange Acquisition Corporation, Inc., and AMIS Holdings, Inc. (incorporated by reference from Exhibit 2.1 to the Company’s Current Report on Form 8-K filed with the Commission on December 13, 2007)†
2.5(a)	Purchase and Sale Agreement, dated as of November 8, 2007, among Semiconductor Components Industries, LLC, ON Semiconductor Trading, Ltd., Analog Devices, Inc. and Analog Devices B.V. (incorporated by reference from Exhibit 2.6 to the Company’s Annual Report on Form 10-K filed with the Commission on February 12, 2008)†
2.5(b)	First Amendment to Purchase and Sale Agreement among Analog Devices, Inc. and Analog Devices B.V. and Semiconductor Components Industries, LLC, ON Semiconductor Trading, Ltd. and ON Semiconductor Ireland Research and Design Limited dated May 21, 2008 (incorporated by reference from Exhibit 2.1 to the Company’s Second Quarter 2008 Form 10-Q filed with the Commission on August 6, 2008)†
2.6	Agreement and Plan of Merger and Reorganization, dated July 16, 2008, among ON Semiconductor Corporation, Centaur Acquisition Corporation and Catalyst Semiconductor, Inc. (incorporated by reference from Exhibit 2.1 to the Company’s Current Report on Form 8-K filed with the Commission on July 17, 2008)†
2.7	Agreement and Plan of Merger and Reorganization, dated December 14, 2009, among ON Semiconductor Corporation, Pac-10 Acquisition Corporation, and California Micro Devices Corporation (incorporated by reference from Exhibit 2.1 to the Company’s Current Report on Form 8-K filed with the Commission on December 14, 2009)†
2.8	Form of Tender and Voting Agreement, dated December 14, 2009, among ON Semiconductor Corporation, Pac-10 Acquisition Corporation, California Micro Devices Corporation and each of the following executive officers, directors and stockholders of California Micro Devices Corporation: Robert V. Dickinson, Kevin Berry, Kyle Baker, Daniel Hauck, Jurgen Lutz, Manuel Mere, Dr. Ed Ross, Jon S. Castor, John Fichthorn, J. Michael Gullard, Kenneth Potashner and David Wittrock (incorporated by reference from Exhibit 2.2 to the Company’s Current Report on Form 8-K filed with the Commission on December 14, 2009)
2.9	Form of Tender and Voting Agreement, dated December 14, 2009, by and among ON Semiconductor Corporation, Pac-10 Acquisition Corporation, California Micro Devices Corporation and Dialectic Capital Management, LLC (incorporated by reference from Exhibit 2.3 to the Company’s Current Report on Form 8-K filed with the Commission on December 14, 2009)
2.10(a)	Purchase Agreement by and among ON Semiconductor Corporation, Semiconductor Components Industries, LLC and SANYO Electric Co., Ltd. dated July 15, 2010 (incorporated by reference from Exhibit 2.1 to the Company’s Third Quarter 2010 Form 10-Q filed with the Commission on November 4, 2010)†
2.10(b)	Amendment No. 1 to Purchase Agreement by and among ON Semiconductor Corporation, Semiconductor Components Industries, LLC and SANYO Electric Co., Ltd. dated November 30, 2010 (incorporated by reference from Exhibit 2.1 to the Company’s Current Report on Form 8-K filed with the Commission on January 6, 2011)†
3.1	Amended and Restated Certificate of Incorporation of ON Semiconductor Corporation, as further amended through March 26, 2008 (incorporated by reference from Exhibit 3.1 to the Company’s First Quarter 2008 Form 10-Q filed with the Commission on May 7, 2008)
3.2	Amended and Restated Bylaws of ON Semiconductor Corporation(1)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
4.1	Specimen of share certificate of Common Stock, par value \$0.01, ON Semiconductor Corporation (incorporated by reference from Exhibit 4.1 to the Company's Annual Report on Form 10-K filed with the Commission on March 10, 2004)
4.2(a)	Indenture regarding the 1.875% Convertible Senior Subordinated Notes due 2025, dated as of December 21, 2005, between ON Semiconductor Corporation, Semiconductor Components Industries, LLC, SCG (Malaysia SMP) Holding Corporation, SCG (Czech) Holding Corporation, SCG (China) Holding Corporation, Semiconductor Components Industries Puerto Rico, Inc., Semiconductor Components Industries of Rhode Island, Inc., SCG International Development LLC and Semiconductor Components Industries International of Rhode Island, Inc. as guarantors and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on December 27, 2005)
4.2(b)	Form of Note for the 1.875% Senior Subordinated Notes due 2025 between ON Semiconductor Corporation and Deutsche Bank Trust Company Americas (incorporated by reference from Exhibit 4.2 (Exhibit A to Exhibit 4.1) to the Company's Current Report on Form 8-K filed with the Commission on December 27, 2005)
4.2(c)	Registration Rights Agreement for the 1.875% Convertible Senior Subordinated Notes due 2025, dated as of December 21, 2005, between ON Semiconductor Corporation and Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on December 27, 2005)
4.3(a)	Indenture regarding Zero Coupon Convertible Senior Subordinated Note due 2024, Series B dated as of July 21, 2006, between ON Semiconductor Corporation, certain of its subsidiaries and Wells Fargo Bank, N.A. (as trustee) (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on July 26, 2006)
4.3(b)	First Supplemental Indenture regarding Zero Coupon Convertible Senior Subordinated Note due 2024, Series B dated as of April 12, 2010, between ON Semiconductor Corporation, certain of its subsidiaries and Wells Fargo Bank, N.A. (as trustee) (incorporated by reference from Exhibit 4.1 to the Corporation's Current Report on Form 8-K filed with the Commission on April 12, 2010)
4.3(c)	Global Zero Coupon Convertible Senior Subordinated Note due 2024, Series B, dated July 21, 2006 and executed by ON Semiconductor Corporation (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on July 26, 2006)
4.3(d)	Form of Note for the Zero Coupon Convertible Senior Subordinated Notes due 2024, Series B (incorporated by reference from Exhibit 4.3 (Exhibit A to Exhibit 4.1) to the Company's Current Report on Form 8-K filed with the Commission on July 26, 2006)
4.4(a)	Indenture regarding the 2.625% Convertible Senior Subordinated Notes due 2026, dated as of December 15, 2006, among ON Semiconductor Corporation, the Note Guarantors named therein and Deutsche Trust Company Americas (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on December 20, 2006)
4.4(b)	Indenture dated as of December 15, 2011 among the ON Semiconductor Corporation, the Subsidiary Guarantors named therein and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on December 19, 2011)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
4.4(c)	Form of Note for the 2.625% Convertible Senior Subordinated Notes due 2026 (incorporated by reference from Exhibit 4.2 (Exhibit A to Exhibit 4.1) to the Company's Current Report on Form 8-K filed with the Commission on December 20, 2006)
4.4(d)	Form of Note for the 2.625% Convertible Senior Subordinated Notes due 2026, Series B (incorporated by reference from Exhibit 4.2 (Exhibit A to Exhibit 4.1) to the Company's Current Report on Form 8-K filed with the Commission on December 19, 2011)
4.4(e)	Registration Rights Agreement for the 2.625% Convertible Senior Subordinated Notes due 2026, dated as of December 15, 2006, among ON Semiconductor Corporation and Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc., Credit Suisse (USA) LLC, Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Friedman, Billings, Ramsey & Co., Inc. (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on December 20, 2006)
4.5	Loan Agreement dated January 1, 2011 by and among ON Semiconductor Corporation, Semiconductor Components Industries, LLC and SANYO Electric Co., Ltd. (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on January 6, 2011)
10.1	Stock Purchase Agreement dated March 8, 2000 among Semiconductor Components Industries, LLC, SCG Holding Corporation and The Cherry Corporation (incorporated by reference from Exhibit 10.3 to Amendment No. 2 to Registration Statement No. 333-30670 filed with the Commission on April 7, 2000)
10.2	Amended and Restated Intellectual Property Agreement, dated August 4, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.5 to Amendment No. 1 to the Registration Statement No. 333-90359 filed with the Commission on January 11, 2000)††
10.3	Lease for 52nd Street property, dated July 31, 1999, among Semiconductor Components Industries, LLC as Lessor, and Motorola Inc. as Lessee (incorporated by reference from Exhibit 10.16 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.4	Declaration of Covenants, Easement of Restrictions and Options to Purchase and Lease, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.17 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.5	Joint Venture Contract for Leshan-Phoenix Semiconductor Company Limited, amended and restated on April 20, 2006 between SCG (China) Holding Corporation (a subsidiary of ON Semiconductor Corporation) and Leshan Radio Company Ltd. (incorporated by reference from Exhibit 10.3 to the Company's Second Quarter 2006 Form 10-Q filed with the Commission on July 28, 2006)
10.6	Credit Agreement by and between ON Semiconductor Corporation, Semiconductor Components Industries, LLC, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and The Royal Bank of Scotland plc as Co-Syndication Agents, dated as of December 23, 2011(1)
10.7(a)	2000 Stock Incentive Plan as amended and restated May 19, 2004 (incorporated by reference from Exhibit 10.7 of the Company's Second Quarter 2004 Form 10-Q filed with the Commission on August 6, 2004)(2)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.7(b)	Amendment to the ON Semiconductor Corporation 2000 Stock Incentive Plan, dated May 16, 2007 (incorporated by reference from Exhibit 10.2 to the Company's Second Quarter Form 10-Q filed with the Commission on August 1, 2007)(2)
10.7(c)	ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (incorporated by reference from Exhibit 4.1 to the Company's registration statement on Form S-8 No. 333-166958 filed with the Commission on May 19, 2010)(2)
10.7(d)	2000 Stock Incentive Plan - non-qualified stock option agreement (incorporated by reference from Exhibit 10.35(d) to Amendment No. 1 to Registration Statement No. 333-30670 filed with the Commission on March 24, 2000)(2)
10.7(e)	Non-qualified Stock Option Agreement for Senior Vice Presidents and Above (form of agreement) (incorporated by reference from Exhibit 10.5 to the Current Report on Form 8-K filed with the Commission on February 16, 2005)(2)
10.7(f)	Non-qualified Stock Option Agreement for Directors (form of standard agreement) (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 16, 2005)(2)
10.7(g)	Non-qualified Stock Option Agreement for Directors (J. Daniel McCranie) dated as of February 10, 2005 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 16, 2005)(2)
10.7(h)	Restricted Stock Units Award Agreement under the ON Semiconductor 2000 Stock Incentive Plan (Form of Agreement for Certain Officers) (incorporated by reference from Exhibit 10.1 to the Company's Second Quarter 2006 Form 10-Q filed with the Commission on July 28, 2006)(2)
10.7(i)	Performance Based Restricted Stock Units Award Agreement under the ON Semiconductor 2000 Stock Incentive Plan (Form of Performance Based Award for Certain Officers) (incorporated by reference from Exhibit 10.3 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.7(j)	Form of Restricted Stock Units Award Agreement (For Certain U.S. Officers with Change of Control) between ON Semiconductor Corporation and a Participant in the ON Semiconductor 2000 Stock Incentive Plan, as amended, (incorporated by reference from Exhibit 10.1 to the Company's Third Quarter 2007 Form 10-Q filed with the Commission on October 31, 2007)(2) Stock Incentive Plan, as amended, (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 1, 2007)(2)
10.7(k)	Restricted Stock Award Agreement under the ON Semiconductor 2000 Stock Incentive Plan (Form of Agreement for Non-employee Directors) (incorporated by reference to Exhibit 10.11 to the Company's First Quarter 2008 Form 10-Q filed with the Commission on May 7, 2008)(2)
10.7(l)	Performance Based Restricted Stock Units Award Agreement under the ON Semiconductor 2000 Stock Incentive Plan (Form of Performance Based Award for Certain Officers (for Donald Colvin)) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 19, 2008)(2)
10.7(m)	Performance Based Restricted Stock Units Award Agreement under the ON Semiconductor 2000 Stock Incentive Plan (Form of Performance Based Award for Certain Officers (for Robert Mahoney and John Nelson)) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 19, 2008)(2)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.7(n)	Performance Based Restricted Stock Units Award Agreement under the ON Semiconductor 2000 Stock Incentive Plan (Form of Performance Based Award for Certain Officers) (incorporated by reference from Exhibit 10.1 to the Company's First Quarter 2010 Form 10-Q filed with the Commission on May 6, 2010)(2)
10.7(o)	Non-qualified Stock Option Agreement for Directors for the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (form of standard agreement) (incorporated by reference from Exhibit 10.2 to the Company's Second Quarter 2010 Form 10-Q filed with the Commission on August 5, 2010)(2)
10.7(p)	Non-qualified Stock Option Agreement for Senior Vice Presidents and Above for the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (form of standard agreement) (incorporated by reference from Exhibit 10.3 to the Company's Second Quarter 2010 Form 10-Q filed with the Commission on August 5, 2010)(2)
10.7(q)	Restricted Stock Units Award Agreement for Senior Vice Presidents and Above for the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (form of standard agreement) (incorporated by reference from Exhibit 10.4 to the Company's Second Quarter 2010 Form 10-Q filed with the Commission on August 5, 2010)(2)
10.7(r)	Stock Grant Award Agreement for Directors under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (form of standard Stock Grant Award for Non-employee Directors) (incorporated by reference from Exhibit 10.1 to the Company's First Quarter 2011 Form 10-Q filed with the Commission on May 6, 2011)(2)
10.7(s)	Performance Based Restricted Stock Units Award Agreement under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (form of Performance Based Award for Senior Vice Presidents and Above) (incorporated by reference from Exhibit 10.1 to the Company's First Quarter 2011 Form 10-Q filed with the Commission on May 6, 2011)(2)
10.7(t)	Performance Based Restricted Stock Units Award Agreement for William M. Hall under the ON Semiconductor Corporation 2000 Stock Incentive Plan granted effective March 3, 2008 (incorporated by reference from Exhibit 10.1 to the Company's First Quarter 2011 Form 10-Q filed with the Commission on May 6, 2011)(2)
10.7(u)	Performance Based Restricted Stock Units Award Agreement for William Schromm under the ON Semiconductor Corporation 2000 Stock Incentive Plan granted effective March 3, 2008 (incorporated by reference from Exhibit 10.1 to the Company's First Quarter 2011 Form 10-Q filed with the Commission on May 6, 2011)(2)
10.8	ON Semiconductor Corporation 2000 Employee Stock Purchase Plan, as amended and restated as of May 20, 2009 (incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-8 (No. 333-159381) filed with the Commission on May 21, 2009)(2)
10.9(a)	ON Semiconductor 2002 Executive Incentive Plan (incorporated by reference from Exhibit 10.1 of the Company's Second Quarter 2002 Form 10-Q filed with the Commission on August 9, 2002)(2)
10.9(b)	ON Semiconductor 2007 Executive Incentive Plan (incorporated by reference from Appendix B of Schedule 14A filed with the Commission on April 11, 2006)(2)
10.9(c)	First Amendment to the ON Semiconductor 2007 Executive Incentive Plan (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on August 22, 2007)(2)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.10(a)	Employee Incentive Plan January 2002 (incorporated by reference from Exhibit 10.2 of the Company's Second Quarter 2002 Form 10-Q filed with the Commission on August 9, 2002)(2)
10.10(b)	First Amendment to the ON Semiconductor 2002 Employee Incentive Plan (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on August 22, 2007)(2)
10.11(a)	Employment Agreement, dated as of November 10, 2002, between ON Semiconductor Corporation and Keith Jackson (incorporated by reference from Exhibit 10.50(a) to the Company's Annual Report on Form 10-K filed with the Commission on March 25, 2003)(2)
10.11(b)	Letter Agreement dated as of November 19, 2002, between ON Semiconductor Corporation and Keith Jackson (incorporated by reference from Exhibit 10.50(b) to the Company's Form 10-K filed with the Commission on March 25, 2003)(2)
10.11(c)	Amendment No. 2 to Employment Agreement between ON Semiconductor Corporation and Keith Jackson dated as of March 21, 2003 (incorporated by reference from Exhibit 10.18(c) to the Company's Annual Report on Form 10-K filed with the Commission on February 22, 2006)(2)
10.11(d)	Amendment No. 3 to Employment Agreement between ON Semiconductor Corporation and Keith Jackson dated as of May 19, 2005 (incorporated by reference from Exhibit 10.1 in the Company's Second Quarter 2005 Form 10-Q filed with the Commission on August 3, 2005)(2)
10.11(e)	Amendment No. 4 to Employment Agreement between ON Semiconductor Corporation and Keith Jackson dated as of February 14, 2006 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 17, 2006)(2)
10.11(f)	Amendment No. 5 to Employment Agreement between ON Semiconductor Corporation and Keith Jackson executed on September 1, 2006 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 8, 2006)(2)
10.11(g)	Amendment No. 6 to Employment Agreement with Keith Jackson executed on April 23, 2008 (incorporated by reference from Exhibit 10.3 to the Company's Second Quarter 2008 Form 10-Q filed with the Commission on August 6, 2008)(2)
10.11(h)	Amendment No. 7 to Employment Agreement with Keith Jackson executed on April 30, 2009 (incorporated by reference from Exhibit 10.4 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.11(i)	Amendment No. 8 to Employment Agreement with Keith Jackson executed on March 24, 2010 (incorporated by reference from Exhibit 10.2 to the Corporation's First Quarter 2010 Form 10- Q filed with the Commission on May 5, 2010)(2)
10.12(a)	Employment Agreement, effective May 26, 2005, between Semiconductor Components Industries, LLC and Donald Colvin (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 27, 2005)(2)
10.12(b)	Amendment No. 1 to Employment Agreement with Donald Colvin executed on April 23, 2008(incorporated by reference from Exhibit 10.4 to the Company's Second Quarter 2008 Form 10-Q filed with the Commission on August 6, 2008)(2)
10.12(c)	Amendment No. 2 to Employment Agreement with Donald Colvin executed on April 30, 2009 (incorporated by reference from Exhibit 10.5 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.12(d)	Amendment No. 3 to Employment Agreement with Donald Colvin executed on March 24, 2010 (incorporated by reference from Exhibit 10.3 to the Corporation's First Quarter 2010 Form 10- Q filed with the Commission on May 5, 2010)(2)
10.13(a)	Employment Agreement, effective May 26, 2005, between Semiconductor Components Industries, LLC and George H. Cave (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 27, 2005)(2)
10.13(b)	Amendment No. 1 to Employment Agreement with George H. Cave executed on April 23, 2008 (incorporated by reference from Exhibit 10.5 to the Company's Second Quarter 2008 Form 10-Q filed with the Commission on August 6, 2008)(2)
10.13(c)	Amendment No. 2 to Employment Agreement with George H. Cave executed on April 30, 2009 (incorporated by reference from Exhibit 10.8 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.13(d)	Amendment No. 3 to Employment Agreement with George H. Cave executed on March 24, 2010 (incorporated by reference from Exhibit 10.6 to the Corporation's First Quarter 2010 Form 10- Q filed with the Commission on May 5, 2010)(2)
10.14(a)	Retention Agreement executed and effective on January 4, 2006, between Semiconductor Components Industries, LLC and Robert Charles Mahoney (incorporated by reference from Exhibit 10.27 to the Company's Annual Report on Form 10-K filed with the Commission on February 23, 2007)(2)
10.14(b)	Employment Agreement, dated as of July 11, 2006, between Semiconductor Components Industries, LLC and Robert Charles Mahoney (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 13, 2006)(2)
10.14(c)	Amendment No. 1 to Employment Agreement with Robert Charles Mahoney executed on April 29, 2008 (incorporated by reference from Exhibit 10.12 to the Company's First Quarter 2008 Form 10-Q filed with the Commission on May 7, 2008)(2)
10.14(d)	Amendment No. 2 to Employment Agreement with Robert Charles Mahoney executed on April 29, 2008 (incorporated by reference from Exhibit 10.6 to the Company's Second Quarter 2008 Form 10- Q filed with the Commission on August 6, 2008)(2)
10.14(e)	Amendment No. 3 to Employment Agreement with Robert Charles Mahoney executed on April 30, 2009 (incorporated by reference from Exhibit 10.7 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.14(f)	Amendment No. 4 to Employment Agreement with Robert Charles Mahoney executed on March 24, 2010 (incorporated by reference from Exhibit 10.5 to the Corporation's First Quarter 2010 Form 10- Q filed with the Commission on May 5, 2010)(2)
10.15(a)	Employment Agreement, dated as of May 1, 2007, between Semiconductor Components Industries, LLC and W. John Nelson (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 4, 2007)(2)
10.15(b)	Amendment No. 1 to Employment Agreement with W. John Nelson executed on April 23, 2008 (incorporated by reference from Exhibit 10.7 to the Company's Second Quarter 2008 Form 10-Q filed with the Commission on August 6, 2008)(2)
10.15(c)	Amendment No. 2 to Employment Agreement with W. John Nelson executed on April 30, 2009 (incorporated by reference from Exhibit 10.6 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.15(d)	Amendment No. 3 to Employment Agreement with W. John Nelson executed on March 24, 2010 (incorporated by reference from Exhibit 10.4 to the Corporation's First Quarter 2010 Form 10-Q filed with the Commission on May 5, 2010)(2)
10.16(a)	Employment Agreement by and between Semiconductor Components Industries, LLC and Bill Hall, dated as of April 23, 2006 (incorporated by reference from Exhibit 10.1 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.16(b)	Amendment No. 1 to Employment Agreement by and between Semiconductor Components Industries, LLC and William M. Hall, dated as of April 23, 2008 (incorporated by reference from Exhibit 10.2 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.17(a)	Employment Agreement by and between Semiconductor Components Industries, LLC and William Schromm, dated as of October 20, 2006(1)(2)
10.17(b)	Amendment No. 1 to Employment Agreement by and between Semiconductor Components Industries, LLC and William Schromm, executed on April 29, 2008(1)(2)
10.18(a)	Amended and Restated AMIS Holdings, Inc. 2000 Equity Incentive Plan (incorporated by reference to Exhibit 10 to AMIS Holdings, Inc. Third Quarter Form 10-Q filed with the Commission on November 12, 2003)(2)
10.18(b)	Form of 2000 Equity Incentive Plan Stock Option Agreement (Nonstatutory Stock Option Agreement) (incorporated by reference to Exhibit 10.1 to AMIS Holdings, Inc. Current Report on Form 8-K filed with the Commission on February 7, 2005)(2)
10.18(c)	Form of U.S. Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 to AMIS Holdings, Inc. Third Quarter Form 10-Q filed with the Commission on November 9, 2006)(2)
14.1	ON Semiconductor Corporation Code of Business Conduct effective as of January 25, 2012 (incorporated by reference from Exhibit 14 to the Company's Current Report on Form 8-K filed with the Commission on January 26, 2012)
21.1	List of Significant Subsidiaries(1)
23.1	Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP(1)
24.1	Powers of Attorney(1)
31.1	Certification by CEO pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)
31.2	Certification by CFO pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the 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(3)
101.INS	XBRL Instance Document(4)
101.SCH	XBRL Taxonomy Extension Schema Document(4)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document(4)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document(4)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
101.LAB	XBRL Taxonomy Extension Label Linkbase Document(4)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document(4)

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

(1) Filed herewith.

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

(3) Furnished herewith.

(4) In accordance with Rule 406T of Regulation S-T, the XBRL related information shall not be deemed to be “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 15(a) (1) present fairly, in all material respects, the financial position of ON Semiconductor Corporation (the “Company”) and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a) (2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company’s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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As described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A, management has excluded the SANYO Semiconductor business from its assessment of Internal Control over Financial Reporting as of December 31, 2011 because the SANYO Semiconductor business was acquired by the Company in a purchase business combination during 2011. We have also excluded the SANYO Semiconductor business from our audit of Internal Control over Financial Reporting. SANYO Semiconductor, a wholly-owned subsidiary, had total assets and total revenues representing approximately 22.1% and 30.6%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2011.

/s/ PricewaterhouseCoopers LLP

Phoenix, Arizona
February 22, 2012

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

	December 31, 2011	December 31, 2010
Assets		
Cash and cash equivalents	\$ 652.9	\$ 623.3
Short-term investments	248.6	—
Receivables, net	457.2	294.6
Inventories	637.4	360.8
Other current assets	121.6	63.6
Deferred income taxes, net of allowances	10.0	15.7
Total current assets	<u>2,127.7</u>	<u>1,358.0</u>
Restricted cash	—	142.1
Property, plant and equipment, net	1,109.5	864.3
Deferred income taxes, net of allowances	34.2	—
Goodwill	198.7	191.2
Intangible assets, net	337.2	303.0
Other assets	76.2	60.6
Total assets	<u>\$ 3,883.5</u>	<u>\$ 2,919.2</u>
Liabilities, Minority Interests and Stockholders' Equity		
Accounts payable	\$ 451.8	\$ 256.9
Accrued expenses	239.8	162.6
Income taxes payable	7.5	5.1
Accrued interest	0.7	0.8
Deferred income on sales to distributors	172.0	149.5
Deferred income taxes, net of allowances	33.6	—
Current portion of long-term debt (See Note 8)	370.1	136.0
Total current liabilities	<u>1,275.5</u>	<u>710.9</u>
Long-term debt (See Note 8)	836.9	752.8
Other long-term liabilities	260.1	49.3
Deferred income taxes, net of allowances	17.5	18.2
Total liabilities	<u>2,390.0</u>	<u>1,531.2</u>
Commitments and contingencies (See Note 15)		
ON Semiconductor Corporation stockholders' equity:		
Common stock (\$0.01 par value, 750,000,000 shares authorized, 502,452,084 and 485,904,100 shares issued, 451,284,220 and 436,774,177 shares outstanding, respectively)	5.0	4.9
Additional paid-in capital	3,113.5	3,016.1
Accumulated other comprehensive loss	(46.7)	(59.1)
Accumulated deficit	(1,202.3)	(1,213.9)
Less: treasury stock, at cost; 51,167,864 and 49,129,923 shares, respectively	(401.3)	(382.0)
Total ON Semiconductor Corporation stockholders' equity	<u>1,468.2</u>	<u>1,366.0</u>
Minority interests in consolidated subsidiaries	25.3	22.0
Total equity	<u>1,493.5</u>	<u>1,388.0</u>
Total liabilities and equity	<u>\$ 3,883.5</u>	<u>\$ 2,919.2</u>

See accompanying notes to consolidated financial statements

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

	Year ended December 31,		
	2011	2010	2009
Revenues	\$3,442.3	\$2,313.4	\$1,768.9
Cost of product revenues	2,433.5	1,357.4	1,148.2
Gross profit	1,008.8	956.0	620.7
Operating expenses:			
Research and development	362.5	248.0	198.8
Selling and marketing	195.1	145.6	120.9
General and administrative	192.4	129.9	104.5
Amortization of acquisition-related intangible assets	42.7	31.7	29.0
Restructuring, asset impairments and other, net	102.7	10.5	24.9
Goodwill and intangible asset impairment	—	16.1	—
Total operating expenses	<u>895.4</u>	<u>581.8</u>	<u>478.1</u>
Operating income	113.4	374.2	142.6
Other income (expenses), net:			
Interest expense	(68.9)	(61.4)	(64.6)
Interest income	1.1	0.5	0.8
Other	(8.9)	(6.9)	(4.7)
Loss on debt repurchase and exchange	(23.2)	(0.7)	(3.1)
Gain on SANYO Semiconductor acquisition	24.3	—	—
Other income (expenses), net	<u>(75.6)</u>	<u>(68.5)</u>	<u>(71.6)</u>
Income before income taxes	37.8	305.7	71.0
Income tax provision	(22.9)	(12.8)	(7.7)
Net income	14.9	292.9	63.3
Less: Net income attributable to minority interests	(3.3)	(2.4)	(2.3)
Net income attributable to ON Semiconductor Corporation	<u>\$ 11.6</u>	<u>\$ 290.5</u>	<u>\$ 61.0</u>
Net income per common share attributable to ON Semiconductor Corporation:			
Basic	<u>\$ 0.03</u>	<u>\$ 0.67</u>	<u>\$ 0.14</u>
Diluted	<u>\$ 0.03</u>	<u>\$ 0.65</u>	<u>\$ 0.14</u>
Weighted average common shares outstanding:			
Basic	<u>446.7</u>	<u>431.0</u>	<u>420.8</u>
Diluted	<u>457.2</u>	<u>444.4</u>	<u>432.1</u>

See accompanying notes to consolidated financial statements

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

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock		Minority Interests in Consolidated Subsidiaries	Total Equity
	Number of Shares	At Par Value				Number of Shares	At Cost		
Balance at December 31, 2008	457,542,365	\$ 4.6	\$ 2,810.7	\$ (53.6)	\$ (1,565.4)	(45,867,076)	\$(358.1)	\$ 17.3	\$ 855.5
Net income	—	—	—	—	61.0	—	—	2.3	63.3
Foreign currency translation adjustments	—	—	—	(11.5)	—	—	—	—	(11.5)
Amortization of prior year service costs	—	—	—	0.2	—	—	—	—	0.2
Comprehensive income									52.0
Issuance of common stock, for repurchase of debt	7,367,580	0.1	28.5	—	—	—	—	—	28.6
Stock options exercised	3,956,366	—	17.5	—	—	—	—	—	17.5
Shares issued under the employee stock purchase plan	1,185,645	—	5.4	—	—	—	—	—	5.4
Restricted stock units issued	4,322,800	—	—	—	—	—	—	—	—
Repurchase of treasury stock	—	—	—	—	—	(1,259,359)	(8.6)	—	(8.6)
Stock based compensation expense	—	—	54.2	—	—	—	—	—	54.2
Warrant exercise	52,950	—	0.3	—	—	(47,171)	(0.3)	—	—
Balance at December 31, 2009	474,427,706	4.7	2,916.6	(64.9)	(1,504.4)	(47,173,606)	(367.0)	19.6	1,004.6
Net income	—	—	—	—	290.5	—	—	2.4	292.9
Foreign currency translation adjustments	—	—	—	5.7	—	—	—	—	5.7
Amortization of prior year service costs	—	—	—	0.1	—	—	—	—	0.1
Comprehensive income									298.7
Issuance of common stock, for repurchase of debt	1,020	—	—	—	—	—	—	—	—
Stock option exercises	4,054,373	0.2	23.1	—	—	—	—	—	23.3
Shares issued under the employee stock purchase plan	1,193,234	—	7.0	—	—	—	—	—	7.0
Restricted stock units issued	6,227,767	—	—	—	—	—	—	—	—
Repurchase of treasury stock	—	—	—	—	—	(1,956,317)	(15.0)	—	(15.0)
Stock based compensation expense	—	—	52.5	—	—	—	—	—	52.5
Extension of Zero Coupon Convertible Notes	—	—	13.3	—	—	—	—	—	13.3
Consideration for unvested stock options in connection with acquisition of California Micro Devices Corporation	—	—	3.6	—	—	—	—	—	3.6
Balance at December 31, 2010	485,904,100	4.9	3,016.1	(59.1)	(1,213.9)	(49,129,923)	(382.0)	22.0	1,388.0
Net income	—	—	—	—	11.6	—	—	3.3	14.9
Foreign currency translation adjustments	—	—	—	12.3	—	—	—	—	12.3
Amortization of prior year service costs	—	—	—	0.1	—	—	—	—	0.1
Comprehensive income									27.3
Stock option exercises	8,734,690	0.1	59.3	—	—	—	—	—	59.4
Shares issued under the employee stock purchase plan	1,152,778	—	8.1	—	—	—	—	—	8.1
Restricted stock units and stock grant awards issued	6,660,516	—	—	—	—	—	—	—	—
Repurchase of treasury stock	—	—	—	—	—	(2,037,941)	(19.3)	—	(19.3)
Stock based compensation expense	—	—	33.5	—	—	—	—	—	33.5
2.625% Coupon Convertible Notes repurchase and exchange	—	—	(25.8)	—	—	—	—	—	(25.8)
2.625% Coupon Convertible Notes, Series B Notes issued	—	—	22.3	—	—	—	—	—	22.3
Balance at December 31, 2011	<u>502,452,084</u>	<u>\$ 5.0</u>	<u>\$ 3,113.5</u>	<u>\$ (46.7)</u>	<u>\$ (1,202.3)</u>	<u>(51,167,864)</u>	<u>\$(401.3)</u>	<u>\$ 25.3</u>	<u>\$1,493.5</u>

See accompanying notes to consolidated financial statements.

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

	Year ended December 31,		
	2011	2010	2009
Cash flows from operating activities:			
Net income	\$ 14.9	\$ 292.9	\$ 63.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	229.4	166.9	155.6
Gain on sale and disposal of fixed assets	(8.7)	(6.9)	(3.9)
Non-cash manufacturing expenses associated with favorable supply agreement	80.4	—	—
Loss on debt repurchase and exchange	23.2	0.7	3.1
Gain on acquisition of SANYO Semiconductor	(24.3)	—	—
Amortization of debt issuance costs and debt discount	2.3	2.5	3.1
Provision for excess inventories	49.1	10.0	20.4
Non-cash stock compensation expense	33.5	52.5	54.2
Non-cash interest	34.9	33.7	34.9
Non-cash asset impairment charges	86.3	3.9	6.3
Non-cash goodwill and intangible asset impairment charges	—	16.1	—
Recovery from insurance proceeds on property, plant and equipment	(13.3)	—	—
Non-cash portion of insurance gain	(23.9)	—	—
Deferred income taxes	(4.2)	2.6	0.7
Other	0.7	(1.8)	0.7
Changes in assets and liabilities (exclusive of the impact of acquisitions):			
Receivables	89.1	(22.9)	(71.5)
Inventories	102.1	(84.0)	44.8
Other assets	(15.2)	(17.1)	(18.5)
Accounts payable	(109.7)	26.8	9.8
Accrued expenses	(37.4)	23.0	(6.3)
Income taxes payable	2.4	—	0.6
Accrued interest	(0.1)	(0.1)	(0.4)
Deferred income on sales to distributors	22.5	50.7	(15.4)
Other long-term liabilities	11.5	2.3	(2.2)
Net cash provided by operating activities	<u>545.5</u>	<u>551.8</u>	<u>279.3</u>
Cash flows from investing activities:			
Purchases of property, plant and equipment	(316.4)	(188.9)	(55.3)
Purchase of businesses, net of cash acquired	(17.9)	(91.0)	(16.7)
Recovery from insurance on property, plant and equipment	13.3	—	—
Deposits utilized for purchases of property, plant and equipment	0.5	(2.2)	0.3
Proceeds from sales of property, plant and equipment	3.3	37.1	(3.2)
Proceeds from held-to-maturity securities	122.2	45.5	52.4
Purchase of held-to-maturity securities	(370.8)	—	(97.9)
Change in restricted cash	142.1	(136.2)	(5.9)
Net cash used in investing activities	<u>(423.7)</u>	<u>(335.7)</u>	<u>(126.3)</u>
Cash flows from financing activities:			
Proceeds from issuance of common stock under the employee stock purchase plan	8.1	7.0	5.5
Proceeds from debt issuance	69.0	152.0	79.5
Proceeds from exercise of stock options	59.4	23.3	17.5
Payment of capital lease obligation	(39.0)	(32.3)	(29.5)
Purchase of treasury stock	(19.3)	(15.0)	(8.6)
Payments made in connection with exchange of 2.625% convertible senior subordinated notes due 2026	(15.9)	—	—
Repurchase of 2.625% convertible senior subordinated notes due 2026	(56.2)	—	—
Repayment of long-term debt	(103.3)	(254.4)	(150.6)
Net cash used in financing activities	<u>(97.2)</u>	<u>(119.4)</u>	<u>(86.2)</u>
Effect of exchange rate changes on cash and cash equivalents	5.0	0.9	0.2
Net increase in cash and cash equivalents	29.6	97.6	67.0
Cash and cash equivalents, beginning of period	623.3	525.7	458.7
Cash and cash equivalents, end of period	<u>\$ 652.9</u>	<u>\$ 623.3</u>	<u>\$ 525.7</u>

See accompanying notes to consolidated financial statements

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Background and Basis of Presentation

ON Semiconductor Corporation (“ON Semiconductor”), together with its wholly and majority-owned subsidiaries (the “Company”), is a premier supplier of high performance, silicon solutions for energy efficient electronics. The Company’s broad portfolio of power and signal management, logic, discrete and custom devices helps customers efficiently solve their design challenges in automotive, communications, computing, consumer, industrial, LED lighting, medical, military/aerospace and power applications.

Note 2: Significant Accounting Policies**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company, including its wholly-owned and majority-owned subsidiaries. Investments in companies that represent less than 20% of the related voting stock where the Company does not have the ability to exert significant influence are accounted for on a cost basis. All material intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates have been used by management in conjunction with the (1) measurement of valuation allowances relating to trade and tax receivables, inventories and deferred tax assets; (2) estimates of future payouts for customer incentives, warranties, and restructuring activities; (3) assumptions surrounding future pension obligations and related trust returns; (4) the fair values of stock options and financial instruments (including derivative financial instruments); and (5) future cash flows associated with long-lived assets and goodwill impairment charges. Actual results could differ from these estimates.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity to the Company of three months or less to be cash equivalents. Cash and cash equivalents are maintained with reputable major financial institutions. If, due to current economic conditions, one or more of the financial institutions with which the Company maintains deposits fails, the Company’s cash and cash equivalents may be at risk. Deposits with these banks may exceed the amount of insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and, therefore, bear minimal risk.

Short-Term Investments

Short-term investments have an original maturity to the Company between three months and one year, and are classified as held-to-maturity. Held-to-maturity securities are carried at amortized cost as it is the intent of the Company to hold these securities until maturity. Short-term investments classified as held-to-maturity as of December 31, 2011 were as follows (in millions):

	Balance at December 31, 2011		
	Carried at Amortized Cost	Unrealized Gain/(Loss)	Fair Value
Short-term investments-held-to-maturity:			
Commercial paper	\$ 101.0	\$ (0.1)	\$ 100.9
Corporate bonds	128.6	(0.1)	128.5
Government agencies	19.0	—	19.0
	<u>\$ 248.6</u>	<u>\$ (0.2)</u>	<u>\$ 248.4</u>

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

Restricted Cash

In December 2010, the Company funded the escrow for the closing of the acquisition of SANYO Semiconductor Co., Ltd., a Japanese corporation (“SANYO Semiconductor”) and subsidiary of SANYO Electric Co. Ltd., a Japanese corporation (“SANYO Electric”) and other assets related to SANYO Electric’s semiconductor business (the “SANYO Transaction”) in the amount of \$142.1 million. The \$142.1 million was classified as restricted cash at December 31, 2010 and was paid to SANYO Electric on January 1, 2011.

Allowance for Doubtful Accounts

In the normal course of business, the Company provides unsecured credit terms to its customers. Accordingly, the Company maintains an allowance for doubtful accounts for possible losses on uncollectible accounts receivable. The Company routinely analyzes accounts receivable and considers history, customer creditworthiness, facts and circumstances specific to outstanding balances, current economic trends, and payment term changes when evaluating adequacy of the allowance for doubtful accounts. For uncollectible accounts receivable, the Company records a loss against the allowance for doubtful accounts only after exhaustive efforts have been made to collect and with management’s approval. Generally, realized losses have been within the range of management’s expectations.

Inventories

Inventories are stated at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or market. The Company records provisions for slow moving inventories based upon a regular analysis of inventory on hand compared to historical and projected end user demand. These provisions can influence results from operations. For example, when demand for a given part falls, all or a portion of the related inventory is reserved, impacting cost of revenues and gross profit. If demand recovers and the parts previously reserved are sold, a higher than normal margin will generally be recognized. However, the majority of product inventory that has been previously reserved is ultimately discarded. Although the Company does sell some products that have previously been written down, such sales have historically been relatively consistent on a quarterly basis and the related impact on the Company’s margins has not been material. Additionally, general market conditions, as well as the Company’s design activities, can cause certain of its products to become obsolete.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated over estimated useful lives of 30-50 years for buildings and 3-20 years for machinery and equipment using accelerated and straight-line methods. Expenditures for maintenance and repairs are charged to operations in the year in which the expense is incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations in the period realized.

The Company evaluates the recoverability of the carrying amount of its property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment charge is recognized when the undiscounted expected cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in operating results. Judgment is used when applying these impairment rules to determine the timing of the impairment test, the undiscounted cash flows used to assess impairments and the fair value of an impaired asset. The dynamic economic environment in which the Company operates and the resulting assumptions used to estimate future cash flows impact the outcome of these impairment tests.

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

Business Combination Purchase Price Allocation

The allocation of the purchase price of business combinations is based on management estimates and assumptions, and other information compiled by management, which utilizes established valuation techniques appropriate for the high-technology industry. These techniques include the income approach, cost approach or market approach, depending upon which approach is the most appropriate based on the nature and reliability of available data. The income approach is predicated upon the value of the future cash flows that an asset is expected to generate over its economic life. The cost approach takes into account the cost to replace (or reproduce) the asset and the effects on the asset's value of physical, functional and/or economic obsolescence that has occurred with respect to the asset. The market approach is used to estimate value from an analysis of actual transactions or offerings for economically comparable assets available as of the valuation date.

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in the Company's acquisitions (see Note 3: "Goodwill and Intangible Assets" and Note 4: "Acquisitions" for further discussion).

Goodwill is evaluated for potential impairment on an annual basis or whenever events or circumstances indicate that impairment may have occurred, using a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the estimated fair value of the reporting unit containing goodwill with the related carrying amount. If the estimated fair value of the reporting unit exceeds its carrying amount, the reporting unit's goodwill is not considered to be impaired and the second step of the impairment test is unnecessary. If the reporting unit's carrying amount exceeds its estimated fair value, the second step of the test must be performed to measure the amount of the goodwill impairment loss, if any. The second step of the test compares the implied fair value of the reporting unit's goodwill, determined in the same manner as the amount of goodwill recognized in a business combination, with the carrying amount of such goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The Company performs its annual impairment analysis as of the first day of the fourth quarter of each year. Adverse changes in operating results and/or unfavorable changes in economic factors used to estimate fair values could result in a non-cash impairment charge in the future.

The Company has determined that its product families, which are components of its operating segments, constitute reporting units for purposes of allocating and testing goodwill. As of each acquisition date, all goodwill was assigned to the product families that were expected to benefit from the synergies of the respective acquisition. The amount of goodwill assigned to each reporting unit was the difference between the fair value of the reporting unit and the fair value of identifiable assets and liabilities allocated to the reporting unit as of the acquisition date. The Company determined the fair value of a reporting unit using the income approach, which is based on the present value of estimated future cash flows using management's assumptions and forecasts as of the acquisition date.

Intangible Assets

The Company's acquisitions resulted in intangible assets consisting of values assigned to intellectual property, assembled workforce, customer relationships, non-compete agreements, patents, developed technology, trademarks, acquired software and in-process research and development ("IPRD"). These are stated at cost less accumulated amortization, are amortized over their economic useful lives ranging from less than 1 year to 18 years, using the straight-line method, and are reviewed for impairment when facts or circumstances suggest that the carrying value of these assets may not be recoverable. See Note 3: "Goodwill and Intangible Assets" for further discussion.

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Debt Issuance Costs

Debt issuance costs are capitalized and amortized over the term of the underlying agreements using the effective interest method. Upon prepayment of debt, the related unamortized debt issuance costs are charged to expense (see Note 8: “Long-Term Debt — Loss on Debt Repurchase”). Amortization of debt issuance costs is included in interest expense while the unamortized balance is included in other assets. Capitalized debt issuance costs totaled \$6.2 million and \$7.0 million at December 31, 2011 and 2010, respectively.

Revenue Recognition

The Company generates revenue from sales of its semiconductor products to original equipment manufacturers (“OEMs”), electronic manufacturing service providers and distributors. The Company also generates revenue, although to a much lesser extent, from manufacturing services provided to customers. The Company recognizes revenue on sales to OEMs and electronic manufacturing service providers and sales of manufacturing services, net of provisions for related sales returns and allowances, when persuasive evidence of an arrangement exists, title and risk of loss pass to the customer (which is generally upon shipment), the price is fixed or determinable and collectability is reasonably assured. Title to products sold to distributors typically passes at the time of shipment by the Company, so the Company records accounts receivable for the amount of the transaction, reduces its inventory for the products shipped and defers the related margin in its consolidated balance sheet. The Company recognizes the related revenue and cost of revenues when it is informed by the distributor that it has resold the products to the end user. As a result of the Company’s inability to reliably estimate up front the effects of the returns and allowances with these distributors, the Company defers the related revenue and margin on sales to these distributors. For distributors that are not entitled to returns and allowances, the Company recognizes revenue when title passes. Although payment terms vary, most distributor agreements require payment within 30 days.

Taxes assessed by government authorities on revenue-producing transactions, including value added and excise taxes, are presented on a net basis (excluded from revenues) in the statement of operations.

Sales returns and allowances are estimated based on historical experience. The Company’s OEM customers do not have the right to return products, other than pursuant to the provisions of the Company’s standard warranty. Sales to distributors, however, are typically made pursuant to agreements that provide return rights with respect to discontinued or slow-moving products. Under the Company’s general agreements, distributors are allowed to return any product that has been removed from the price book. In addition, agreements with distributors typically contain standard stock rotation provisions permitting limited levels of product returns. However, since the Company defers recognition of revenue and gross profit on sales to distributors until the distributor resells the product, due to the inability to reliably estimate up front the effect of the returns and allowances with these distributors, sales returns and allowances have minimal impact on the results of operations. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related revenues are recognized, and are netted against revenues. Given that revenues consist of a high volume of relatively similar products, actual returns and allowances and warranty claims have not traditionally fluctuated significantly from period to period, and returns and allowances and warranty provisions have historically been reasonably accurate.

The Company generally warrants that products sold to its customers will, at the time of shipment, be free from defects in workmanship and materials and conform to approved specifications. The Company’s standard warranty extends for a period that is the greater of (i) three years from the date of shipment or (ii) the period of time specified in the customer’s standard warranty (provided that the customer’s standard warranty is stated in writing and extended to purchasers at no additional charge). At the time revenue is recognized, the Company

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
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establishes an accrual for estimated warranty expenses associated with its sales, recorded as a component of cost of revenues. In addition, the Company also offers cash discounts to customers for payments received within an agreed upon time, generally 10 days after shipment. The Company accrues reserves for cash discounts as a reduction to accounts receivable and a reduction to revenues, based on experience with each customer.

Freight and handling costs are included in cost of revenues and are recognized as period expense during the period in which they are incurred.

Research and Development Costs

Research and development costs are expensed as incurred.

Share-Based Compensation

Share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. As of December 31, 2011, the Company had no unvested awards with market conditions, although it did have outstanding awards with performance, time and service based vesting provisions. See Note 11: "Share-Based Compensation" for further discussion.

Income Taxes

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

In determining the amount of the valuation allowance, estimated future taxable incomes, as well as feasible tax planning strategies in each taxing jurisdiction are considered. If all or a portion of the remaining deferred tax assets will not be realized, the valuation allowance will be increased with a charge to income tax expense. Conversely, if the Company will ultimately be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be released to income as a credit to income tax expense.

The calculation of tax liabilities involves dealing with uncertainties in the application of complex global tax regulations. The Company recognizes potential liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on its estimate of whether, and the extent to which, additional taxes will be due. If payment of these liabilities ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities are no longer necessary. Additionally, the Company reviews the collectability of its tax receivables due from various jurisdictions and when recovery is uncertain, the Company reserves amounts deemed to be uncollectable. If the receipts of these amounts occur or are assured, the reversal of the reserves previously established would result in a tax benefit in the period.

The Company (both directly and through its subsidiaries) files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2005.

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Foreign Currencies

Most of the Company's foreign subsidiaries conduct business primarily in U.S. dollars and as a result, utilize the dollar as their functional currency. For the translation of financial statements of these subsidiaries, assets and liabilities in foreign currencies that are receivable or payable in cash are translated at current exchange rates, while inventories and other non-monetary assets in foreign currencies are translated at historical rates. Gains and losses resulting from the translation of such financial statements are included in the operating results, as are gains and losses incurred on foreign currency transactions.

The Company's Japanese subsidiaries utilize Japanese Yen as their functional currency. The assets and liabilities of these subsidiaries are translated at current exchange rates, while revenues and expenses are translated at the average rates in effect for the period. The related translation gains and losses are included in accumulated other comprehensive gain or loss within stockholders' equity.

Defined Benefit Plans

The Company maintains pension plans, covering certain of its foreign employees. For financial reporting purposes, net periodic pension costs are calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations, assumed rate of return on pension plan assets and assumed rate of compensation increases for plan employees. All of these assumptions are based upon management's judgment and consultation with an actuary, considering all known trends and uncertainties. See Note 12: "Employee Benefit Plans" for further discussion.

Multi-Employer Benefit Plans

The Company participates in several multi-employer defined pension plans. The Company intends to withdraw from certain of these plans. The estimated withdrawal liabilities are accounted for as net underfunded liabilities and estimated using actuarial assumptions similar to those used to estimate liabilities associated with the defined benefit pension plans. For the multi-employer plans from which the Company does not intend to withdraw, expenses are recognized as the contributions to the plans become due. See Note 12: "Employee Benefit Plans" for further discussion.

Contingencies

The Company is involved in a variety of legal matters that arise in the normal course of business. Based on information available, management evaluates the relevant range and likelihood of potential outcomes and records the appropriate liability when the amount is deemed probable and reasonably estimable.

Fair Value Measurement

Fair value is the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities;

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Companies may choose to measure certain financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected must be reported in earnings. The Company elected not to measure such financial instruments at fair value.

Note 3: Goodwill and Intangible Assets

Goodwill

Goodwill is tested for impairment annually on the first day of the fourth quarter. During the first step of the Company's annual impairment analysis in the fourth quarters of 2011 and 2009, the Company determined that the carrying amount of the Company's goodwill for all reporting units was recoverable; however, during the first step of the Company's annual impairment analysis in the fourth quarter of 2010, the Company determined that the carrying value of the Company's goodwill for one of its product families might not have been recoverable. After completing the second step of the Company's 2010 impairment analysis for the one product family, the Company recognized a goodwill impairment charge of \$8.9 million in what is now the Company's automotive, industrial, medical and mil-aero product operating segment. The impairment charge resulted from a decline in the operating results of this one product family.

The Company uses the income approach, based on estimated future cash flows, to perform the goodwill impairment test. These estimates include assumptions about future conditions such as future revenues, gross profits, operating expenses, and industry trends. The Company considers other valuation methods, such as the cost approach or market approach, less desirable than the income approach to perform the goodwill impairment test because there are no stand-alone companies that exclusively sell the products that are similar to those sold by the Company's reporting units. The material assumptions used for the income approach for 2011, 2010 and 2009 were five years of projected net cash flows, a discount rate of 14.0%, 13.0% and 11.2%, respectively, and a long-term growth rate of 3.9%, 3.9% and 3.5%, respectively. The Company considered historical rates and current market conditions when determining the discount and growth rates to use in the Company's analyses.

The following table summarizes the original goodwill by relevant operating segment as of December 31, 2011 and December 31, 2010 (in millions):

	Balance as of December 31, 2011				Balance as of December 31, 2010			
	Original Goodwill	Accumulated Amortization	Accumulated Impairment Losses	Carrying Value	Original Goodwill	Accumulated Amortization	Accumulated Impairment Losses	Carrying Value
<i>Operating Segment:</i>								
Automotive, Industrial, Medical and Mil-Aero	\$ 556.6	\$ (4.2)	\$ (406.0)	\$ 146.4	\$ 549.1	\$ (4.2)	\$ (406.0)	\$ 138.9
Computing & Consumer Products	29.1	(5.6)	—	23.5	29.1	(5.6)	—	23.5
Standard Products	37.7	—	(8.9)	28.8	37.7	—	(8.9)	28.8
	<u>\$ 623.4</u>	<u>\$ (9.8)</u>	<u>\$ (414.9)</u>	<u>\$ 198.7</u>	<u>\$ 615.9</u>	<u>\$ (9.8)</u>	<u>\$ (414.9)</u>	<u>191.2</u>

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The following table summarizes the change in goodwill from December 31, 2010 to December 31, 2011 (in millions):

Net balance as of December 31, 2010	\$ 191.2
Additions due to business combination	7.5
Net balance as of December 31, 2011	\$ 198.7

Intangible Assets

Intangible assets, net were as follows as of December 31, 2011 and December 31, 2010 (in millions):

	December 31, 2011					Useful Life (in Years)
	Original Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Impairment	Carrying Value	
Intellectual property	\$ 13.9	\$ (8.0)	\$ —	\$ —	\$ 5.9	5-12
Assembled workforce	6.7	(6.7)	—	—	—	5
Customer relationships	280.3	(71.9)	(26.5)	(3.2)	178.7	5-18
Patents	43.7	(10.4)	—	—	33.3	12
Developed technology	145.6	(35.5)	—	(2.0)	108.1	5-12
Trademarks	14.0	(3.4)	—	—	10.6	15
In-process research and development	3.1	—	—	(2.5)	0.6	
Backlog	0.8	(0.8)	—	—	—	0.3
Total intangibles	\$ 508.1	\$ (136.7)	\$ (26.5)	\$ (7.7)	\$ 337.2	

	December 31, 2010					Useful Life (in Years)
	Original Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Impairment	Carrying Value	
Intellectual property	\$ 13.9	\$ (7.0)	\$ —	\$ —	\$ 6.9	5-12
Assembled workforce	6.7	(6.1)	—	—	0.6	5
Customer relationships	250.5	(51.2)	(27.2)	(3.2)	168.9	5-18
Patents	16.7	(4.2)	—	—	12.5	12
Developed technology	113.0	(22.5)	—	(2.0)	88.5	5-12
Trademarks	11.0	(1.7)	—	—	9.3	15
In-process research and development	18.3	—	—	(2.0)	16.3	
Total intangibles	\$ 430.1	\$ (92.7)	\$ (27.2)	\$ (7.2)	\$ 303.0	

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Amortization expense for intangible assets amounted to \$43.8 million for the year ended December 31, 2011, of which \$1.1 million was included in cost of revenues; \$34.1 million for the year ended December 31, 2010, of which \$2.4 million was included in cost of revenues; and \$31.3 million for the year ended December 31, 2009, of which \$2.3 million was included in cost of revenues. The Company is currently amortizing thirteen projects totaling \$32.8 million through developed technology relating to projects that were originally classified as IPRD at the time of acquisition, but which have been completed, over a weighted average useful life of 8.6 years. Amortization expense for intangible assets, with the exception of the remaining \$0.6 million of in-process research and development assets that will be amortized once the corresponding projects have been completed, is expected to be as follows over the next five years, and thereafter (in millions):

	<u>Total</u>
2012	\$ 44.3
2013	39.6
2014	38.4
2015	37.3
2016	34.4
Thereafter	142.6
Total estimated amortization expense	<u>\$336.6</u>

Note 4: Acquisitions

Acquisition of SANYO Semiconductor Co., Ltd.

On January 1, 2011, the Company paid SANYO Electric \$142.1 million in cash (using restricted cash as of December 31, 2010) and issued a \$377.5 million note payable to SANYO Electric, through its subsidiary, Semiconductor Components, LLC (“SCI LLC”), and as a result SANYO Semiconductor became a wholly-owned subsidiary of the Company. During 2011, the Company received \$39.7 million in cash from SANYO Electric of which \$19.0 million was considered in the initial purchase accounting estimates relating to funding adjustments for working capital and pension levels, as defined in the purchase agreement, as well as certain adjustments to conform to the Company’s accounting policies. As a result of these adjustments, the purchase price has been reduced from \$500.6 million to \$479.9 million as of December 31, 2011.

SANYO Semiconductor designs, manufactures and sells discrete components, hybrid integrated circuits, radio frequency and power related products as well as custom integrated circuits. Many of these devices fall into the Company’s existing product categories; however, SANYO Semiconductor expands the Company’s capacity in microcontrollers and custom application specific integrated circuits (“ASICs”) for the consumer, automotive and industrial end-markets. SANYO Semiconductor also expands the Company’s presence in the Japan market.

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The following table presents the initial allocation of the purchase price and subsequent adjustments applied on a retrospective basis based on the estimated fair values of the net assets acquired of SANYO Semiconductor (in millions):

	<u>Initial Estimate</u>	<u>Adjustments</u>	<u>Final</u>
Cash and cash equivalents	\$ 117.1	\$ —	\$ 117.1
Receivables, net	242.1	—	242.1
Inventories	423.9	(23.6)	400.3
Deferred income taxes current	0.5	—	0.5
Other current assets	119.2	—	119.2
Property, plant and equipment	148.0	(1.3)	146.7
Deferred income taxes, non-current	60.5	—	60.5
Intangible assets	55.7	—	55.7
Other non-current assets	14.9	—	14.9
Total assets acquired	<u>1,181.9</u>	<u>(24.9)</u>	<u>1,157.0</u>
Accounts payable	(300.0)	—	(300.0)
Deferred income taxes, current	(70.3)	1.5	(68.8)
Other current liabilities	(61.3)	(21.9)	(83.2)
Deferred income taxes, non-current	(0.5)	—	(0.5)
Long-term accrued liabilities	<u>(187.9)</u>	<u>(12.4)</u>	<u>(200.3)</u>
Total liabilities assumed	<u>(620.0)</u>	<u>(32.8)</u>	<u>(652.8)</u>
Net assets acquired	561.9	(57.7)	504.2
Gain on acquisition	(61.3)	37.0	(24.3)
Purchase price	<u>\$ 500.6</u>	<u>\$ (20.7)</u>	<u>\$ 479.9</u>

The acquisition was accounted for as a business purchase pursuant to ASC Topic 805, *Business Combinations*. Under this ASC, acquisition and integration costs are not included as components of consideration transferred, but are accounted for as expenses in the period in which the costs are incurred.

Accounting standards require that when the fair value of the net assets acquired exceeds the purchase price, resulting in a bargain purchase gain, the acquirer must reassess the reasonableness of the values assigned to all of the net assets acquired, liabilities assumed and consideration transferred. The Company has performed such a reassessment and has concluded that the values assigned for the SANYO Semiconductor acquisition are reasonable. In the first quarter ended April 1, 2011, the Company originally reported a gain of \$61.3 million which has been retrospectively adjusted to \$24.3 million as reflected in the table above. The decrease in the gain is the result of the recognition of certain employee related benefit liabilities and certain adjustments to conform to the Company's accounting policies, partially offset by the cash payment from SANYO Electric in the second quarter of 2011. Consequently, the Company has recorded a \$24.3 million bargain purchase gain on the SANYO Semiconductor acquisition. The Company believes the gain realized in purchase accounting was the result of a number of factors, including the following: SANYO Electric wanted to exit its semiconductor operations, historical losses recognized by SANYO Electric, SANYO Electric viewed this as the best outcome for SANYO Semiconductor and the fact that the Company will incur expenses associated with the transfer and consolidation of certain operations.

The \$55.7 million of acquired intangible assets were assigned a weighted-average useful life of approximately 8.8 years. The intangible assets that make up that amount include: patents of \$27.0 million (5.5-year weighted average useful life), \$3.0 million of trademarks (3.0-year weighted average useful life) and

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customer relationships of \$25.7 million (13-year weighted average useful life). Other current assets acquired includes \$80.0 million representing the estimated fair value of a favorable supply arrangement provided by SANYO Electric to the Company in the form of operational cost reduction to the acquired business during the period of time it is effectively required to utilize certain SANYO Electric seconded employees and manufacturing facilities in Japan. This asset has been charged to cost of goods sold over the period of benefit, which was the first 5 months of 2011. The amortization recorded totaled \$80.4 million as a result of foreign currency exchange rate changes over the recognition period.

Included in the final allocation of net assets acquired are long-term liabilities assumed representing approximately \$50.9 million of underfunded pension obligations relating to existing defined benefit pension plans as well as \$144.9 million representing estimated liabilities associated with the Company's estimated portion of underfunded pension obligations relating to certain employees participating in the SANYO Electric or affiliate multiemployer defined benefit pension plan from which the Company intends to withdraw. The Company is in the process of establishing defined benefit pension plans which are intended to provide similar retirement benefits as the SANYO Electric sponsored multiemployer plans and expects to withdraw from the SANYO Electric sponsored multiemployer plans by December 31, 2012.

The estimated allocation of the purchase price is based on management estimates and assumptions, and other information compiled by management, which utilized established valuation techniques appropriate for the high-technology industry. The income approach, cost approach or market approach was used based on the nature of the asset or liability and reliability of the data available.

The following presentation of unaudited pro forma consolidated results of operations for the year ended December 31, 2010 has been prepared as if the acquisition of SANYO Semiconductor had occurred on January 1, 2010 and includes adjustments for depreciation expense, amortization of intangibles and the tax effect of such items (in millions, except per share data):

	Proforma For Year Ended December 31, 2010
Net Revenues	\$ 3,848.2
Net Income	\$ 104.1
Net income per common share — Basic	\$ 0.24
Net income per common share — Diluted	\$ 0.23

Acquisition of the CMOS Image Sensor Business Unit from Cypress Semiconductor

On February 27, 2011, the Company acquired 100% of the CMOS Image Sensor Business Unit (the "ISBU") from Cypress Semiconductor Corporation, for approximately \$34.1 million in cash. The ISBU business includes a broad portfolio of high-performance custom and standard image sensors used in multi-megapixel machine vision, linear and two dimensional (2D) bar code imaging, medical x-ray imaging, biometrics, digital photography and cinematography, and aerospace applications. The acquired products include the VITA, LUPA, STAR and IBIS families, which are all well known throughout the industry.

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The following table presents the allocation of the purchase price of the ISBU to the assets acquired on February 27, 2011 based on their fair values (in millions):

	<u>Initial Estimate</u>	<u>Adjustments</u>	<u>Final</u>
Cash and cash equivalents	\$ 1.5		\$ 1.5
Receivables, net	2.6		2.6
Inventories	9.2		9.2
Other current assets	0.4		0.4
Property, plant and equipment	1.2		1.2
Goodwill	8.0	(0.5)	7.5
Intangible assets	11.2		11.2
In-process research and development	11.2		11.2
Total assets acquired	<u>45.3</u>	<u>(0.5)</u>	<u>44.8</u>
Accounts payable	(5.6)		(5.6)
Other current liabilities	(4.2)	0.5	(3.7)
Other non-current liabilities	(1.4)		(1.4)
Total liabilities assumed	<u>(11.2)</u>	<u>0.5</u>	<u>(10.7)</u>
Net assets acquired	<u>\$ 34.1</u>	<u>\$ —</u>	<u>\$ 34.1</u>

Of the \$22.4 million of acquired intangible assets, \$11.2 million was assigned to IPRD assets that will be amortized over the useful life upon successful completion of the projects or expensed if impaired. The value assigned to IPRD was determined by considering the importance of products under development to the overall development plan, estimating costs to develop the purchased IPRD into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. The fair value of IPRD was determined using the income approach. The income approach recognizes that the current value of an asset or liability is premised on the expected receipt or payment of future economic benefits generated over its remaining life. A discount rate of 17.5% was used in the present value calculations, and was derived from a weighted-average cost of capital analysis, adjusted to reflect the risks inherent in the acquired research and development operations.

The remaining \$11.2 million of acquired intangible assets have a weighted-average useful life of approximately 6.1 years. The intangible assets that make up the amount include: customer relationships of \$4.2 million (6.0-year weighted average useful life), developed technology of \$6.2 million (7.0-year weighted average useful life) and backlog of \$0.8 million (0.3-year weighted average useful life).

Of the total purchase price of approximately \$34.1 million, approximately \$7.5 million has been allocated to goodwill. Among the factors that contributed to goodwill arising from the acquisition were the potential synergies expected to be derived from combining the ISBU business with the Company's existing sensor business. These relationships provided and continue to provide the capability of selling advanced technology of next generation products to the market place. Goodwill will not be amortized but instead tested for impairment at least annually (more frequently if certain indicators are present). The \$7.5 million of goodwill as of December 31, 2011 was assigned to the digital and mixed signal product group, none of which is expected to be deductible for tax purposes.

The allocation of purchase price is based on management estimates and assumptions, and other information compiled by management, which utilized established valuation techniques appropriate for the high-technology

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industry. The valuation technique used was the income approach, cost approach or market approach, as it was determined to be the most appropriate based on the nature of the asset or liability and reliability of the data available.

The Company has determined that pro forma results of operations for the ISBU are not significant for disclosure.

Acquisition of Sound Design Technologies LTD

On June 9, 2010, the Company acquired 100% of Sound Design Technologies Ltd. (“SDT”), for \$22.0 million in cash for all outstanding stock, and recorded a contingent liability of \$1.8 million representing the estimated fair value pursuant to its obligations under an earnout agreement if SDT is able to meet certain revenue objectives in 2010 through 2012. The range of initial potential earn-out payments during the period from 2010 to 2012 is from zero to \$10.0 million. During 2011, it was determined based on performance that the earn out potential was zero. SDT is a leading designer and manufacturer of ultra-low-power semiconductor solutions for hearing aids and portable, battery-powered DSP applications, and a leading provider of advanced high density interconnected technologies used in custom minimizing packages. SDT’s advanced manufacturing expertise in chip-scale capacitors and high density packaging will expand the Company’s capabilities in delivering advanced, highly miniaturized packaging technology. SDT’s results of operations have been included in the consolidated financial statements since the date of the acquisition.

The following table presents the allocation of the purchase price of SDT to the assets acquired based on their fair values (in millions):

Receivables, net	\$ 3.3
Inventories	7.8
Other current assets	1.0
Property, plant and equipment	2.7
Goodwill	5.9
Intangible assets	2.4
In-process research and development	2.8
Other non-current assets	2.0
Total assets acquired	<u>27.9</u>
Accounts payable	(2.2)
Other current liabilities	<u>(1.9)</u>
Total liabilities assumed	<u>(4.1)</u>
Net assets acquired	<u>\$23.8</u>

Of the \$5.2 million of acquired intangible assets, \$2.8 million was assigned to IPRD assets that will be amortized over the useful life upon successful completion of the projects or expensed if impaired. The value assigned to IPRD was determined by considering the importance of products under development to the overall development plan, estimating costs to develop the purchased IPRD into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. The fair value of IPRD was determined using the income approach. The income approach recognizes that the current value of an asset or liability is premised on the expected receipt or payment of future economic benefits generated over its remaining life. A discount rate of 9.0% was used in the present value calculations, and was derived from a weighted-average cost of capital analysis, adjusted to reflect the risks inherent in the acquired research and development operations.

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The remaining \$2.4 million of acquired intangible assets have a weighted-average useful life of approximately 10 years. The intangible assets that make up the amount include: customer relationships of \$1.7 million (15.5-year weighted average useful life) and developed technology of \$0.7 million (5.0-year weighted average useful life).

Of the total purchase price of approximately \$23.8 million, approximately \$5.9 million was initially allocated to goodwill. Among the factors that contributed to goodwill arising from the acquisition were the potential synergies expected to be derived from combining SDT's design and manufacturing business with the Company's medical business. These relationships provided and continue to provide the Company with the capability of selling advanced technology of next generation products to the market place. The \$8.7 million of goodwill as of December 31, 2011, was assigned to the automotive, industrial, medical and mil-aero products group, none of which is expected to be deductible for tax purposes.

The allocation of purchase price is based on management estimates and assumptions, and other information compiled by management, which utilized established valuation techniques appropriate for the high technology industry. The valuation technique used was determined to be the income approach, cost approach or market approach, based on the nature of the asset or liability and reliability of the data available.

The Company has determined that pro forma results of operations for SDT are not significant for disclosure.

Acquisition of California Micro Devices Corporation

On January 27, 2010, the Company acquired 100% of California Micro Devices Corporation ("CMD"), through purchasing all of CMD's issued and outstanding shares of common stock at a purchase price of \$4.70 per share, for a total cash payment of approximately \$109.5 million and \$3.7 million of estimated fair value of stock options and restricted stock, for total consideration of \$113.2 million. CMD's business is primarily engaged in application specific integrated passive ("ASIP") devices in the wireless, computing and consumer electronics end-markets. In addition, CMD's expertise in protection solutions for the high brightness LED ("HBLED") market, and its strengths in inductor capacitor-based electromagnetic interface ("EMI") filtering and low capacitance electrostatic discharge ("ESD") protection, complement the Company's existing portfolio of protection and lighting solutions.

The following table presents the allocation of the purchase price of CMD to the assets acquired based on their fair values (in millions):

Cash and cash equivalents	\$ 42.8
Receivables, net	5.0
Inventories	9.0
Other current assets	2.0
Property, plant and equipment	1.7
Goodwill	20.3
Intangible assets	21.7
In-process research and development	18.6
Other non-current assets	0.1
Total assets acquired	<u>121.2</u>
Accounts payable	(6.2)
Other current liabilities	(1.6)
Long-term accrued liabilities	<u>(0.2)</u>
Total liabilities assumed	<u>(8.0)</u>
Net assets acquired	<u>\$ 113.2</u>

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Of the \$40.3 million of acquired intangible assets, \$18.6 million was assigned to IPRD assets that will be amortized over the useful life upon successful completion of the projects or expensed, if impaired. The value assigned to IPRD was determined by considering the importance of products under development to the overall development plan, estimating costs to develop the purchased IPRD into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. The fair value of IPRD was determined using the income approach. The income approach recognizes that the current value of an asset or liability is premised on the expected receipt or payment of future economic benefits generated over its remaining life. A discount rate of 13.2% was used in the present value calculations, and was derived from a weighted-average cost of capital analysis, adjusted to reflect additional risks inherent in the acquired research and development operations.

The remaining \$21.7 million of acquired intangible assets consist of: (i) developed technology of \$17.7 million (8-year weighted-average useful life) and (ii) customer relationships of \$4.0 million (10-year weighted average useful life).

Of the total purchase price paid of \$113.2 million, approximately \$20.3 million was allocated to goodwill. Among the factors that contributed to goodwill arising from the acquisition was the acquisition of an assembled workforce of experienced semiconductor engineers. These experienced engineers provided and continue to provide the capability of developing and integrating advanced technology into next generation products. The balance as of December 31, 2011 was \$20.3 million of goodwill assigned to the standard products group, none of which is expected to be deductible for tax purposes.

The allocation of the purchase price was based on management estimates and assumptions, and other information compiled by management, which utilized established valuation techniques appropriate for the high-technology industry. The valuation technique used was the income approach, cost approach or market approach, based on the nature of the asset or liability and reliability of the data available.

The Company has determined that pro forma results of operations for CMD are not significant for disclosure.

Additionally, the Company has determined that, in aggregate, pro forma results of operations for SDT and CMD are not significant for disclosure.

Note 5: New Accounting Pronouncements

Adoption of Accounting Standards Update (“ASU”) No. 2011-08 — “Intangibles — Goodwill and Other (Topic 350): Testing Goodwill for Impairment” (“ASU 2011-08”)

In September 2011, the Financial Accounting Standards Board (“FASB”) issued ASU 2011-08, which is intended to reduce the complexity and cost of performing an evaluation of impairment of goodwill. Under the new guidance, an entity will have the option of first assessing qualitative factors (events and circumstances) to determine whether it is more likely than not (meaning a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If, after considering all relevant events and circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test will be unnecessary. The amendments will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, although early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on the Company’s consolidated financial statements.

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Adoption of ASU No. 2011-09 — “Compensation — Retirement Benefits — Multiemployer Plans (Subtopic 715-80)” (“ASU 2011-09”)

In September 2011, the FASB issued ASU 2011-09, which requires that employers provide additional separate disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans. The additional quantitative and qualitative disclosures will provide users with more detailed information about an employer’s involvement in multiemployer pension plans. The amendments are effective for annual disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans for fiscal years ending after December 15, 2011. The adoption of this standard expanded our consolidated financial statement footnote disclosures, but otherwise did not have a material impact on our financial statements.

Adoption of ASU No. 2010-17, “Revenue Recognition — Milestone Method” (“ASU 2010-17”)

In April 2010, the FASB issued ASU 2010-17, which is included in ASC 605—Milestone Method of Revenue Recognition. This ASU codifies the consensus reached in Emerging Issues Task Force 08-09, “Milestone Method of Revenue Recognition,” and addresses the accounting when entities enter into revenue arrangements with multiple payment streams for a single deliverable or a single unit of accounting. The pronouncement shall be applied prospectively to milestones achieved in fiscal years, and interim periods within those years, beginning after June 15, 2010, with earlier application and retrospective application permitted. The adoption of this pronouncement did not have a material impact on the Company’s consolidated financial statements.

Adoption of ASU No. 2010-29, “Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations” (“ASU 2010-29”)

In December 2010, the FASB issued ASU 2010-29. The amendments in this update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this pronouncement affected the Company’s disclosure related to its acquisitions.

ASU No. 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles and IFRS” (“ASU 2011-04”)

ASU 2011-04 generally provides a uniform framework for fair value measurements and related disclosures between generally accepted accounting principles and international financial reporting standards (“IFRS”). Additional disclosure requirements in the update include: (1) for Level 3 fair value measurements, quantitative information about the unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for an entity’s use of a nonfinancial asset that is different from the asset’s highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and (4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. ASU 2011-04 will be effective for interim and annual periods beginning on or after December 15, 2011, which for the Company will be its first quarter of 2012. The Company is currently evaluating the impact that ASU 2011-04 will have on its financial statements.

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ASU No. 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income” (“ASU 2011-05”) and ASU 2011-12 “Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05” (“ASU 2011-12”)

ASU 2011-05 allows an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. While ASU 2011-05 changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. In December 2011, the FASB issued ASU 2011-12, which deferred certain aspects of ASU 2011-05. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company will adopt this guidance in the first quarter of fiscal 2012. The adoption of ASU 2011-05 and the deferrals in ASU 2011-12 are not expected to have a material impact on the Company’s Consolidated Financial Statements.

Note 6: Restructuring, Asset Impairments and Other, Net

A summary description of the activity included in the “Restructuring, Asset Impairments and Other, Net” caption on the consolidated statement of operations for the years ended December 31, 2011, 2010 and 2009 are as follows (in millions):

	<u>Restructuring</u>	<u>Asset Impairment</u>	<u>Other</u>	<u>Total</u>
<i>Year Ended December 31, 2011</i>				
Thailand facility closure	\$ 5.7	\$ 24.8	\$(18.6)	\$ 11.9
Aizu facility closure	6.5	61.5	2.0	70.0
2011 SANYO acquisition	10.0	—	—	10.0
Japan earthquake and tsunami	—	—	4.8	4.8
Phoenix wafer manufacturing facility closure	4.3	—	—	4.3
2011 global workforce reduction	2.5	—	—	2.5
Lease termination adjustment	(1.3)	—	—	(1.3)
IPRD project write-off	—	—	0.5	0.5
Total	<u>\$ 27.7</u>	<u>\$ 86.3</u>	<u>\$(11.3)</u>	<u>\$ 102.7</u>
<i>Year Ended December 31, 2010</i>				
2010 acquisition of SDT	\$ 2.2	\$ —	\$ —	\$ 2.2
2010 acquisition of CMD	3.5	0.1	—	3.6
Cost basis investment write-off	—	—	3.9	3.9
Other	0.3	0.1	0.4	0.8
Total	<u>\$ 6.0</u>	<u>\$ 0.2</u>	<u>\$ 4.3</u>	<u>\$ 10.5</u>
<i>Year Ended December 31, 2009</i>				
2009 global workforce reduction	\$ 12.6	\$ 0.4	\$ —	\$ 13.0
Piestany, Slovakia facility closure	1.7	1.7	5.4	8.8
2009 Belgium workforce reduction	3.9	—	—	3.9
Gain on sale of intellectual property	—	—	(2.0)	(2.0)
Gain on settlement of two legal matters	—	—	(2.5)	(2.5)
Other	1.0	2.0	0.7	3.7
Total	<u>\$ 19.2</u>	<u>\$ 4.1</u>	<u>\$ 1.6</u>	<u>\$ 24.9</u>

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The following is a rollforward of the accrued restructuring charges from December 31, 2010 to December 31, 2011 (in millions):

	<u>Balance as of December 31, 2010</u>	<u>Charges</u>	<u>Usage</u>	<u>Adjustments</u>	<u>Balance as of December 31, 2011</u>
Estimated employee separation charges	\$ 1.4	\$ 25.8	\$ (18.3)	\$ —	\$ 8.9
Estimated costs to exit	\$ 9.9	\$ 3.3	\$ (3.3)	\$ (1.5)	\$ 8.4

The activity related to the Company's restructuring, asset impairments and other, net for programs that were either initiated in 2011 or had not been completed as of December 31, 2011, are as follows:

Thailand Facility Closure

Cumulative charges of \$11.9 million, net of adjustments, have been recognized through December 31, 2011, related to the 2011 announced plan to close our probe, assembly and test operations in Ayutthaya, Thailand and to partially close our Bang Pa In, Thailand facility as a result of the recent flooding in these regions. During the year ended December 31, 2011, a total of approximately 1,600 employees were asked to resign due to the closure and partial closure of the Thailand facilities. As of December 31, 2011, 1,452 employees had been exited. The Company recorded employee separation charges of approximately \$5.7 million related to these terminations. Additionally, the Company recorded other charges of \$2.1 million for costs incurred associated with the closure and partial closure of these facilities.

Additionally, the Company recorded \$24.8 million of asset impairment charges related to the write-down of property, plant and equipment, due to damages incurred as a result of the recent flooding in Thailand. Additionally, the Company recorded \$28.3 million of damaged inventory write-off. The asset impairment charges and inventory write-off were partially offset by the receipt of insurance proceeds of \$25.0 million in 2011, combined with a non-cash insurance recovery of \$23.9 million, which represents insurance proceeds received in the first quarter of 2012.

The accrued liability associated with employee separation charges as of December 31, 2011 was \$0.5 million. The Company expects to incur additional employee separation charges of \$1.4 million and a limited amount of exit costs during 2012 associated with this closure.

Aizu Facility Closure

Cumulative charges of \$70.0 million, net of adjustments, have been recognized through December 31, 2011, related to the announced closure of the Company's Aizu facility, for cost savings purposes. During the year ended December 31, 2011, a total of 207 employees were notified that their employment with the Company would be terminated due to the closure of the Aizu facilities. As of December 31, 2011, none of these employees had been exited. The Company recorded employee separation charges of approximately \$6.5 million related to these terminations. Additionally, the Company recorded other charges of \$2.0 million for costs associated with the pension true up.

Additionally, the Company recorded \$61.5 million of asset impairment charges associated with the planned Aizu closure by June 2012. The determination to close this facility triggered an impairment test to determine recoverability of the carrying value of the related long-lived assets. The Company's asset group used for the impairment test was the wafer manufacturing facility. The Company estimated future undiscounted cash flows for the period of continued manufacturing activities and the eventual disposition of the assets using price,

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volume, cost and salvage value assumptions that management considered reasonable in the circumstances. Based on those undiscounted cash flows for the wafer manufacturing plant, an impairment of the plant and associated long-lived assets was indicated. The impairment charge was recorded as the amount by which the carrying values of the respective assets exceeded their estimated fair values. The fair values were estimated by obtaining third-party valuation estimates, which are unobservable inputs. The Aizu, Japan wafer manufacturing facility mainly supports the Automotive and Power Products Group and the Computing and Consumer Products Group.

The remaining accrued liability associated with employee separation charges as of December 31, 2011 was \$6.5 million. The Company expects to incur additional employee separation charges of \$9.4 million and \$3.0 million of exit costs during 2012 associated with this closure.

2011 Acquisition of SANYO Semiconductor

Cumulative charges of \$10.0 million, net of adjustments, have been recognized through December 31, 2011, related to the 2011 announced plans to integrate and restructure the overlapping operations of SANYO Semiconductor and the Company, in part, for cost savings purposes (see Note 4: "Acquisitions" for further discussion regarding the Company's acquisition of SANYO Semiconductor). As part of these plans, SANYO Semiconductor's assembly and test facility is being consolidated into other existing factories. During the year ended December 31, 2011, a total of 289 employees were terminated and the Company recorded employee separation charges of approximately \$8.5 million related to these terminations.

During the year ended December 31, 2011, the Company recorded exit costs of approximately \$1.5 million related to termination of certain leases, purchase agreements, and items relating to the consolidation of factories.

While the Company has the intention of consolidating the front end manufacturing processes of SANYO Semiconductor with those of the Company over the next 12 months, the anticipated consolidation and associated costs are still being evaluated. In connection with the consolidation, it is likely that the Company will incur significant expenses to complete these activities.

Japan Earthquake and Tsunami

During the year ended December 31, 2011, the Company recorded \$4.8 million of other costs associated with damaged inventory and other assets due to the Japanese earthquake and resulting tsunami.

2011 Global Workforce Reduction

Cumulative charges of \$2.5 million, net of adjustments, have been recognized through December 31, 2011 related to the announced plans to reduce worldwide personnel for cost savings purposes. A total of 42 employees were notified that their employment with the Company would be terminated due to their positions being eliminated or consolidated in connection with this restructuring. As of the end of the fourth quarter of 2011, 7 of these employees still remained employed by the Company. During the year ended December 31, 2011, the Company recorded employee separation charges of \$2.5 million related to these terminations. As of December 31, 2011, the Company had \$1.6 million accrued for employee separation charges associated with this activity. We expect that all of these notified individuals will be officially separated and exited from the Company during the fourth quarter of 2012, with all related benefit payments being made in the same period.

IPRD Project Write-Off

Additionally, during the year ended December 31 2011, the Company recorded \$0.5 million of other costs associated with the impairment of one project associated with our SDT acquisition, which was determined to be no longer viable.

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2011 Closure of the Phoenix, Arizona Wafer Manufacturing Facility

Cumulative charges of \$4.3 million, net of adjustments, have been recognized through December 31, 2011, related to the 2011 closure of the Phoenix, Arizona wafer manufacturing facility.

In the second quarter of 2011, the Company proceeded with its previously announced plans to close the Phoenix, Arizona wafer manufacturing facility for cost saving purposes. During the year ended December 31, 2011, a total of 166 employees were notified that their employment with the Company would be terminated due to their positions being eliminated or consolidated in connection with this restructuring. We expect that all remaining employees will be exited by the end of the first quarter of 2012, with all related benefit payments being made in the same period. The Company recorded employee separation charges of approximately \$2.7 million related to these terminations. As of December 31, 2011, the Company had \$0.2 million accrued for employee separation charges associated with this activity.

Additionally, during the year ended December 31, 2011, the Company recorded exit costs of approximately \$1.6 million, related to the decommissioning of the Phoenix, Arizona wafer manufacturing facility. As of December 31, 2011, the Company had \$0.3 million accrued for exit costs associated with this activity.

2010 Acquisition of CMD

Cumulative charges of \$3.6 million, net of adjustments, have been recognized through December 31, 2011, related to the January 2010 announced plans to integrate and restructure the overlapping operations of the CMD business and the Company, in part for cost savings purposes.

Cumulative employee separation charges of \$3.5 million, net of adjustments, have been recognized through December 31, 2011. A total of 27 employees, including five former executive officers of CMD, were notified during 2010 that their positions were being eliminated or consolidated. As of December 31, 2011, all terminations and related termination benefit payments associated with these plans were completed.

Cumulative exit costs of \$0.1 million have been recognized from the inception of this restructuring activity through December 31, 2011, related to charges incurred to terminate certain lease agreements. All payments related to these exit activities were completed in the fourth quarter of fiscal 2011.

2009 Global Workforce Reduction

Cumulative employee separation charges of \$13.0 million, net of adjustments, have been recognized through December 31, 2011, related to the first quarter of 2009 announced plans to reduce worldwide personnel for cost savings purposes. A total of 570 employees were notified during 2009 that their positions were being eliminated or consolidated, all of which were terminated as of December 31, 2010. All terminations associated with this plan were completed by the end of the fourth quarter of 2010, and all related termination benefits were paid out by the end of the first quarter of 2011.

Acquisition of AMIS Holdings, Inc. (“AMIS”)

On March 17, 2008, the Company completed the purchase of AMIS, whereby AMIS became a wholly-owned subsidiary of the Company.

The Company had \$10.0 million of accrued liabilities for estimated costs to exit certain activities of AMIS, of which \$0.2 million were for employee separation costs and \$9.8 million were for exit costs outstanding as of December 31, 2010. During the year ended December 31, 2011, the Company paid decommissioning costs

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resulting from the shutdown of a fabrication facility of \$0.5 million and recorded an adjustment of \$1.5 million associated with outstanding exit costs for a lease liability. As of December 31, 2011, the Company had \$8.1 million of accrued exit costs associated with this activity. All payments related to these activities are expected to be completed by the end of the first quarter of fiscal 2012.

Note 7: Balance Sheet Information

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Receivables, net:		
Accounts receivable	\$ 464.3	\$ 301.9
Less: Allowance for doubtful accounts	(7.1)	(7.3)
	<u>\$ 457.2</u>	<u>\$ 294.6</u>
Inventories:		
Raw materials	\$ 58.8	\$ 49.0
Work in process	430.8	210.9
Finished goods	147.8	100.9
	<u>\$ 637.4</u>	<u>\$ 360.8</u>
Other Current Assets:		
Deposits	\$ 1.9	\$ 1.9
Prepaid Expenses	26.9	22.2
Tax Receivables	41.0	14.9
Other	51.8	24.6
	<u>\$ 121.6</u>	<u>\$ 63.6</u>
Property, plant and equipment, net:		
Land	\$ 76.6	\$ 48.3
Buildings	539.3	484.4
Machinery and equipment	1,943.0	1,631.1
Total property, plant and equipment	2,558.9	2,163.8
Less: Accumulated depreciation	(1,449.4)	(1,299.5)
	<u>\$ 1,109.5</u>	<u>\$ 864.3</u>
Accrued expenses:		
Accrued payroll	\$ 125.2	\$ 73.1
Sales related reserves	45.5	36.5
Restructuring reserves	17.3	11.3
Accrued pension liability	11.4	0.3
Other	40.4	41.4
	<u>\$ 239.8</u>	<u>\$ 162.6</u>
Accumulated other comprehensive loss:		
Foreign currency translation adjustments	\$ (46.5)	\$ (58.8)
Unrecognized prior service cost of defined benefit pension plan	(0.2)	(0.1)
Prior service cost from pension legal plan amendment	—	(0.2)
	<u>\$ (46.7)</u>	<u>\$ (59.1)</u>

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Depreciation expense for property, plant and equipment, including amortization of capital leases, totaled \$162.8 million, \$115.1 million and \$108.3 million for 2011, 2010 and 2009, respectively.

The property, plant and equipment amounts above as of December 31, 2011 are inclusive of asset impairments of \$86.3 million. See Note 6: “Restructuring, Asset Impairments and Other, Net” for further details.

As of December 31, 2011 and 2010, total property, plant and equipment included \$89.5 million and \$104.0 million, respectively, of assets financed under capital leases. Accumulated depreciation associated with these assets is included in total accumulated depreciation in the table above.

Included in accumulated other comprehensive loss is \$18.5 million of foreign currency translation gains related to our Aizu, Japan facility. As further described in Note 6: “Restructuring, Asset Impairments and Other, Net”, the Company intends to close its Aizu, Japan facility during 2012. After the operational closure is complete, the Company will proceed to liquidate and wind-down the legal entity. As required by accounting standards, when the liquidation is substantially complete, the Company will recognize in results of operations any amount remaining in accumulated other comprehensive income related to the entity.

The activity related to our warranty reserves for 2009, 2010 and 2011 follows (in millions):

Balance as of December 31, 2008	\$ 3.9
Provision	0.4
Usage	<u>(1.1)</u>
Balance as of December 31, 2009	3.2
Provision	0.9
Usage	<u>(0.8)</u>
Balance as of December 31, 2010	3.3
Provision	4.0
Usage	<u>(1.5)</u>
Balance as of December 31, 2011	<u>\$ 5.8</u>

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Note 8: Long-Term Debt

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

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
	\$	\$
Senior Revolving Credit Facility (up to \$325.0 million)	—	—
Loan with a Japanese company due 2012 through 2018, interest payable quarterly at 2.33%	339.8	—
Zero Coupon Convertible Senior Subordinated Notes due 2024 (net of discount of \$2.0 million and \$8.7 million, respectively) (1)	94.2	87.5
1.875% Convertible Senior Subordinated Notes due 2025 (net of discount of \$6.6 million and \$12.8 million, respectively) (2)	88.4	82.2
2.625% Convertible Senior Subordinated Notes due 2026 (net of discount of \$24.5 million and \$73.9 million, respectively) (3)	207.9	410.1
2.625% Convertible Senior Subordinated Notes due 2026, Series B (net of discount of \$22.0 million) (4)	176.6	—
Loan with Hong Kong bank, interest payable weekly at 2.04% and 2.03%, respectively	40.0	40.0
Loans with Philippine banks due 2012 through 2015, interest payable monthly and quarterly at an average rate of 2.01% and 1.80%, respectively	68.2	68.8
Loans with Chinese banks due 2013, interest payable quarterly at an average rate of 4.44% and 4.23%, respectively	7.0	34.0
Loans with Japanese banks due through 2013, interest payable monthly and semi-annually at an average rate of 1.71% and 1.45%, respectively	3.5	3.9
Loan with Singapore bank, interest payable weekly at 1.97%	25.0	—
Loan with British finance company, interest payable monthly at 2.42% and 2.18%, respectively	13.1	13.8
U.S. real estate mortgages payable monthly through 2016 at an average rate of 4.86%	31.6	33.0
U.S. equipment financing payable monthly through 2015 at 3.23%	10.8	—
Capital lease obligations	100.9	115.5
Long-term debt, including current maturities	1,207.0	888.8
Less: Current maturities	(370.1)	(136.0)
Long-term debt	<u>\$ 836.9</u>	<u>\$ 752.8</u>

- (1) The Zero Coupon Convertible Senior Subordinated Notes due 2024 may be put back to the Company at the option of the holders of the notes on April 15 of 2012, 2014 and 2019 or called at the option of the Company on or after April 15, 2012.
- (2) The 1.875% Convertible Senior Subordinated Notes due 2025 may be put back to the Company at the option of the holders of the notes on December 15 of 2012, 2015 and 2020 or called at the option of the Company on or after December 20, 2012.
- (3) The 2.625% Convertible Senior Subordinated Notes due 2026 may be put back to the Company at the option of the holders of the notes on December 15 of 2013, 2016 and 2021 or called at the option of the Company on or after December 20, 2013.
- (4) The 2.625% Convertible Senior Subordinated Notes due 2026, Series B may be put back to the Company at the option of the holders of the notes on December 15 of 2016 and 2021 or called at the option of the Company on or after December 20, 2016.

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Annual maturities relating to the Company's long-term debt as of December 31, 2011 are as follows (in millions):

	<u>Actual</u> <u>Maturities</u>
2012	378.8
2013	329.4
2014	75.2
2015	63.4
2016	237.4
Thereafter	178.0
Total	<u>\$1,262.2</u>

The above table reflects principal payments of \$622.2 million relating to the Zero Coupon Convertible Senior Subordinated Notes due 2024, the 1.875% Convertible Senior Subordinated Notes due 2025, the 2.625% Convertible Senior Subordinated Notes due 2026 and the 2.625% Convertible Senior Subordinated Notes due 2026, Series B.

Loss on Debt Repurchase and Exchange

During the year ended December 31, 2011, the Company exchanged \$198.6 million in par value (\$177.2 million of carrying value) of its 2.625% Convertible Senior Subordinated Notes due 2026 for \$198.6 million in par value (\$176.4 million of carrying value) of 2.625% Convertible Senior Subordinated Notes due 2026, Series B and \$15.9 million in cash. The cash payment and the \$198.6 million of 2.625% Convertible Senior Subordinated Notes due 2026, Series B were allocated between the fair value of the liability component and the equity component of the convertible security. The amount allocated to the extinguishment of the liability component was based on the discounted cash flows using a rate of return an investor would have required on non-convertible debt with other terms substantially similar to the 2.625% Convertible Senior Subordinated Notes due 2026. The remaining consideration was recognized as reacquisition of the equity component.

The difference between the consideration allocated to the liability component and the rest of the net carrying amount of the liability and unamortized debt issuance costs was recorded as a loss on debt repurchase of \$17.9 million, which included the write-off of \$1.7 million in unamortized debt issuance costs. The Company also recorded an adjustment to additional paid-in capital in the amount of \$21.0 million for the reacquisition of equity component.

During the year ended December 31, 2011, the Company also repurchased \$53.0 million in par value (\$46.6 million of carrying value) of its 2.625% Convertible Senior Subordinated Notes due 2026 for \$56.2 million in cash. The cash payment was allocated between the fair value of the liability component and the equity component of the convertible security. The amount allocated to the extinguishment of the liability component was based on the discounted cash flows using a rate of return an investor would have required on non-convertible debt with other terms substantially similar to the 2.625% Convertible Senior Subordinated Notes due 2026. The remaining consideration was recognized as reacquisition of the equity component.

The difference between the consideration allocated to the liability component and the rest of the net carrying amount of the liability and unamortized debt issuance costs was recorded as a loss on debt repurchase of \$5.3 million, which included the write-off of \$0.5 million in unamortized debt issuance costs. The Company also recorded an adjustment to additional paid-in capital in the amount of \$4.8 million for the reacquisition of equity component.

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During the year ended December 31, 2010, the Company incurred a loss on debt repurchase of \$0.8 million as a result of the write-off of unamortized debt issuance costs, related to the \$169.8 million prepayment of the senior bank facilities and a \$0.1 million gain as a result of the modification of the Zero Coupon Convertible Senior Subordinated Notes due 2024.

During the year ended December 31, 2009, the Company incurred a net loss on debt repurchase of \$3.1 million, which included the write-off of \$0.7 million in unamortized debt issuance costs, resulting from the repurchase of \$99.7 million in par value (\$91.0 million of carrying value) of its Zero Coupon Convertible Senior Subordinated Notes due 2024 for \$64.8 million in cash and the issuance of 7.4 million shares of common stock, which had a value of \$28.5 million based on the closing price of the Company's common stock at the time of repurchase.

Acquisition Note Payable to SANYO Electric

In January 2011, SCI LLC, as borrower, and the Company, as guarantor, entered into a seven-year, unsecured loan agreement with SANYO Electric to finance a portion of the purchase price of the SANYO Semiconductor acquisition. The loan had an original principal amount of approximately \$377.5 million and had a principal balance of \$339.8 million as of December 31, 2011. The loan bears interest at a rate of 3-month LIBOR plus 1.75% per annum and provides for quarterly interest and \$9.4 million in principal payments, with the unpaid balance of \$122.7 million due in January 2018.

Senior Revolving Credit Facility

On December 23, 2011, the Company and its wholly owned subsidiary, SCI LLC, entered into a \$325.0 million, five-year senior revolving credit facility (the "Facility"), the terms of which are set forth in a Credit Agreement dated as of December 23, 2011 ("Credit Agreement") between the Company and a group of lenders. The new Facility includes \$40.0 million availability for the issuance of letters of credit, \$15.0 million availability for swingline loans for short-term borrowings and a foreign currency sublimit of \$75.0 million. SCI LLC has the ability to increase the size of the Facility from time-to-time in increments of \$10.0 million so long as after giving effect to such increases, the aggregate amount of all such increases does not exceed \$125.0 million.

Payments of the principal amounts of revolving loans under the Credit Agreement are due no later than December 23, 2016, which is the maturity date of the Facility. Interest is payable based on either a LIBOR or base rate option, plus an applicable rate that varies based on the total leverage ratio. SCI LLC has also agreed to pay the lenders certain fees, including a commitment fee that varies based on the total leverage ratio. SCI LLC may prepay loans under the Credit Agreement at any time, in whole or in part, upon payment of accrued interest and break funding payments, if applicable.

The obligations under the Facility are guaranteed by certain of the domestic subsidiaries of the Company and SCI LLC and are secured by a pledge of the equity interests in certain of the Company and SCI LLC's domestic subsidiaries. The Company and SCI LLC are also required to pledge certain of their equity interests in certain material first tier foreign subsidiaries within a specified time after closing.

The Credit Agreement contains affirmative and negative covenants that are customary for credit agreements of this nature. The negative covenants include, among other things, limitations on asset sales, mergers and acquisitions, indebtedness, liens, investments and transactions with affiliates. The Credit Agreement contains only two financial covenants: (i) a maximum total leverage ratio of consolidated total indebtedness to consolidated earnings before interest, taxes, depreciation and amortization ("consolidated EBITDA") for the trailing four consecutive quarters of 3.75 to 1.00; and (ii) a minimum interest coverage ratio of consolidated EBITDA to consolidated interest expense for the trailing four consecutive quarters of 3.50 to 1.0.

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The Credit Agreement includes customary events of default that include, among other things, non-payment defaults, inaccuracy of representations and warranties, covenant defaults, cross default to material indebtedness, bankruptcy and insolvency defaults, material judgment defaults, ERISA defaults and a change of control default. The occurrence of an event of default could result in the acceleration of the obligations under the Credit Agreement. The Company was in compliance with the various covenants contained in the Credit Agreement as of December 31, 2011 and expects to remain in compliance with all covenants over the next twelve months.

The Company can utilize the borrowings under the Facility for areas such as general corporate purposes, working capital and acquisitions. To date, the Company has not borrowed under the Facility. Included in other assets as of December 31, 2011, were \$2.3 million of debt issuance costs associated with the senior revolving credit facility.

Zero Coupon Convertible Senior Subordinated Notes

On April 6, 2004, the Company commenced a cash tender offer for all of its then outstanding 12% senior subordinated notes due 2009. In order to finance the cash tender offer, the Company issued \$260.0 million of Zero Coupon Convertible Senior Subordinated Notes due 2024. The Company received net proceeds of approximately \$251.2 million from the sale of the notes after deducting commissions and estimated offering expenses of \$8.8 million, which were capitalized as debt issuance costs and were being amortized using the effective interest method through the first put date of April 15, 2010. The notes do not bear cash interest, nor does the principal amount accrete. The effective interest rate of the notes is 8.9%. The notes are fully and unconditionally guaranteed on an unsecured senior subordinated basis by certain existing domestic subsidiaries of the Company.

In June 2006, the Company commenced an offer to exchange all of its then outstanding \$260.0 million principal amount of Zero Coupon Convertible Senior Subordinated Notes due 2024 (the "Old Notes") for a like principal amount of new Zero Coupon Convertible Senior Subordinated Notes due 2024 (the "New Notes"), plus an exchange fee of \$2.50 per \$1,000 principal amount of the Old Notes validly tendered and accepted for exchange. The New Notes contain a net share settlement feature, which reduces the amount of shares included in diluted net income per share. On July 21, 2006, the Company issued \$259.5 million aggregate principal at par of New Notes that are convertible into cash up to the par value at a conversion rate of 101.8849 shares per \$1,000 principal amount under certain circumstances. The excess of fair value over par value is convertible into stock. The exchange expired on July 19, 2006, and 99.8% of the aggregate principal amount of the Old Notes were tendered and subsequently exchanged. On August 9, 2006, the Company entered into transactions with four of the remaining holders of the Old Notes and exchanged \$443,000 aggregate principal at par of Old Notes that were not tendered in the exchange. These holders exchanged their Old Notes for New Notes on the same terms as the exchange offer discussed above. The Company intends to repurchase or redeem all of the Old Notes that remain outstanding, subject to market conditions.

In the fourth quarter of 2008, the Company repurchased \$60.9 million of par value of Zero Coupon Convertible Senior Subordinated Notes due 2024 for \$49.4 million. Additionally, the Company wrote off the proportionate share of debt issuance costs of \$0.5 million, thus recognizing a net \$3.8 million gain on the extinguishment of the debt.

In the first half of 2009, the Company repurchased \$99.7 million of par value of Zero Coupon Convertible Senior Subordinated Notes due 2024 for \$64.8 million in cash and the issuance of 7.4 million shares of common stock, which had a value of \$28.5 million based on the closing price of the Company's common stock at the time of repurchase. The Company recognized a \$3.1 million loss on the repurchase, which included the write-off of \$0.7 million in unamortized debt issuance costs.

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The New Notes are convertible by holders into cash and shares of the Company's common stock at a conversion rate of 101.8849 shares of common stock per \$1,000 principal amount of notes (subject to adjustment in certain events), which is equivalent to an initial conversion price of approximately \$9.815 per share of common stock. The Company will settle conversion of all notes validly tendered for conversion in cash and shares of the Company's common stock, if applicable, subject to the Company's right to pay the share amount in additional cash. Holders may convert their notes under the following circumstances: (i) during the five business-day period immediately following any five consecutive trading-day period in which the trading price per \$1,000 principal amount of notes for each day of such period was less than 98% of the product of the closing sale price of the Company's common stock and the conversion rate; (ii) upon occurrence of the specified transactions described in the indenture relating to the notes; or (iii) after April 15, 2010. The Company determined that the conversion option based on a trading price condition meets the definition of a derivative, and should be bifurcated from the debt host and accounted for separately. However, the fair value of this feature was determined to be de minimis at the date of issuance and the Company continues to evaluate the significance of this feature on a quarterly basis.

In April 2010, the Company amended the Indenture for its Zero Coupon Convertible Senior Subordinated Notes due 2024. The amendments include one additional opportunity to require the Company to purchase the notes on April 15, 2012; and eliminates the Company's ability to redeem the notes at its option from April 15, 2010 until April 15, 2012. Additionally the holders may require the Company to repurchase the notes for cash on April 15, 2014 and 2019.

In accordance with the right of the holders of the notes to require the Company to purchase the notes on April 15, 2010, approximately \$3.2 million of the \$99.4 million par value of notes then outstanding were purchased by the Company. The amendment was considered a substantial modification for accounting purposes; therefore the \$96.2 million original remaining debt was deemed to be extinguished, resulting in a \$0.1 million gain, and a new convertible debt with fair value of \$98.5 million was deemed to be issued.

The Company is required to separately account for the liability and equity components of convertible debt instruments with cash settlement features. Thus, the liability component of the new convertible debt was recognized at the present value of its cash flows discounted using a discount rate equivalent to the borrowing rate at the date of the modification of the convertible notes for similar debt instruments without a conversion feature. The equity component of the new convertible debt was recorded as additional paid in capital and represents the difference between the fair value of the modified convertible notes and the liability component. It also requires an accretion of the debt discount resulting from the allocation of a portion of the modified fair value to equity over the life of the notes, which is expected to be the next put date of April 15, 2012.

As a result, the Company recognized \$13.3 million of debt discount, which will be amortized through April 2012.

The notes, which are the Company's unsecured obligations, will be subordinated in right of payment to all of the Company's existing and future senior indebtedness, will rank *pari passu* in right of payment with all of the Company's existing and future senior subordinated indebtedness and will be senior in right of payment to all of the Company's existing and future subordinated obligations. The notes will also be effectively subordinated to any of the Company's or its subsidiaries' secured indebtedness to the extent of the value of the assets securing such indebtedness.

Included in long-term debt as of December 31, 2011 was \$2.0 million of unamortized debt discount associated with the Zero Coupon Convertible Senior Subordinated Notes due 2024, which will be amortized using the effective interest method through 2012.

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1.875% Convertible Senior Subordinated Notes

In order to finance the repayment of the previously outstanding junior subordinated note, on December 21, 2005, the Company issued \$95.0 million of 1.875% Convertible Senior Subordinated Notes due 2025. The Company received net proceeds of approximately \$91.0 million from the sale of the notes after deducting commissions and estimated offering expenses of \$4.0 million, which were capitalized as debt issuance costs and are being amortized using the effective interest method through the first put date of December 15, 2012. The notes bear interest at the rate of 1.875% per year from the date of issuance. Interest on the notes is payable on June 15 and December 15 of each year, beginning on June 15, 2006. The effective interest rate of the notes is 9.5%. The notes are fully and unconditionally guaranteed on an unsecured senior subordinated basis by certain existing domestic subsidiaries of the Company.

The notes are convertible by holders into cash and shares of the Company's common stock at a conversion rate of 142.8571 shares of common stock per \$1,000 principal amount of notes (subject to adjustment in certain events), which is equivalent to an initial conversion price of approximately \$7.00 per share of common stock. The Company will settle conversion of all notes validly tendered for conversion in cash and shares of the Company's common stock, if applicable, subject to the Company's right to pay the share amount in additional cash. Holders may convert their notes under the following circumstances: (i) during the five business-day period immediately following any five consecutive trading-day period in which the trading price per \$1,000 principal amount of notes for each day of such period was less than 103% of the product of the closing sale price of the Company's common stock and the conversion rate; (ii) upon occurrence of the specified transactions described in the indenture relating to the notes; or (iii) after June 15, 2012. The Company determined that the conversion option based on a trading price condition meets the definition of a derivative, and should be bifurcated from the debt host and accounted for separately. However, the fair value of this feature was determined to be de minimis at the date of issuance and the Company continues to evaluate the significance of this feature on a quarterly basis.

The notes will mature on December 15, 2025. Beginning December 20, 2012, the Company may redeem the notes, in whole or in part, for cash at a price of 100% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date. If a holder elects to convert its notes in connection with the occurrence of specified fundamental changes that occur prior to December 15, 2012, the holder will be entitled to receive, in addition to cash and shares of common stock equal to the conversion rate, an additional number of shares of common stock, in each case as described in the indenture. Notwithstanding these conversion rate adjustments, these notes contain an explicit limit on the number of shares issuable upon conversion. Holders may require the Company to repurchase the notes for cash on December 15 of 2012, 2015 and 2020 at a repurchase price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest, to, but excluding, the repurchase date. Upon the occurrence of certain corporate events, each holder may require the Company to purchase all or a portion of such holder's notes for cash at a price equal to the principal amount of such notes, plus accrued and unpaid interest, to, but excluding, the repurchase date.

The notes which are the Company's unsecured obligations, will be subordinated in right of payment to all of the Company's existing and future senior indebtedness, will rank *pari passu* in right of payment with all of the Company's existing and future senior subordinated indebtedness and will be senior in right of payment to all of the Company's existing and future subordinated obligations. The notes will also be effectively subordinated to any of the Company's or its subsidiaries' secured indebtedness to the extent of the value of the assets securing such indebtedness.

Included in other assets as of December 31, 2011, were \$0.5 million of debt issuance costs associated with the 1.875% Convertible Senior Subordinated Notes due 2025, which will be amortized using the effective interest

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method through 2012. Included in long-term debt as of December 31, 2011 was \$6.6 million of unamortized debt discount associated with the 1.875% Convertible Senior Subordinated Notes due 2025, which will be amortized using the effective interest method through 2012.

2.625% Convertible Senior Subordinated Notes

On December 15, 2006, the Company issued \$484.0 million of 2.625% Convertible Senior Subordinated Notes due 2026. The Company received net proceeds of approximately \$471.7 million from the sale of the notes after deducting commissions and estimated offering expenses of \$13.3 million, which were capitalized as debt issuance costs and are being amortized using the effective interest method through the first put date of December 15, 2013. The Company used the net proceeds to repay \$199.1 million outstanding principal of its senior bank facilities and to repurchase 30.7 million shares of its common stock outstanding for \$230.0 million and the remainder for general corporate purposes. The notes bear interest at the rate of 2.625% per year from the date of issuance. Interest on the notes is payable on June 15 and December 15 of each year, beginning on June 15, 2007. The effective interest rate of the notes is 8.5%. The notes are fully and unconditionally guaranteed on an unsecured senior subordinated basis by certain existing domestic subsidiaries of the Company.

The notes are convertible by holders into cash and shares of the Company's common stock at a conversion rate of 95.2381 shares of common stock per \$1,000 principal amount of notes (subject to adjustment in certain events), which is equivalent to an initial conversion price of approximately \$10.50 per share of common stock. The Company will settle conversion of all notes validly tendered for conversion in cash and shares of the Company's common stock, if applicable, subject to the Company's right to pay the share amount in additional cash. Holders may convert their notes under the following circumstances: (i) during the five business-day period immediately following any five consecutive trading-day period in which the trading price per \$1,000 principal amount of notes for each day of such period was less than 103% of the product of the closing sale price of the Company's common stock and the conversion rate; (ii) upon occurrence of the specified transactions described in the indenture relating to the notes; or (iii) after June 15, 2013. The Company determined that the conversion option based on a trading price condition meets the definition of a derivative, and should be bifurcated from the debt host and accounted for separately. However, the fair value of this feature was determined to be de minimis at the date of issuance and the Company continues to evaluate the significance of this feature on a quarterly basis.

In the third quarter of 2011, the Company repurchased \$53.0 million of par value (\$46.6 million of carrying value) of its 2.625% Convertible Senior Subordinated Notes due 2026 for \$56.2 million in cash. Additionally, the Company wrote off the proportionate share of debt issuance costs of \$0.5 million, thus recognizing a net \$5.3 million loss on the extinguishment of the debt.

The notes will mature on December 15, 2026. Beginning December 20, 2013, the Company may redeem the notes, in whole or in part, for cash at a price of 100% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date. If a holder elects to convert its notes in connection with the occurrence of specified fundamental changes that occur prior to December 15, 2013, the holder will be entitled to receive, in addition to cash and shares of common stock equal to the conversion rate, an additional number of shares of common stock, in each case as described in the indenture. Notwithstanding these conversion rate adjustments, these notes contain an explicit limit on the number of shares issuable upon conversion. Holders may require the Company to repurchase the notes for cash on December 15 of 2013, 2016 and 2021 at a repurchase price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest, to, but excluding, the repurchase date. Upon the occurrence of certain corporate events, each holder may require the Company to purchase all or a portion of such holder's notes for cash at a price equal to the principal amount of such notes, plus accrued and unpaid interest, to, but excluding, the repurchase date.

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The notes which are the Company's unsecured obligations, will be subordinated in right of payment to all of the Company's existing and future senior indebtedness, will rank *pari passu* in right of payment with all of the Company's existing and future senior subordinated indebtedness and will be senior in right of payment to all of the Company's existing and future subordinated obligations. The notes will also be effectively subordinated to any of the Company's or its subsidiaries' secured indebtedness to the extent of the value of the assets securing such indebtedness.

Included in other assets as of December 31, 2011, were \$1.9 million of debt issuance costs associated with the 2.625% Convertible Senior Subordinated Notes due 2026, which will be amortized using the effective interest method through 2013. Included in long-term debt as of December 31, 2011 was \$24.5 million of unamortized debt discount associated with the 2.625% Convertible Senior Subordinated Notes due 2026, which will be amortized using the effective interest method through 2013.

2.625% Convertible Senior Subordinated Notes, Series B

On December 15, 2011, the Company exchanged \$198.6 million of its 2.625% Convertible Senior Subordinated Notes due 2026 for \$198.6 million of 2.625% Convertible Senior Subordinated Notes due 2026, Series B. The Company recorded exchange expenses of \$1.4 million, which were capitalized as debt issuance costs and are being amortized using the effective interest method through the first put date of December 15, 2016. The notes bear interest at the rate of 2.625% per year from the date of issuance. Interest on the notes is payable on June 15 and December 15 of each year, beginning on June 15, 2012. The effective interest rate of the notes is 5.25%. The notes are fully and unconditionally guaranteed on an unsecured senior subordinated basis by certain existing domestic subsidiaries of the Company.

The notes are convertible by holders into cash and shares of the Company's common stock at a conversion rate of 95.2381 shares of common stock per \$1,000 principal amount of notes (subject to adjustment in certain events), which is equivalent to an initial conversion price of approximately \$10.50 per share of common stock. The Company will settle conversion of all notes validly tendered for conversion in cash and shares of the Company's common stock, if applicable, subject to the Company's right to pay the share amount in additional cash. Holders may convert their notes under the following circumstances: (i) during the five business-day period immediately following any five consecutive trading-day period in which the trading price per \$1,000 principal amount of notes for each day of such period was less than 103% of the product of the closing sale price of the Company's common stock and the conversion rate; (ii) upon occurrence of the specified transactions described in the indenture relating to the notes; or (iii) on and after June 15, 2016. The Company determined that the conversion option based on a trading price condition meets the definition of a derivative, and should be bifurcated from the debt host and accounted for separately. However, the fair value of this feature was determined to be de minimis at the date of issuance and the Company continues to evaluate the significance of this feature on a quarterly basis.

The notes will mature on December 15, 2026. Beginning December 20, 2016, the Company may redeem the notes, in whole or in part, for cash at a price of 100% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date. If a holder elects to convert its notes in connection with the occurrence of specified fundamental changes that occur prior to December 15, 2016, the holder will be entitled to receive, in addition to cash and shares of common stock equal to the conversion rate, an additional number of shares of common stock, in each case as described in the indenture. Notwithstanding these conversion rate adjustments, these notes contain an explicit limit on the number of shares issuable upon conversion. Holders may require the Company to repurchase the notes for cash on December 15 of 2016 and 2021 at a repurchase price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest, to, but excluding, the repurchase date.

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Upon the occurrence of certain specified events, each holder may require the Company to purchase all or a portion of such holder's notes for cash at a price equal to the principal amount of such notes, plus accrued and unpaid interest, to, but excluding, the repurchase date.

The notes, which are the Company's unsecured obligations, will be subordinated in right of payment to all of the Company's existing and future senior indebtedness, will rank *pari passu* in right of payment with all of the Company's existing and future senior subordinated indebtedness and will be senior in right of payment to all of the Company's existing and future subordinated obligations. The notes will also be effectively subordinated to any of the Company's or its subsidiaries' secured indebtedness to the extent of the value of the assets securing such indebtedness.

Included in other assets as of December 31, 2011, were \$1.4 million of debt issuance costs associated with the 2.625% Convertible Senior Subordinated Notes due 2026, Series B, which will be amortized using the effective interest method through 2016. Included in long-term debt as of December 31, 2011 was \$22.0 million of unamortized debt discount associated with the 2.625% Convertible Senior Subordinated Notes due 2026, Series B, which will be amortized using the effective interest method through 2016.

The Company's foreign and domestic subsidiaries entered into various debt arrangements as follows (dollars in millions):

<u>Loan Agreement</u>	<u>Balance as of December 31, 2011</u>	<u>Secured By</u>
U.S. Equipment Financing	\$ 10.8	Equipment
Philippines Loan	10.0	Unsecured
Philippines Loans	58.2	Equipment
Singapore Loan	25.0	Accounts Receivable
Chinese Loan	7.0	Unsecured
Japanese loans	3.5	Unsecured
U.S. Real Estate Mortgages	31.6	Real Estate
Loan with British Finance Company	13.1	Accounts Receivable
Loan with Hong Kong Bank	40.0	Accounts Receivable

Capital Lease Obligations

The Company has various capital lease obligations primarily for machinery and equipment, which as of December 31, 2011 totaled \$100.9 million, with interest rates ranging from 1.9% to 15.5% and maturities from the first quarter of 2012 until the first quarter of 2020.

During 2010, the Company sold assets with a net book value of \$25.2 million for \$37.1 million to a leasing agency under a sale-leaseback arrangement. We deferred a gain on the transaction in the amount of \$11.9 million. Concurrently, the Company purchased the assets under a capital lease agreement with the net present value of minimum lease payments of \$37.1 million, which will be depreciated over the lease term of four years.

Debt Guarantees

ON Semiconductor is the sole issuer of the Zero Coupon Convertible Senior Subordinated Notes due 2024, the 1.875% Convertible Senior Subordinated Notes due 2025, the 2.625% Convertible Senior Subordinated Notes due 2026 and the 2.625% Convertible Senior Subordinated Notes due 2026, Series B (collectively, the "Convertible Notes"). See Note 18: "Guarantor and Non-Guarantor Statements" for the condensed consolidated financial information for the issuer of the Convertible Notes, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries.

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Note 9: Income Taxes

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

	Year ended December 31,		
	2011	2010	2009
United States	\$(143.9)	\$ (57.5)	\$(28.3)
Foreign	181.7	363.2	99.3
	<u>\$ 37.8</u>	<u>\$305.7</u>	<u>\$ 71.0</u>

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

	Year ended December 31,		
	2011	2010	2009
Current:			
Federal	\$ 0.5	\$ (0.3)	\$(1.8)
State and local	0.3	0.4	0.2
Foreign	25.0	8.4	7.8
	<u>25.8</u>	<u>8.5</u>	<u>6.2</u>
Deferred:			
Federal	—	(1.2)	1.2
Foreign	(2.9)	5.5	0.3
	<u>(2.9)</u>	<u>4.3</u>	<u>1.5</u>
	<u>\$22.9</u>	<u>\$12.8</u>	<u>\$ 7.7</u>

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

	Year ended December 31,		
	2011	2010	2009
U.S. federal statutory rate	35.0%	35.0%	35.0%
Increase (decrease) resulting from:			
State and local taxes, net of federal tax benefit	0.7	0.1	0.4
Foreign withholding taxes	0.1	—	3.3
Foreign rate differential	(588.0)	(36.5)	(39.6)
Dividend income from foreign subsidiaries	146.1	15.3	89.1
Goodwill impairment	—	—	—
Gain on SANYO Semiconductor acquisition	(22.5)	—	—
Research and development credit monetization	—	(0.1)	(2.8)
Change in valuation allowance	491.5	(8.0)	(72.0)
Tax reserves	0.8	(0.3)	(7.5)
Other	(3.1)	(1.3)	4.9
	<u>60.6%</u>	<u>4.2%</u>	<u>10.8%</u>

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The tax effects of temporary differences in the recognition of income and expense for tax and financial reporting purposes that give rise to significant portions of the deferred tax assets, net of deferred tax liabilities as of December 31, 2011 and December 31, 2010, are as follows (in millions):

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Net operating loss and tax credit carryforwards	\$ 1,056.5	\$ 424.1
Tax-deductible goodwill	40.6	65.3
Reserves and accruals	31.7	67.2
Property, plant and equipment	360.5	7.4
Inventories	101.3	14.0
Other	28.6	(19.7)
Deferred tax assets and liabilities before valuation allowance	<u>\$ 1,619.2</u>	<u>\$ 558.3</u>
Valuation allowance	(1,626.1)	(560.8)
Net deferred tax asset (liability)	<u>\$ (6.9)</u>	<u>\$ (2.5)</u>

A valuation allowance has been recorded against the Company's deferred tax assets, with the exception of deferred tax assets at certain foreign subsidiaries, as management cannot conclude that it is more likely than not that these assets will be realized. As of December 31, 2011, the Company had \$14.9 million of valuation allowance related to stock option deductions, which, if realized, will be accounted for as an addition to equity rather than as a reduction to the provision for income taxes.

As of December 31, 2011, the Company's federal, state, and foreign net operating loss carryforwards ("NOLs") were \$874.8 million, \$932.6 million and \$1,529.3 million, respectively. If not utilized, these NOLs will expire in varying amounts from 2012 through 2028. Pursuant to Sections 382 and 383 of the Internal Revenue Code, the utilization of NOLs and other tax attributes may be subject to substantial limitations if certain ownership changes occur during a three-year testing period (as defined by the Internal Revenue Code). During 2006, such an ownership change occurred, limiting the use of federal NOL's to approximately \$93.1 million per year.

The Company reviews the collectibility of its tax receivables due from various jurisdictions and when recovery is uncertain, the Company reserves amounts deemed to be uncollectible. If the receipts of these amounts occur or are assured, the reversal of the reserves previously established would result in a tax benefit in the period. As of December 31, 2011, the Company had no allowances for tax receivables.

The 2011 provision of \$22.9 million included \$19.4 million for income and withholding taxes of certain of our foreign operations, \$3.2 million of additional valuation allowance against certain deferred tax assets and \$2.9 million of interest on existing reserves for potential liabilities in foreign taxing jurisdictions. This is partially offset by the reversal of \$2.6 million for reserves and interest for potential liabilities in foreign taxing jurisdictions which were effectively settled or for which the statute lapsed during 2011.

The 2010 provision included \$13.5 million for income and withholding taxes of certain of the Company's foreign operations and \$2.7 million of new reserves and interest on existing reserves for potential liabilities in foreign taxing jurisdictions. This was partially offset by the reversal of \$3.4 million for reserves and interest for potential liabilities in foreign taxing jurisdiction, which was effectively settled, or for which the statute lapsed during 2010.

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The 2009 provision included \$13.0 million for income and withholding taxes of certain of the Company's foreign and U.S. operations and \$3.4 million of new reserves for potential liabilities in foreign taxing jurisdictions, partially offset by the reversal of \$8.7 million of previously accrued income taxes for anticipated audit issues.

Each year, the Company reassesses its intentions regarding repatriation of undistributed earnings from non-U.S. subsidiaries, concluding that except for certain earnings that the Company intends to reinvest indefinitely, provisions will be made for the estimated U.S. federal income taxes applicable to undistributed earnings of non-U.S. subsidiaries on the belief that those earnings will be ultimately dividended to the parent. Undistributed earnings of approximately \$1,288.7 million at December 31, 2011 have been indefinitely reinvested; therefore, no provision has been made for taxes due upon remittance of these earnings. Determination of the amount of unrecognized deferred tax liability on these undistributed earnings is not practicable.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2005.

The Company maintains liabilities for uncertain tax positions. These liabilities involve considerable judgment and estimation and are continuously monitored by management based on the best information available, including changes in tax regulations, the outcome of relevant court cases, and other information. The Company is currently under examination by various taxing authorities. Although the outcome of any tax audit is uncertain, the Company believes that it has adequately provided in its consolidated financial statements for any additional taxes that the Company may be required to pay as a result of such examinations. If the payment ultimately proves not to be necessary, the reversal of these tax liabilities would result in tax benefits being recognized in the period the Company determines such liabilities are no longer necessary. However, if an ultimate tax assessment exceeds the Company's estimate of tax liabilities, additional tax expense will be recorded. The impact of such adjustments could have a material impact on the Company's results of operations in future periods.

The activity for unrecognized gross tax benefits for 2011, 2010 and 2009 (in millions) is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$13.4	\$17.0	\$19.4
Reserves acquired	1.3	—	2.7
Additions based on tax positions related to the current year	5.5	1.2	1.4
Additions for tax positions of prior years	0.8	0.5	1.0
Reductions for tax positions of prior years	(1.4)	(0.3)	(3.9)
Lapse of statute	(1.0)	(5.0)	(3.6)
Settlements	—	—	—
Currency adjustments	—	—	—
Balance at end of year	<u>\$18.6</u>	<u>\$13.4</u>	<u>\$17.0</u>

Included in the December 31, 2011 balance of \$18.6 million is \$17.7 million related to unrecognized tax positions that, if recognized, would affect the annual effective tax rate. Of the total \$18.6 million balance of unrecognized tax benefit at December 31, 2011, \$1.4 million is related to tax positions for which it is reasonably possible that the total amounts could significantly change during the 12 months following December 31, 2011, as a result of expiring statutes of limitations.

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The Company recognizes interest and penalties accrued in relation to unrecognized tax benefits in tax expense. The Company recognized approximately \$(0.1) million, \$(0.1) million and \$(0.8) million in benefits during the years ended December 31, 2011, 2010 and 2009, respectively. Additionally, upon the acquisition of PulseCore, the balance of accrued interest and penalties increased \$0.9 million during 2009. The Company had approximately \$2.9 million, \$2.9 million and \$4.0 million of accrued interest and penalties at December 31, 2011, 2010 and 2009, respectively.

Note 10: Earnings Per Share and Equity

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

	For the years ended December 31,		
	2011	2010	2009
Net income applicable to ON Semiconductor Corporation	\$ 11.6	\$ 290.5	\$ 61.0
Basic weighted average common shares outstanding	446.7	431.0	420.8
Add: Incremental shares for:			
Dilutive effect of stock options and awards	7.6	9.3	8.5
Dilutive effect of convertible notes	2.9	4.1	2.8
Diluted weighted average common shares outstanding	<u>457.2</u>	<u>444.4</u>	<u>432.1</u>
Net income per common share attributable to ON Semiconductor Corporation			
Basic:	<u>\$ 0.03</u>	<u>\$ 0.67</u>	<u>\$ 0.14</u>
Diluted:	<u>\$ 0.03</u>	<u>\$ 0.65</u>	<u>\$ 0.14</u>

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

The number of incremental shares from the assumed exercise of stock options and assumed issuance of restricted stock units is calculated by applying the treasury stock method. Common shares relating to the employee stock options where the exercise price exceeded the average market price of the Company's common shares for the period have been anti-dilutive and were excluded from the diluted net income per share calculation. The excluded option shares were 11.7 million, 13.7 million and 13.1 million for the years ended December 31, 2011, 2010 and 2009, respectively.

The incremental shares related to the Company's Zero Coupon Convertible Senior Subordinated Notes due 2024, 2.625% Convertible Senior Subordinated Notes due 2026 (including Series B notes), and the 1.875% Convertible Senior Subordinated Notes due 2025 (collectively, the "Convertible Notes") is determined in accordance with the net share settlement requirements prescribed by ASC Topic 260, *Earnings Per Share* ("ASC 260"). Under the net share settlement calculation, the 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. The dilutive effect occurs when the stock price exceeds the conversion price for each of the Convertible Notes, as of the end of the period or as described in ASC 260 for year-to-date calculations. In periods when the share price is lower than the conversion price, the impact is anti-dilutive and therefore has no impact on the Company's earnings per share calculations. See Note 8: "Long-Term Debt" for further discussion of the conversion prices and other features of the Convertible Notes.

Treasury stock is recorded at cost and is presented as a reduction of stockholders' equity in the accompanying consolidated financial statements. Shares withheld upon the vesting of restricted stock units to pay

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applicable employee withholding taxes are considered common stock repurchases. Upon vesting, the Company currently does not collect the applicable employee withholding taxes from employees. Instead, the Company automatically withholds, from the restricted stock units that vest, the portion of those shares with a fair market value equal to the amount of the employee withholding taxes due, which is accounted for as a repurchase of common stock. The Company then pays the applicable withholding taxes in cash. The amounts remitted in the years ended December 31, 2011 and 2010 were \$19.3 million and \$15.0 million, respectively, for which the Company withheld 2,037,941 and 1,956,317 shares of common stock, respectively, that were underlying the restricted stock units that vested. None of these shares had been reissued or retired as of December 31, 2011, but may be reissued or retired by the Company at a later date.

Note 11: Share-Based Compensation

Total share-based compensation expense related to the Company's employee stock options, restricted stock units, stock grant awards and employee stock purchase plan for the years ended December 31, 2011, 2010 and 2009 were comprised as follows (in millions):

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Cost of revenues	\$ 6.3	\$ 14.1	\$ 13.7
Research and development	6.9	10.5	10.7
Selling and marketing	6.4	9.7	8.8
General and administrative	13.9	17.9	21.0
Restructuring	—	0.5	—
Share-based compensation expense before income taxes	<u>\$ 33.5</u>	<u>\$ 52.7</u>	<u>\$ 54.2</u>
Related income tax benefits (1)	—	—	—
Share-based compensation expense, net of taxes	<u>\$ 33.5</u>	<u>\$ 52.7</u>	<u>\$ 54.2</u>

- (1) Most of the Company's share-based compensation relates to its domestic subsidiaries, which have historically experienced recurring net operating losses; therefore, no related tax benefits are recorded.

At December 31, 2011, total unrecognized estimated share-based compensation expense, net of estimated forfeitures, related to non-vested stock options granted prior to that date was \$7.9 million, which is expected to be recognized over a weighted average period of 2.0 years. At December 31, 2011, total unrecognized share-based compensation expense, net of forfeitures, related to non-vested restricted stock units with time-based service conditions and performance-based vesting criteria granted prior to that date was \$25.6 million. The total intrinsic value of stock options exercised during the year ended December 31, 2011 was \$35.7 million. The Company recorded cash received from the exercise of stock options of \$59.4 million and cash from issuance of shares under the 2000 Employee Stock Purchase Plan ("ESPP") of \$8.1 million and no related tax benefits during the year ended December 31, 2011. Upon option exercise, release of restricted stock units, stock grant awards, or completion of a purchase under the ESPP, the Company issues new shares of common stock.

Share-Based Compensation Information

The fair value of each option grant is estimated on the date of grant using a lattice-based option valuation model. The lattice-based model uses: (1) a constant volatility; (2) an employee exercise behavior model (based on an analysis of historical exercise behavior); and (3) the treasury yield curve to calculate the fair value of each option grant.

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The weighted-average estimated fair value of employee stock options granted during the years ended December 31, 2011, 2010 and 2009 was \$3.88 per share, \$3.11 per share and \$3.39 per share, respectively, and was calculated using the lattice-based model with the following weighted-average assumptions (annualized percentages):

	<u>Year Ended</u> <u>December 31, 2011</u>	<u>Year Ended</u> <u>December 31, 2010</u>	<u>Year Ended</u> <u>December 31, 2009</u>
Volatility	52.1%	46.8%	54.9%
Risk-free interest rate	1.2%	1.7%	2.4%
Expected term	4.8 years	5.0 years	5.3 years

The volatility input is developed using blended volatility. The expected term of options represents the period of time that the options are expected to be outstanding. The expected term disclosure above is computed using the lattice model's estimated fair value as an input to the Black-Scholes formula and solving for expected term. The risk-free rate is based on zero-coupon U.S. Treasury yields in effect at the date of grant with the same period as the expected term.

Share-based compensation expense recognized in the Consolidated Statement of Operations is based on awards 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. Pre-vesting forfeitures for stock options were estimated to be approximately 11%, 12% and 12% in the years ended December 31, 2011, 2010, and 2009, respectively. Pre-vesting forfeitures for restricted stock units were estimated to be approximately 8%, 12% and 12% in the years ended December 31, 2011, 2010, and 2009, respectively.

The Company uses the Black-Scholes option-pricing model to calculate the fair value of shares issued under the ESPP. The weighted-average fair value of shares issued under the ESPP during the years ended December 31, 2011, 2010 and 2009 were \$2.09 per share, \$1.71 per share and \$1.57 per share, respectively. The weighted-average assumptions used in the pricing model are as follows:

<u>Employee Stock Purchase Plan</u>	<u>Year Ended</u> <u>December 31, 2011</u>	<u>Year Ended</u> <u>December 31, 2010</u>	<u>Year Ended</u> <u>December 31, 2009</u>
Expected life (in years)	0.25	0.25	0.25
Risk-free interest rate	0.05%	0.14%	0.15%
Volatility	39%	39%	83%

Plan Descriptions

On February 17, 2000, the Company adopted the 2000 Stock Incentive Plan (the "2000 SIP") which provides key employees, directors and consultants with various equity-based incentives as described in the plan document. The 2000 SIP is administered by the Board of Directors or a committee thereof, which was authorized to determine, among other things, the key employees, directors or consultants who receive awards under the plan, the amount and type of award, exercise prices or performance criteria, if applicable, and vesting schedules. Through December 31, 2004, stockholders had approved amendments to the 2000 SIP which increased the number of shares of the Company's common stock reserved and available for grant to 30.5 million, plus an additional number of shares of the Company's common stock equal to 3% of the total number of outstanding shares of common stock effective automatically on January 1st of each year beginning January 1, 2005 and ending January 1, 2010. On February 17, 2010, the 2000 SIP expired and the Company ceased granting under the plan. Outstanding options and awards as of the expiration date continue to be outstanding and exercisable or subject to vesting pursuant to the underlying grant agreements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

In March 2008, the Company assumed approximately 9.4 million employee stock options and 1.1 million restricted stock unit awards in accordance with applicable NASDAQ listing standards under the AMIS Holdings, Inc. Amended and Restated 2000 Equity Incentive Plan, which has not been approved by the Company's stockholders, but which was approved by AMIS' stockholders. Approximately 4.9 million shares were added to the 2000 SIP as a result of the assumption of the number of shares remaining available for grant under the AMIS Holdings, Inc. Employee Stock Purchase Plan and the AMIS Holdings, Inc. Amended and Restated 2000 Equity Incentive Plan.

In October 2008, the Company assumed approximately 3.9 million employee stock options and 0.4 million restricted stock unit awards in accordance with applicable NASDAQ listing standards under the following plans, which have not been approved by the Company's stockholders, but which were approved by Catalyst's stockholders: the Catalyst Options Amended and Restated 2003 Stock Incentive Plan, the Catalyst 2003 Director Stock Option Plan, and the Catalyst 1998 Special Equity Incentive Plan.

In January 2010, the Company assumed approximately 2.4 million employee stock options in accordance with applicable NASDAQ listing standards under the following plans, which have not been approved by the Company's stockholders, but which were approved by California Micro Devices stockholders: the California Micro Devices Corporation 2004 Omnibus Incentive Compensation Plan, the California Micro Devices Corporation 1995 Non-Employee Directors' Stock Option Plan, and the California Micro Devices Corporation 1995 Employee Stock Option Plan. In addition, the Company assumed approximately 0.3 million employee stock options in accordance with applicable NASDAQ listing standards pursuant to agreements between California Micro Devices Corporation and certain employees.

On March 23, 2010, the Company adopted the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan ("the Amended and Restated SIP"), which was subsequently approved by the Company's shareholders at the annual shareholder meeting on May 18, 2010. The Amended and Restated SIP provides key employees, directors and consultants with various equity-based incentives as described in the plan document. The Amended and Restated SIP is administered by the Board of Directors or a committee thereof, which is authorized to determine, among other things, the key employees, directors or consultants who will receive awards under the plan, the amount and type of award, exercise prices or performance criteria, if applicable, and vesting schedules. The total number of shares of stock subject to all awards under the Amended and Restated SIP is 26.1 million, plus the number of shares of stock subject to awards that were previously granted and outstanding pursuant to the 2000 SIP that upon cancellation may again become available for grant under the Amended and Restated SIP pursuant to the plan document.

Generally, the options granted under the 2000 SIP and Amended and Restated SIP vest over a period of four years and have a term of 10 years and 7 years, respectively. Under both plans, certain outstanding options vest automatically upon a change of control, as defined in the respective plan document, provided the option holder is employed by the Company on the date of the change in control. Certain other outstanding options may also vest upon a change of control if the Board of Directors of the Company, at its discretion, provides for acceleration of the vesting of said options. Upon the termination of an option holder's employment, all unvested options will immediately terminate and vested options will generally remain exercisable for a period of 90 days after the date of termination (one year in the case of death or disability), unless otherwise specified in an option holder's employment or stock option agreement.

Generally, restricted stock units granted under the 2000 SIP and the Amended and Restated SIP vest over three to four years or based on the achievement of certain performance criteria and are payable in shares of the Company's stock upon vesting.

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As of December 31, 2011, there was an aggregate of 17.4 million shares of common stock available for grant under the Amended and Restated SIP.

Stock Options

A summary of stock option transactions for all stock option plans follows (in millions except per share and term data):

	Year Ended December 31, 2011		
	Number of Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding at December 31, 2010	27.4	\$ 7.44	
Granted	1.1	8.71	
Exercised	(8.7)	6.82	
Canceled	(1.1)	9.28	
Outstanding at December 31, 2011	<u>18.7</u>	<u>\$ 7.70</u>	<u>4.6</u>
Exercisable at December 31, 2011	<u>14.5</u>	<u>7.80</u>	<u>4.0</u>

As of December 31, 2011, the Company had 18.2 million stock options vested and expected to vest outstanding with a weighted average exercise price of \$7.70.

Net stock options, after forfeitures and cancellations, granted during the years ended December 31, 2011 and December 31, 2010 represented 0.02% and (0.20)% of outstanding shares as of the beginning of each such fiscal year, respectively. Total stock options granted during the years ended December 31, 2011 and December 31, 2010 represented 0.25% and 0.41% of outstanding shares as of the end of each such fiscal year, respectively.

Additional information about stock options outstanding at December 31, 2011 with exercise prices less than or above \$7.72 per share, the closing price of the Company's common stock at December 31, 2011, follows (number of shares in millions):

Exercise Prices	Exercisable		Unexercisable		Total	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Less than \$7.72	7.4	\$ 5.65	2.3	\$ 6.12	9.7	\$ 5.76
Above \$7.72	7.1	\$ 10.03	1.9	\$ 8.80	9.0	\$ 9.77
Total Outstanding	<u>14.5</u>	<u>\$ 7.80</u>	<u>4.2</u>	<u>\$ 7.33</u>	<u>18.7</u>	<u>\$ 7.70</u>

Restricted Stock Units

During 2011, the Company awarded 3.6 million restricted stock units to certain officers and employees of the Company that vest upon the achievement of certain performance criteria. The number of units expected to vest is evaluated each reporting period and compensation expense is recognized for those units for which achievement of the performance criteria is considered probable.

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As of December 31, 2011, the Company determined that it is probable that certain of the criteria relating to performance-based restricted stock units granted during the current and prior years will be met. Compensation expense of \$13.7 million was recognized during the year for all performance based restricted stock units. Additional compensation expense of \$7.2 million was recognized during the year for all restricted stock units with time-based service conditions that were granted in 2011 and prior that are expected to vest.

A summary of the restricted stock units transactions for the year ended December 31, 2011 follows (number of shares in millions):

	<u>Year Ended December 31, 2011</u>	
	<u>Number of Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Nonvested shares of restricted stock units at December 31, 2010	12.3	\$ 5.19
Granted	5.1	10.04
Released	(6.5)	4.47
Forfeited	(1.3)	7.41
Nonvested shares of restricted stock units at December 31, 2011	<u>9.6</u>	<u>\$ 7.95</u>

As of December 31, 2011, unrecognized compensation expense net of estimated forfeitures related to non-vested restricted stock units granted under the 2000 SIP and Amended and Restated SIP with time-based and performance-based conditions was \$15.3 million and \$10.3 million, respectively. For restricted stock units with time-based service conditions, expense is being recognized over the vesting period; for restricted stock units with performance criteria, expense is being recognized over the period during which the performance criteria is expected to be met. Unrecognized compensation cost related to awards with certain performance criteria that are not expected to be met is not included here. Total compensation expense related to both performance based and service based restricted stock units was \$20.9 million for the year ended December 31, 2011.

Stock Grant Awards

During the year ended December 31, 2011, the Company granted 0.1 million shares in restricted stock awards with immediate vesting and with a weighted average grant date fair value of \$10.55 per share. Total compensation expense related to stock grant awards for the year ended December 31, 2011 was \$1.5 million.

Employee Stock Purchase Plan

On February 17, 2000, the Company adopted the ESPP. Subject to local legal requirements, each of the Company's eligible employees has the right to elect to have up to 10% of his or her eligible payroll applied towards the purchase of shares of the Company's common stock at a price equal to 85% of the fair market value of such shares as determined under the plan. Employees are limited to annual purchases of \$25,000 under this plan. In addition, during each quarterly offering period, employees may not purchase stock exceeding the lesser of (i) 500 shares, or (ii) the number of shares equal to \$6,250 divided by the fair market value of the stock on the first day of the offering period. During the years ended December 31, 2011, 2010 and 2009, employees purchased for each such year approximately 1.2 million shares under the plan. Through May 2009, shareholders have approved amendments to the ESPP, which have increased the number of shares of the Company's common stock issuable thereunder to 15 million shares. As of December 31, 2011, there were 4.1 million shares available for issuance under the ESPP.

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

Note 12: Employee Benefit Plans**Defined Benefit Plans**

Benefits under all of the Company's plans are valued utilizing the projected unit credit cost method. The Company's policy is to fund its defined benefit plans in accordance with local requirements and regulations. The Company expects to contribute \$15.3 million in 2012. As discussed below, the 2012 funding is primarily driven by the Company's current assessment of the economic environment and projected benefit payments of its foreign subsidiaries. The Company's measurement date for determining its defined benefit obligations for all plans is December 31 of each year.

Certain of the Company's foreign subsidiaries provide retirement plans for substantially all of their employees. Such plans conform to local practice in terms of providing minimum benefits mandated by law, collective agreements or customary practice. The weighted average assumed rate of return on plan assets for these plans for 2012 is 3.30%. The Company's expected long-term rate of return on plan assets is updated at least annually, taking into consideration its asset allocation, historical returns on similar types of assets and the current economic environment. For estimation purposes, the Company assumes its long-term asset mix will generally be consistent with the current mix. The Company determines its discount rates using AA rated corporate bond yields and long term government bond yields.

The Company recognizes actuarial gains and losses in net periodic pension cost during the fourth quarter of each year, which is the period the Company's annual pension plan actuarial valuations are prepared.

The following is a summary of the status of the Company's foreign defined benefit pension plans and the net periodic pension cost (dollars in millions):

	Year Ended December 31,		
	2011	2010	2009
Service cost	\$ 9.4	\$ 3.8	\$ 4.0
Interest cost	5.2	3.1	3.6
Expected return on plan assets	(4.0)	(2.8)	(2.6)
Amortization of prior service cost	2.6	1.1	(4.9)
Curtailment loss	2.0	—	—
Other losses (gains)	(3.1)	—	0.3
Total net periodic pension cost	<u>\$12.1</u>	<u>\$ 5.2</u>	<u>\$ 0.4</u>
Weighted average assumptions			
Discount rate	3.50%	4.65%	5.61%
Expected return on plan assets	4.07%	4.75%	5.16%
Rate of compensation increase	4.66%	3.87%	4.06%

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

	December 31,	
	2011	2010
Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	\$ 74.8	\$ 68.6
Benefit obligation incurred through acquisition	87.9	—
Service cost	9.4	3.8
Interest cost	5.2	3.1
Net actuarial (gain) or loss	(7.8)	1.5
Benefits paid by plan assets	(3.2)	(1.1)
Curtailement	2.0	—
Plan amendments	2.6	—
Translation (gain) or loss and other	5.5	(1.1)
Projected benefit obligation at the end of the year	<u>\$176.4</u>	<u>\$ 74.8</u>
Accumulated benefit obligation at the end of the year	<u>\$134.7</u>	<u>\$ 56.3</u>
Change in plan assets		
Fair value of plan assets at the beginning of the year	\$ 65.9	\$ 65.8
Plan assets incurred through acquisition	35.7	—
Actual return on plan assets	(0.7)	3.3
Benefits paid from plan assets	(3.2)	(1.0)
Employer contributions	5.8	1.4
Translation gain or (loss)	2.0	(3.6)
Fair value of plan assets at the end of the year	<u>\$105.5</u>	<u>\$ 65.9</u>
Plans with underfunded or non-funded projected benefit obligation:		
Aggregate accumulated benefit obligation	\$108.4	\$ 38.9
Aggregate fair value of plan assets	\$ 52.0	\$ 17.4
Plans with underfunded or non-funded accumulated benefit obligation:		
Aggregate accumulated benefit obligation	\$102.2	\$ 24.7
Aggregate fair value of plan assets	\$ 49.8	\$ 7.7
Amounts recognized in the balance sheet consist of:		
Noncurrent assets	\$ 12.4	\$ 13.8
Current liabilities	(11.4)	(0.2)
Non-current liabilities	(71.9)	(22.5)
Funded status	<u>\$ (70.9)</u>	<u>\$ (8.9)</u>
Amounts recognized in accumulated other comprehensive income consist of:		
Prior service cost	<u>\$ 0.1</u>	<u>\$ 0.2</u>
Weighted average assumptions at the end of the year		
Discount rate	3.50%	4.65%
Rate of compensation increase	4.66%	3.87%

As of December 31, 2011 and 2010, respectively, the assets of the Company's foreign plans were invested 17% and 67% in equity securities, 25% and 9% in debt securities, 56% and 24% in other investments and 2% and zero in cash, which included investment contracts and other short-term investments. This asset allocation is based on the anticipated required funding amounts, timing of benefit payments, historical returns on similar assets and the current economic environment.

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
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The long term rate of return on plan assets was determined using the weighted average method, which incorporates factors that include the historical inflation, interest rate yield curve and current market condition

Plan Assets

The Company's overall investment strategy is to focus on wealth protection, invest in safe and low credit risk investments with the goal to provide a positive rate of return to the plan assets. The Company is investing in a mix of investments with a wide diversification of asset types and fund strategies that align with each region and foreign location's economy and market conditions. Investment in government securities and government agencies, where the returns are guaranteed by the government, has been constructed in order to achieve the returns needed to cover the plan liabilities. Investment in fixed income securities and equity securities is with the expectation that the investments shall give a good rate of return in the long run despite periods of volatility or decline. Other types of investments include investments in cash deposits, money market funds and insurance.

The fair value measurement of plan assets in the Company's foreign pension plans as of December 31, 2011 and 2010, was as follows (in millions):

Asset Category	December 31, 2011			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash/Money Markets	\$ 2.5	\$ 2.5	\$ —	\$ —
Foreign Government Securities (1)	56.1	51.5	4.6	—
Corporate Bonds, Debentures (2)	26.7	21.2	1.4	4.1
Equity Securities (3)	17.7	16.0	1.7	—
Mutual Funds	0.3	0.3	—	—
Real Estate Fund	0.1	—	0.1	—
Insurance Contracts (4)	2.1	—	1.1	1.0
	<u>\$105.5</u>	<u>\$ 91.5</u>	<u>\$ 8.9</u>	<u>\$ 5.1</u>

Asset Category	December 31, 2010			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash/Money Markets	\$ —	\$ —	\$ —	\$ —
Foreign Government Securities	48.1	27.6	17.5	3.0
Agency Securities	1.5	—	1.5	—
Corporate Bonds, Debentures	10.8	3.2	4.1	3.5
Equity Securities	4.1	2.0	2.1	—
Mutual Funds	0.3	0.3	—	—
Real Estate Fund	0.1	—	0.1	—
Insurance Contracts	1.0	—	—	1.0
	<u>\$ 65.9</u>	<u>\$ 33.1</u>	<u>\$ 25.3</u>	<u>\$ 7.5</u>

(1) This category includes investments in guaranteed returns securities.

(2) This category includes investments in government bonds and corporate bonds of developed countries, emerging market government bonds, emerging market corporate bonds and convertible bonds, of which 54% of bond securities were invested in Japan.

(3) This category includes investments in equity securities of developed countries and emerging markets, of which 53% were invested in Japan.

(4) This category refers to investments with insurance companies' General Account. The General Account guarantees a minimum rate of return to the investment.

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

When available, the Company uses observable market data, including pricing on recent closed market transactions and quoted prices, which are included in Level 2. When data is unobservable, valuation methodologies using comparable market data are utilized and included in Level 3. Activity during the year ended December 31, 2011 for plan assets with fair value measurement using significant unobservable inputs (Level 3) was as follows (in millions):

	Foreign Government Securities	Corporate Bonds, Debentures	Insurance	Total
Balance at December 31, 2009	\$ 2.4	\$ 2.6	\$ 1.0	\$ 6.0
Actual return on plan assets:				
Relating assets still held at the reporting date	—	0.2	0.2	0.4
Relating assets sold during the period	—	—	—	—
Purchases, sales and settlements	0.6	0.7	(0.2)	1.1
Transfers in and/or out of Level 3	—	—	—	—
Balance at December 31, 2010	<u>3.0</u>	<u>3.5</u>	<u>1.0</u>	<u>7.5</u>
Actual return on plan assets:				
Relating assets still held at the reporting date	—	—	—	—
Relating assets sold during the period	—	—	—	—
Purchases, sales and settlements	—	—	—	—
Transfers in and/or out of Level 3	(3.0)	0.6	—	(2.4)
Balance at December 31, 2011	<u>\$ —</u>	<u>\$ 4.1</u>	<u>\$ 1.0</u>	<u>\$ 5.1</u>

The expected benefit payments for the Company's defined benefit plans by year from 2012 through 2016 and the five years thereafter are as follows (in millions):

2012	\$15.3
2013	3.6
2014	3.6
2015	4.0
2016	4.0
5 years thereafter	—
Total	<u>\$30.5</u>

The total underfunded status was \$70.9 million at December 31, 2011. The Company expects to contribute \$15.3 million during 2012 to its foreign defined benefit plans.

Multi Employer Pension Plans

As discussed in Note 4: "Acquisitions," the Company is now responsible for contributing to several multi-employer benefit plans as a result of the SANYO Semiconductor transaction. During the year ended December 31, 2011, the Company contributed \$20.0 million to these plans. At the time of the acquisition, the Company recorded \$144.9 million of estimated liabilities associated with its estimated portion of underfunded pension obligations relating to certain employees participating in the SANYO Electric or its affiliate multi-employer defined benefit plans, from which the Company intends to withdraw. In addition, affiliates of SANYO Semiconductor participate in multi-employer plans from which the Company does not intend to withdraw. Approximately 1,740 and 430 current employees participate in such multi-employer benefit plans from which the Company plans to withdraw and in which there is no intention to withdraw, respectively. The balance as of December 31, 2011 related to these plans was \$151.0 million. We anticipate having the Company sponsored single employer plan established by December 31, 2012.

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

The Company contributes to various foreign (Japanese) multi-employer plans that provide retirement benefits to participants based upon their service to contributing employers. The benefits are paid from assets held in trust for that purpose and where a shortfall exists, the employers are obligated to fund in accordance with the local regulatory requirements.

SANYO Semiconductor entities also participate in multi-employer plans, the SANYO Federation Employee's Pension Fund and the Tokyo Electric Industry Employee's Pension Fund, from which the Company does not intend to withdraw.

The Company recognizes expense associated with the plans from which the Company intends to withdraw based upon a number of actuarial assumptions, including a discount rate for plan obligations, assumed rate of return on pension plan assets and assumed rate of compensation increases for plan employees. All of these assumptions are based upon management's judgment and consultation with an actuary, considering all known trends and uncertainties. The Company recognized an expense of \$44.8 million for 2011 relating to participation in these plans. The contributions made to the SANYO Electric Company Group Defined Benefit Corporate Pension Fund and the KSS Defined Benefit Corporate Pension Plan were more than 5% of the total contributions to each of those plans.

The Company recognizes expense in connection with its ongoing participation in the multi-employer plans from which the Company does not intend to withdraw as the contributions become due. The Company made contributions of \$0.9 million for 2011. The contribution made to each of these plans by the Company was less than 5% of the total contribution made to each of the respective plans.

The current funded status of the SANYO Electric Company Group Defined Benefit Corporate Pension Fund is 66%, the KSS Defined Benefit Corporate Pension Plan is 76%, the SANYO Federation Employee's Pension Fund is 86% and the Tokyo Electric Industry Employee's Pension Fund is 89% as of March 31, 2011, which is the most recent data that has been made available to the Company.

The Company is in the process of withdrawing from the SANYO Electric Company Group Defined Benefit Corporate Pension Fund and KSS Defined Benefit Corporate Pension Plan, and it does not expect any additional exit funding requirements or penalty costs associated with its withdrawal.

For multi-employer plans from which the Company intends to continue its participation, the Company does not routinely review information on the actuarial present value of the unfunded benefits allocable to the Company, if any, and it is not presently aware of any contingent liability if it were to withdraw from any of these plans.

Defined Contribution Plans

The Company has a deferred compensation savings plan (the "Savings Plan") for all eligible U.S. employees established under the provisions of Section 401(k) of the Internal Revenue Code. Eligible employees may contribute a percentage of their salary subject to certain limitations. The Company has elected to have a matching contribution of 100% of the first 4% of employee contributions. The Company recognized \$8.7 million, \$7.9 million and \$6.5 million of expense relating to matching contributions in 2011, 2010 and 2009, respectively.

Certain foreign subsidiaries have defined contribution plans in which eligible employees participate. The Company recognized compensation expense of \$2.0 million, \$0.4 million and \$0.3 million relating to these plans for the years ended 2011, 2010 and 2009, respectively.

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

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, or entering into trades for any currency to intentionally increase the underlying exposure.

The Company primarily hedges existing assets and liabilities and cash flows associated with transactions currently on its balance sheet.

At December 31, 2011 and 2010, the Company had net outstanding foreign exchange contracts in a buy position with a net notional amount of \$203.4 million and \$75.5 million, respectively. Such contracts were obtained through financial institutions and were scheduled to mature within three months. 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 assets, liabilities and transactions being hedged. The following schedule shows the Company's net foreign exchange positions in U.S. dollars as of December 31, 2011 and 2010 (in millions):

	December 31,			
	2011 Buy (Sell)	2011 Notional Amount	2010 Buy (Sell)	2010 Notional Amount
Canadian Dollar	\$ (1.4)	\$ 1.4	\$ —	\$ —
Chinese Renminbi	(12.8)	12.8	(5.4)	5.4
Czech Koruna	6.8	6.8	7.8	7.8
Euro	(30.8)	30.8	(19.2)	19.2
Indian Rupee	(2.8)	2.8	—	—
Japanese Yen	(100.0)	100.0	4.6	4.6
Korean Won	1.0	1.0	1.8	1.8
Malaysian Ringgit	29.4	29.4	26.1	26.1
Philippine Peso	5.1	5.1	7.3	7.3
Singapore Dollar	2.7	2.7	3.3	3.3
Thai Bhat	3.4	3.4	—	—
Taiwan Dollar	(7.2)	7.2	—	—
	<u>\$ (106.6)</u>	<u>\$ 203.4</u>	<u>\$ 26.3</u>	<u>\$ 75.5</u>

The Company is exposed to credit-related losses if counterparties to its foreign exchange contracts fail to perform their obligations. At December 31, 2011, the counterparty on the Company's foreign exchange contracts is a highly rated financial institution and no credit-related losses are anticipated. Amounts payable or receivable under the contracts are included in other current assets or accrued expenses in the accompanying consolidated balance sheet. For 2011, 2010 and 2009, realized and unrealized foreign currency transaction losses totaled \$8.9 million, \$6.9 million and \$4.7 million, respectively.

Other

At December 31, 2011, 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.

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

Note 14: Fair Value of Financial Instruments

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2011 and December 31, 2010 (in millions):

<u>Description</u>	<u>Balance as of December 31, 2011</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Balance as of December 31, 2010</u>	<u>Quoted Prices in Active Markets (Level 1)</u>
Assets:				
Cash and cash equivalents:				
Demand and time deposits	\$ 455.3	\$ 455.3	\$ 309.4	\$ 309.4
Money market funds	—	—	46.1	46.1
Treasuries	131.1	131.1	267.8	267.8
Commercial paper	50.9	50.9	—	—
Corporate bonds	15.6	15.1	—	—
Other Current Assets				
Foreign currency exchange contracts	<u>\$ 0.7</u>	<u>\$ 0.7</u>	<u>\$ 1.1</u>	<u>\$ 1.1</u>
Liabilities:				
Foreign currency exchange contracts	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 0.6</u>	<u>\$ 0.6</u>

The Company's financial assets and liabilities are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Cash and cash equivalents are short-term, highly liquid investments with original or remaining maturities of three months or less when purchased. The Company's short-term investments balance of \$248.6 million is classified as held-to-maturity securities and is carried at amortized cost, which excludes \$0.2 million of unrealized losses as of December 31, 2011.

As of December 31, 2011, the Company held no direct investments in auction rate securities, collateralized debt obligations, structured investment vehicles or mortgage-backed securities.

Long-Term Debt, Including Current Portion

The carrying amounts and fair values of the Company's long-term borrowings (excluding capital lease obligations, real estate mortgages and equipment financing) at December 31, 2011 and December 31, 2010 are as follows (in millions):

	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt, including current portion				
Convertible Notes	\$ 567.1	\$ 683.9	\$ 579.7	\$ 818.0
Long-term debt	\$ 496.6	\$ 462.0	\$ 160.7	\$ 155.1

The fair value of the Convertible Notes was estimated based on quoted market prices. 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 at December 31, 2011 and December 31, 2010.

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

Note 15: Commitments and Contingencies**Leases**

The following is a schedule by year of future minimum lease obligations under non-cancelable operating leases as of December 31, 2011 (in millions):

<u>Year Ending December 31,</u>	
2012	\$22.0
2013	17.1
2014	14.1
2015	11.7
2016	12.6
Thereafter	16.4
Total	<u>\$93.9</u>

The Company's existing leases do not contain significant restrictive provisions; however, certain leases contain renewal options and provisions for payment by the Company of real estate taxes, insurance and maintenance costs. Total rent expense associated with operating leases for 2011, 2010, and 2009 was \$27.7 million, \$22.2 million, and \$20.3 million, respectively.

Other Contingencies

The Company's headquarters and manufacturing facility in Phoenix, Arizona is located on property that is a "Superfund" site, a property listed on the National Priorities List and subject to clean-up activities under the Comprehensive Environmental Response, Compensation, and Liability Act. Motorola, Inc. ("Motorola"), and now Freescale Semiconductor, Inc. ("Freescale"), have been involved in the cleanup of on-site solvent contaminated soil and groundwater and off-site contaminated groundwater pursuant to consent decrees with the State of Arizona. As part of the August 4, 1999 recapitalization, 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.

In the Czech Republic, the Company has ongoing remediation projects to respond to releases of hazardous substances that occurred during the years that this facility was operated by government-owned entities. In each case, the remediation project consists primarily of monitoring groundwater wells located on-site and off-site with additional action plans developed to respond in the event activity levels are exceeded at each of the respective locations. The government of the Czech Republic has agreed to indemnify the Company and the respective subsidiaries, subject to specified limitations, for remediation costs associated with this historical contamination. Based upon the information available, total future remediation costs to the Company 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. Based on the information available, any costs to the Company in connection with this matter are not expected to be material.

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

As a result of the acquisition of AMIS, the Company is a “primary responsible party” to an environmental remediation and cleanup 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 obligation relating to environmental remediation and cleanup at this location. The Company has not offset the receivable from Nippon Mining’s subsidiary against the estimated liability on the consolidated balance sheet. Therefore, a receivable from Nippon Mining’s subsidiary is recorded on the accompanying consolidated balance sheet as of December 31, 2011 related to this matter for approximately \$0.1 million. The Company does not believe that the liability and receivable amounts are material to the Company’s consolidated financial position, results of operations or cash flow.

The Company’s manufacturing location in Aizu, Japan is located on property where soil and ground water contamination has been detected. The Company believes that the contamination originally occurred during a time when the facility was operated by a prior owner. The Company is working with local authorities to determine the appropriate remediation actions and expects remediation costs, subject to certain limitations, to be indemnified pursuant to an agreement between the Company and the prior owner or covered by insurance subject to a deductible. Based on information available, any costs to the Company in connection with this matter are not expected to be material.

A bank guarantee issued on behalf of the Company under a non-reusable commitment credit with the bank has an outstanding amount of \$3.6 million as of December 31, 2011. The Belgian bank that issued the guarantee has the right to create a mortgage on the real property of one of the Company’s European subsidiaries in the amount of \$3.0 million, but had not done so as of December 31, 2011. The Company also has outstanding guarantees and letters of credit outside of its non-reusable commitment credit totaling \$9.1 million as of December 31, 2011.

As part of securing financing in the normal course of business, the Company issued guarantees related to its receivables financing, capital lease obligations and real estate mortgages which totaled approximately \$118.1 million as of December 31, 2011. The Company is also a guarantor of SCI LLC’s unsecured loan with SANYO Electric, which had a balance of \$339.8 million as of December 31, 2011. See Note 8: “Long-Term Debt” for further discussion of this loan.

For its operating leases, the Company expects to make cash payments and similarly incur expenses totaling \$93.9 million as payments come due. The Company has not recorded any liability in connection with these operating leases, letters of credit and guarantee arrangements.

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

Indemnification Contingencies

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

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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 bodily injury or property damage (or both). 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 indemnity rights to such customer for valid warranty claims.

The Company has, from time to time, been active in merger and acquisition activity. In connection with these mergers or acquisitions, the Company has agreed to indemnify the other party or parties to the merger or acquisition agreement for certain claims or occurrences, limited in most instances by time and/or monetary amounts.

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

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

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

The Company is currently involved in a variety of legal matters that arise in the normal course of business. Based on information currently available, management does not believe that the ultimate resolution of these matters, including the matters described or referred to in the next paragraphs will have a material effect on the Company's financial condition, results of operations or cash flows. However, because of the nature and inherent uncertainties of litigation, should the outcome of these actions be unfavorable, the Company's business, consolidated financial position, results of operations or cash flows could be materially and adversely affected.

Securities Class Action Litigation

During the period of July 5, 2001 through July 27, 2001, the Company was named as a defendant in three shareholder class action lawsuits that were filed in federal court in New York City against it and certain of the Company's former officers, current and former directors and the underwriters of the Company's initial public offering. The lawsuits allege violations of the federal securities laws and have been docketed in the U.S. District Court for the Southern District of New York ("District Court") as: *Abrams v. ON Semiconductor Corp., et al., C.A. No 01-CV-6114*; *Breuer v. ON Semiconductor Corp., et al., C.A. No. 01-CV-6287*; and *Cohen v. ON Semiconductor Corp., et al., C.A. No. 01-CV-6942*. On April 19, 2002, the plaintiffs filed a single consolidated

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

amended complaint that supersedes the individual complaints originally filed. The amended complaint alleges, among other things, that the underwriters of the Company's initial public offering improperly required their customers to pay the underwriters excessive commissions and to agree to buy additional shares of the Company's common stock in the aftermarket as conditions of receiving shares in its initial public offering. The amended complaint further alleges that these supposed practices of the underwriters should have been disclosed in the Company's initial public offering prospectus and registration statement. The amended complaint alleges violations of both the registration and antifraud provisions of the federal securities laws and seeks unspecified damages. The Company understands that various other plaintiffs have filed substantially similar class action cases against approximately 300 other publicly-traded companies and their public offering underwriters in New York City, which have all been transferred, along with the case against the Company, to a single federal district court judge for purposes of coordinated case management. The Company believes that the claims against it are without merit and has defended, and intends to continue to defend, the litigation vigorously. The litigation process is inherently uncertain, however, and the Company cannot guarantee that the outcome of these claims will be favorable for the Company.

As previously disclosed, the parties advised the District Court on February 25, 2009 that they had reached an agreement-in-principle to settle the litigation in its entirety. A stipulation of settlement was filed with the District Court on April 2, 2009. On June 9, 2009, the District Court preliminarily approved the proposed global settlement. Notice was provided to the class, and a settlement fairness hearing, at which members of the class had an opportunity to object to the proposed settlement, was held on September 10, 2009. On October 6, 2009, the District Court issued an order granting final approval to the settlement. Ten appeals were filed objecting to the definition of the settlement class and fairness of the settlement. On January 10, 2012, the last remaining appeal was dismissed with prejudice, as a result of which the settlement became final by its terms. The Company has no financial liability in connection with the settlement.

Other Matters

On December 15, 2010, a lawsuit was filed in the United States District Court for the District of Delaware (the "Court") captioned *Robert A. Lorber v. Francis P. Barton, George H. Cave, Donald A. Colvin, Curtis J. Crawford, Ph.D., Emmanuel T. Hernandez, Phillip D. Hester, Keith D. Jackson, J. Daniel McCranie, Robert Mahoney, W. John Nelson, Daryl Ostrander, Robert H. Smith, and ON Semiconductor Corporation, C.A. No. 1:10-CV-01101-GMS*. The lawsuit was brought by a stockholder of ON Semiconductor Corporation and alleges generally that (1) ON Semiconductor Corporation's 2010 proxy statement contained materially false and misleading information regarding our Amended and Restated Stock Incentive Plan ("Plan") in violation of the federal securities laws; (2) the Plan was defective and, thus, any awards made pursuant to the Plan would not be tax-deductible pursuant to Section 162(m) of the Internal Revenue Code and applicable regulations; and (3) the individual defendants (who are ON Semiconductor Corporation officers and directors) violated their state law fiduciary duties and wasted corporate assets in connection with the adoption of the Plan. The Company moved to dismiss the lawsuit. On November 23, 2011, the parties entered into a memorandum of understanding (the "Memorandum") that sets forth the terms of a settlement which, if approved by the Court, will result in the dismissal of this action. In the Memorandum, the Company and the other individual defendants have denied and continue to deny that they committed any of the wrongful acts alleged in this lawsuit, and maintain that they have diligently, scrupulously, and meticulously complied with their fiduciary and other legal duties. The parties have provided the Court with a copy of the Memorandum, and will soon submit for the Court's approval a stipulation of settlement and other papers needed to effect a resolution of this lawsuit. While the Company makes no assurances or guarantees as to the outcome of this proceeding, based upon our current knowledge, the Company believes that the final result of this action will have no material effect on our consolidated financial position, results of operations, or cash flows.

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In the normal course of business, the Company faces risk of exposure to warranty and product liability claims. Related to this, the Company (through its subsidiary SANYO Semiconductor) has received a request from one of its customers to pay to the customer an amount currently estimated by the customer to be approximately \$20.0 million in respect of costs incurred or to be incurred by the customer and its customers in remedying certain alleged failures of SANYO Semiconductor products sold to the customer prior to the Company's acquisition of SANYO Semiconductor. The Company is in the early stages of conducting investigations and evaluations of this matter, including fact finding and assessing possible liability, available defenses, mitigating circumstances and possible third-party indemnity coverage. It is difficult to predict with certainty the ultimate loss exposure to ON Semiconductor; however, management believes that a number of defenses are available to the Company and it would expect to defend itself vigorously against any formal claim that may be asserted. While the Company makes no assurances or guarantees as to the outcome of this claim, based upon its current knowledge, the Company believes that the final result of this matter will have no material effect on our consolidated financial position, results of operations, or cash flows.

On December 27, 2011, 111 former employees of the Company's subsidiary SANYO Semiconductor Thailand ("SSTH"), which manufacturing operations were located in the Rojana Industrial Park in Ayutthaya, Thailand ("Rojana Park"), filed complaints with the Labor Region 1 Court in Lopburi Province in Thailand, seeking damages against SSTH for unfair termination under Thailand's labor laws. On January 19, 2012, four additional former employees filed similar complaints with the Labor Region 1 Court in Lopburi Province in Thailand against SSTH. Both cases are based on the widespread flooding in Thailand that occurred in the fourth quarter of 2011 and affected the Rojana Park. The floods severely damaged SSTH's buildings, equipment and other property at its Rojana Park location and resulted in SSTH deciding to cease certain operations in Thailand and to ask its employees to resign. The lawsuits seek a total of approximately \$17.6 million which includes alleged damages for: (1) wages calculated based on the employee's last wage rate from the date of termination through the date of retirement; (2) mental anguish; (3) lost bonuses; and/or (4) other damages. The Company is in the process of evaluating the facts and legal issues. The Company denies the substantive allegations of the lawsuits and expects to vigorously defend against them.

See Part I, Item 1 "Business-Government Regulation" of this 2011 Form 10-K for information on certain environmental matters.

Note 16: Supplemental Disclosure of Cash Flow Information

The Company's non-cash financing activities and cash payments for interest and income taxes are as follows (in millions):

	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Non-cash investing activities:			
Common stock issued for debt repurchase	\$ —	\$ —	\$28.5
Non-cash financing activities:			
Capital expenditures in accounts payable	\$58.8	\$69.2	\$21.4
Equipment acquired or refinanced through capital leases	24.9	69.2	6.6
Cash (received) paid for:			
Interest income	\$ (1.1)	\$ (0.5)	\$ (0.8)
Interest expense	31.8	23.6	26.7
Income taxes	20.4	10.6	8.5

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

Note 17: Segment Information

In the fourth quarter of 2011, the Company changed its organizational structure and previously-reported information has been recast to reflect the current organizational structure. The Company is organized into four operating segments, which also represent four reporting segments: computing and consumer products group, automotive, industrial, medical and mil-aero products group, standard products group and SANYO Semiconductor products group. Each of the Company's major product lines has been examined and each product line has been assigned to a segment, as illustrated in the table below, based on the Company's operating strategy. 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.

<u>Computing & Consumer Products</u>	<u>Automotive, Industrial, Medical and Mil-Aero Products</u>	<u>Standard Products</u>	<u>SANYO Semiconductor Products</u>
DC-DC Conversion	Automotive Application Specific Standard Products ("ASSPs")	Bipolar Power	Power MOSFETs
Analog Switches	Analog Automotive	Thyristor	IGBTs
AC-DC Conversion	Automotive Power Switching	Small Signal	Power and Signal Discretes
Low Voltage Power Management	Automotive Mixed-Signal solutions	Zener	Intelligent Power Modules
Standard Logic	Medical ASICs & ASSPs	Protection	Motor Driver ICs
Power Switching	Linear Light Sensors	Rectifier	Display Drivers
Signal & Interface	CMOS Image Sensors	Filters	ASICs
LDO & Vregs	Military & Aerospace	MOSFETs	Microcontrollers
	Mixed Signal ASICs		Flash Memory
	Industrial ASSPs		Touch Sensor
	High Frequency / Timing		Power Supply IC
	EE Memory and Programmable		Audio DSP
	Analog		
	Integrated Passive Devices ("IPD")		Audio Tuners
	Foundry and Manufacturing Services		Image stabilizer ICs
	Hearing Components		

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on income or loss from operations before interest, nonrecurring gains and losses, foreign exchange gains and losses, income taxes, restructuring, asset impairments and other, net, goodwill impairment and certain other unallocated manufacturing and operating expenses.

The Company's wafer manufacturing facilities fabricate integrated circuits for all business units as necessary and their operating costs are reflected in the segments' cost of revenues on the basis of product costs. Because operating segments are generally defined by the products they design and sell, they do not make sales to each other. The Company does not discretely allocate assets to its operating segments, nor does management

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

evaluate operating segments using discrete asset information. From time to time, the Company reassesses the alignment of its product families and devices to its operating segments and may move product families or individual devices from one operating segment to another.

In addition to the operating and reporting segments mentioned above, the Company also operates global operations, sales and marketing, information systems, finance and administration groups that are led by vice presidents who report to the Chief Executive Officer. A portion of the expenses of these groups are allocated to the segments based on specific and general criteria and are included in the operating results reported below. The Company does not allocate income taxes or interest expense to its operating segments as the operating segments are principally evaluated on operating profit before interest and taxes. Additionally, restructuring, asset impairments and other, net and certain other manufacturing and operating expenses, which includes corporate research and development costs, unallocated inventory reserves and miscellaneous nonrecurring expenses, are not allocated to any segment.

Revenues, gross profit and operating income for the Company's reportable segments for the years ended December 31, 2011, December 31, 2010 and December 31, 2009, respectively, are as follows (in millions):

	<u>Computing & Consumer Products Group</u>	<u>Automotive, Industrial, Medical and Mil-Aero Products Group</u>	<u>Standard Products Group</u>	<u>SANYO Semiconductor Products Group</u>	<u>Total</u>
For year ended December 31, 2011:					
Revenues from external customers	\$ 609.1	\$ 894.7	\$ 878.2	\$ 1,060.3	\$ 3,442.3
Segment gross profit	\$ 238.3	\$ 450.9	\$ 295.5	\$ 79.1	\$ 1,063.8
Segment operating income (loss)	\$ 103.0	\$ 165.5	\$ 176.9	\$ (159.4)	\$ 286.0
For year ended December 31, 2010:					
Revenues from external customers	\$ 609.1	\$ 794.7	\$ 909.6	\$ —	\$ 2,313.4
Segment gross profit	\$ 257.4	\$ 415.3	\$ 339.1	\$ —	\$ 1,011.8
Segment operating income	\$ 122.7	\$ 154.2	\$ 221.2	\$ —	\$ 498.1
For year ended December 31, 2009:					
Revenues from external customers	\$ 473.0	\$ 623.8	\$ 672.1	\$ —	\$ 1,768.9
Segment gross profit	\$ 158.7	\$ 292.0	\$ 205.2	\$ —	\$ 655.9
Segment operating income	\$ 45.0	\$ 67.2	\$ 114.6	\$ —	\$ 226.8

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

Depreciation and amortization expense is included in segment operating income. Reconciliations of segment gross profit and segment operating income to the financial statements are as follows (in millions):

	Year Ended		
	December 31, 2011	December 31, 2010	December 31, 2009
Gross profit for reportable segments	\$ 1,063.8	\$ 1,011.8	\$ 655.9
Unallocated amounts:			
Other unallocated manufacturing costs	\$ (55.0)	\$ (55.8)	\$ (35.2)
Gross profit	<u>\$ 1,008.8</u>	<u>\$ 956.0</u>	<u>\$ 620.7</u>
Operating income for reportable segments	\$ 286.0	\$ 498.1	\$ 226.8
Unallocated amounts:			
Restructuring and other charges	(102.7)	(10.5)	(24.9)
Goodwill and intangible impairment	—	(16.1)	—
Other unallocated manufacturing costs	(55.0)	(55.8)	(35.2)
Other unallocated operating expenses	(14.9)	(41.5)	(24.1)
Operating income	<u>\$ 113.4</u>	<u>\$ 374.2</u>	<u>\$ 142.6</u>

Certain operating expenses are not allocated to reportable segments. The decrease in other unallocated operating expenses from \$41.5 million in 2010 to \$14.9 million in 2011 was primarily due to the Company's focus on ensuring operating expenses are properly allocated. The increase in other unallocated operating expenses from \$24.1 million in 2009 to \$41.5 million in 2010 was primarily due to incremental research and development expenses in our Gresham wafer fabrication facility.

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

Revenues by geographic location including local sales and exports made by operations within each area, based on shipments from the respective country, are summarized as follows (in millions):

	Year Ended		
	December 31, 2011	December 31, 2010	December 31, 2009
United States	\$ 524.0	\$ 483.2	\$ 374.2
Other Americas	36.6	12.3	5.4
United Kingdom	424.7	373.0	258.2
Belgium	3.7	0.7	29.5
China	1,053.8	762.4	565.4
Japan	494.8	59.5	51.7
Singapore	683.3	540.8	387.3
Other Asia/Pacific	221.4	81.5	97.2
	<u>\$ 3,442.3</u>	<u>\$ 2,313.4</u>	<u>\$ 1,768.9</u>

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

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

	December 31, 2011	December 31, 2010
United States	\$ 257.5	\$ 223.7
China	96.7	97.0
Europe	117.9	104.6
Malaysia	164.5	137.4
Other Asia/Pacific	260.2	178.3
Japan	130.2	70.8
Belgium	70.0	47.8
Other Americas	12.5	4.7
	<u>\$ 1,109.5</u>	<u>\$ 864.3</u>

For the year ended December 31, 2011, there was no individual customer which accounted for more than 10.0% of the Company's total revenues. For the years ended December 31, 2010 and December 31, 2009, one of the Company's customers accounted for 13.0% and 11.0% of the Company's total revenues, respectively.

Note: 18 Guarantor and Non-Guarantor Statements

ON Semiconductor is the sole issuer of the Zero Coupon Convertible Senior Subordinated Notes due 2024, the 1.875% Convertible Senior Subordinated Notes due 2025, the 2.625% Convertible Senior Subordinated Notes due 2026 and the 2.625% Convertible Senior Subordinated Notes due 2026, Series B (collectively, the "Convertible Notes"). ON Semiconductor's domestic subsidiaries, except those domestic subsidiaries acquired through the acquisitions of AMIS, Catalyst Semiconductor, Inc. ("Catalyst"), PulseCore Holdings (Cayman) Inc. ("PulseCore"), CMD, SDT, and SANYO Semiconductor (collectively, the "Guarantor Subsidiaries"), fully and unconditionally guarantee on a joint and several basis ON Semiconductor's obligations under the Convertible Notes. The Guarantor Subsidiaries include SCI LLC, Semiconductor Components Industries of Rhode Island, Inc., as well as other holding companies whose net assets consist primarily of investments in the joint venture in Leshan, China and equity interests in the Company's other foreign subsidiaries. ON Semiconductor's other remaining subsidiaries (collectively, the "Non-Guarantor Subsidiaries") are not guarantors of the Convertible Notes. The repayment of the unsecured Convertible Notes is subordinated to the senior indebtedness of ON Semiconductor and the Guarantor Subsidiaries on the terms described in the indentures for such Convertible Notes. Condensed consolidated financial information for the issuer of the Convertible Notes, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries is as follows (in millions):

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

	<u>Issuer</u>	<u>Guarantor</u>		<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
	<u>ON Semiconductor Corporation ⁽¹⁾</u>	<u>SCI LLC</u>	<u>Other Subsidiaries</u>			
As of December 31, 2011						
Cash and cash equivalents	\$ —	304.5	(0.2)	\$ 348.6	—	\$ 652.9
Short-term investments	—	248.6	—	—	—	248.6
Receivables, net	—	64.7	—	392.5	—	457.2
Inventories	—	36.2	—	599.3	1.9	637.4
Other current assets	—	7.5	—	114.1	—	121.6
Deferred income taxes, net of allowances	—	5.5	—	4.5	—	10.0
Total current assets	—	667.0	(0.2)	1,459.0	1.9	2,127.7
Property, plant and equipment, net	—	255.2	2.3	854.5	(2.5)	1,109.5
Deferred income taxes, net of allowances	—	—	—	34.2	—	34.2
Goodwill	—	125.7	37.3	35.7	—	198.7
Intangible assets, net	—	152.3	—	215.0	(30.1)	337.2
Investments and other assets	2,036.2	1,303.5	59.1	846.9	(4,169.5)	76.2
Total assets	<u>\$ 2,036.2</u>	<u>\$2,503.7</u>	<u>\$ 98.5</u>	<u>\$ 3,445.3</u>	<u>\$ (4,200.2)</u>	<u>\$ 3,883.5</u>
Accounts payable	\$ —	\$ 32.8	0.1	418.9	—	\$ 451.8
Accrued expenses	—	61.0	0.8	176.3	1.7	239.8
Income taxes payable	—	(0.1)	—	7.6	—	7.5
Accrued interest	0.6	—	—	0.1	—	0.7
Deferred income on sales to distributors	—	43.7	—	128.3	—	172.0
Deferred income taxes, net of allowances	—	—	—	33.6	—	33.6
Current portion of long-term debt	182.6	74.1	—	113.4	—	370.1
Total current liabilities	183.2	211.5	0.9	878.2	1.7	1,275.5
Long-term debt	384.5	393.8	—	58.6	—	836.9
Other long-term liabilities	—	26.6	0.4	233.1	—	260.1
Deferred income tax, net of allowances	—	5.5	—	12.0	—	17.5
Intercompany	0.3	(318.2)	(54.5)	166.9	205.5	—
Total liabilities	568.0	319.2	(53.2)	1,348.8	207.2	2,390.0
Common stock	5.0	0.3	50.9	146.9	(198.1)	5.0
Additional paid-in capital	3,113.5	2,711.2	238.4	1,359.2	(4,308.8)	3,113.5
Accumulated other comprehensive loss	(46.7)	(46.7)	—	(39.2)	85.9	(46.7)
Accumulated deficit	(1,202.3)	(480.3)	(137.6)	629.6	(11.7)	(1,202.3)
Less: treasury stock, at cost	(401.3)	—	—	—	—	(401.3)
Total ON Semiconductor Corporation stockholders' equity (deficit)	1,468.2	2,184.5	151.7	2,096.5	(4,432.7)	1,468.2
Minority interests in consolidated subsidiaries	—	—	—	—	25.3	25.3
Total equity	<u>1,468.2</u>	<u>2,184.5</u>	<u>151.7</u>	<u>2,096.5</u>	<u>(4,407.4)</u>	<u>1,493.5</u>
Total liabilities and equity	<u>\$ 2,036.2</u>	<u>\$2,503.7</u>	<u>\$ 98.5</u>	<u>\$ 3,445.3</u>	<u>\$ (4,200.2)</u>	<u>\$ 3,883.5</u>

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

	<u>Issuer</u>	<u>Guarantor</u>		<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
	<u>ON Semiconductor Corporation ⁽¹⁾</u>	<u>SCI LLC</u>	<u>Other Subsidiaries</u>			
As of December 31, 2010						
Cash and cash equivalents	\$ —	\$ 392.3	\$ —	\$ 231.0	\$ —	\$ 623.3
Receivables, net	—	47.4	—	247.2	—	294.6
Inventories	—	48.0	—	299.9	12.9	360.8
Other current assets	—	14.9	—	48.7	—	63.6
Deferred income taxes, net of allowances	—	5.6	—	10.1	—	15.7
Total current assets	—	508.2	—	836.9	12.9	1,358.0
Restricted Cash	—	142.1	—	—	—	142.1
Property, plant and equipment, net	—	221.0	2.6	644.1	(3.4)	864.3
Goodwill	—	125.7	37.2	28.3	—	191.2
Intangible assets, net	—	165.4	—	172.0	(34.4)	303.0
Investments and other assets	1,946.6	1,131.2	51.4	830.0	(3,898.6)	60.6
Total assets	<u>\$ 1,946.6</u>	<u>\$2,293.6</u>	<u>\$ 91.2</u>	<u>\$ 2,511.3</u>	<u>\$ (3,923.5)</u>	<u>\$ 2,919.2</u>
Accounts payable	\$ —	\$ 43.4	\$ 0.1	\$ 213.4	\$ —	\$ 256.9
Accrued expenses	—	82.1	0.8	78.0	1.7	162.6
Income taxes payable	—	0.9	—	4.2	—	5.1
Accrued interest	0.6	—	—	0.2	—	0.8
Deferred income on sales to distributors	—	33.7	—	115.8	—	149.5
Current portion of long-term debt	—	33.0	—	103.0	—	136.0
Total current liabilities	0.6	193.1	0.9	514.6	1.7	710.9
Long-term debt	579.7	103.0	—	70.1	—	752.8
Other long-term liabilities	—	21.1	0.4	27.8	—	49.3
Deferred income taxes, net of allowances	—	5.6	—	12.6	—	18.2
Intercompany	0.3	(123.8)	(53.4)	(28.6)	205.5	—
Total liabilities	580.6	199.0	(52.1)	596.5	207.2	1,531.2
Common stock	4.9	0.3	50.9	146.9	(198.1)	4.9
Additional paid-in capital	3,016.1	2,502.2	178.5	1,110.7	(3,791.4)	3,016.1
Accumulated other comprehensive loss	(59.1)	(59.1)	—	(52.3)	111.4	(59.1)
Accumulated deficit	(1,213.9)	(348.8)	(86.1)	709.5	(274.6)	(1,213.9)
Less: treasury stock, at cost	(382.0)	—	—	—	—	(382.0)
Total ON Semiconductor Corporation stockholders' equity (deficit)	1,366.0	2,094.6	143.3	1,914.8	(4,152.7)	1,366.0
Minority interests in consolidated subsidiaries	—	—	—	—	22.0	22.0
Total equity	1,366.0	2,094.6	143.3	1,914.8	(4,130.7)	1,388.0
Total liabilities and equity	<u>\$ 1,946.6</u>	<u>\$2,293.6</u>	<u>\$ 91.2</u>	<u>\$ 2,511.3</u>	<u>\$ (3,923.5)</u>	<u>\$ 2,919.2</u>

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

	Issuer	Guarantor Subsidiaries		Non- Guarantor Subsidiaries	Eliminations	Total
	ON Semiconductor Corporation ⁽¹⁾	SCI LLC	Other Subsidiaries			
For the year ended December 31, 2011						
Revenues	\$ —	\$ 788.9	\$ 13.9	\$ 3,985.7	\$ (1,346.2)	\$3,442.3
Cost of product revenues	—	531.5	0.8	3,236.4	(1,335.2)	2,433.5
Gross profit	—	257.4	13.1	749.3	(11.0)	1,008.8
Research and development	—	167.6	10.7	184.2	—	362.5
Selling and marketing	—	70.4	1.0	123.7	—	195.1
General and administrative	—	84.0	0.7	107.7	—	192.4
Amortization of acquisition related intangible assets	—	18.0	—	28.8	(4.1)	42.7
Restructuring, asset impairments and other, net	—	3.4	—	99.3	—	102.7
Total operating expenses	—	343.4	12.4	543.7	(4.1)	895.4
Operating income (loss)	—	(86.0)	0.7	205.6	(6.9)	113.4
Interest expense	(50.8)	(8.5)	—	(9.6)	—	(68.9)
Interest income	—	0.4	—	0.7	—	1.1
Other	—	(3.1)	—	(5.8)	—	(8.9)
Loss on debt repurchase and exchange	(23.2)	—	—	—	—	(23.2)
Gain (loss) on SANYO Semiconductor acquisition	(0.1)	24.4	—	—	—	24.3
Equity in earnings	85.7	151.6	7.7	—	(245.0)	—
Income (loss) before income taxes	11.6	78.8	8.4	190.9	(251.9)	37.8
Income tax provision	—	1.5	—	(24.4)	—	(22.9)
Net income (loss)	11.6	80.3	8.4	166.5	(251.9)	14.9
Net income (loss) attributable to minority interest	—	—	—	—	(3.3)	(3.3)
Net income (loss) attributable to ON Semiconductor Corporation	<u>\$ 11.6</u>	<u>\$ 80.3</u>	<u>\$ 8.4</u>	<u>\$ 166.5</u>	<u>\$ (255.2)</u>	<u>\$ 11.6</u>
Net cash provided by operating activities	<u>—</u>	<u>\$ 221.1</u>	<u>\$ —</u>	<u>\$ 324.4</u>	<u>—</u>	<u>\$ 545.5</u>
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(69.0)	(0.2)	(247.2)	—	(316.4)
Purchase of a business, net of cash acquired	—	24.3	—	(42.2)	—	(17.9)
Recovery from insurance on property, plant and equipment	—	—	—	13.3	—	13.3
Proceeds from sale of property, plant and equipment	—	0.1	—	3.2	—	3.3
Deposits utilized for purchases of property, plant and equipment	—	—	—	0.5	—	0.5
Proceeds from held-to-maturity securities	—	122.2	—	—	—	122.2
Purchase of held-to-maturity securities	—	(370.8)	—	—	—	(370.8)
Change in restricted cash	—	142.1	—	—	—	142.1
Net cash used in investing activities	<u>—</u>	<u>(151.1)</u>	<u>(0.2)</u>	<u>(272.4)</u>	<u>—</u>	<u>(423.7)</u>

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

	<u>Issuer</u>	<u>Guarantor Subsidiaries</u>		<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
	<u>ON Semiconductor Corporation (1)</u>	<u>SCI LLC</u>	<u>Other Subsidiaries</u>			
Cash flows from financing activities:						
Intercompany loans	—	(289.3)	—	289.3	—	—
Intercompany loan repayments	—	182.2	—	(182.2)	—	—
Proceeds from debt issuance	—	12.2	—	56.8	—	69.0
Proceeds from issuance of common stock under employee stock purchase plan	—	8.1	—	—	—	8.1
Proceeds from exercise of stock options	—	59.4	—	—	—	59.4
Purchase of Treasury Stock	—	(19.3)	—	—	—	(19.3)
Payment of capital lease obligation	—	(36.4)	—	(2.6)	—	(39.0)
Repurchase of 2.625% Convertible Senior Subordinated Notes due 2026	—	(56.2)	—	—	—	(56.2)
Payment made in connection with exchange of 2.625% convertible senior subordinated notes due 2026	—	(15.9)	—	—	—	(15.9)
Repayment of long term debt	—	(2.6)	—	(100.7)	—	(103.3)
Net cash used in financing activities	<u>—</u>	<u>(157.8)</u>	<u>—</u>	<u>60.6</u>	<u>—</u>	<u>(97.2)</u>
Effect of exchange rate changes on cash and cash equivalents				5.0		5.0
Net increase (decrease) in cash and cash equivalents	—	(87.8)	(0.2)	117.6	—	29.6
Cash and cash equivalents, beginning of period	—	392.3	—	231.0	—	623.3
Cash and cash equivalents, end of period	<u>\$ —</u>	<u>\$ 304.5</u>	<u>\$ (0.2)</u>	<u>\$ 348.6</u>	<u>\$ —</u>	<u>\$ 652.9</u>

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

	Issuers	Guarantor Subsidiaries		Non- Guarantor Subsidiaries	Eliminations	Total
	ON Semiconductor Corporation ⁽¹⁾	SCI LLC	Other Subsidiaries			
For the year ended December 31, 2010						
Revenues	\$ —	\$ 632.4	\$ 14.0	\$ 2,850.7	\$ (1,183.7)	\$2,313.4
Cost of product revenues	—	495.4	1.8	2,051.6	(1,191.4)	1,357.4
Gross profit	—	137.0	12.2	799.1	7.7	956.0
Research and development	—	12.1	9.8	226.1	—	248.0
Selling and marketing	—	67.7	0.9	77.0	—	145.6
General and administrative	—	19.5	0.8	109.6	—	129.9
Amortization of acquisition related intangible assets	—	17.1	—	18.8	(4.2)	31.7
Goodwill and intangible asset impairment	—	—	—	16.1	—	16.1
Restructuring, asset impairments and other, net	—	7.1	—	3.4	—	10.5
Total operating expenses	—	123.5	11.5	451.0	(4.2)	581.8
Operating income (loss)	—	13.5	0.7	348.1	11.9	374.2
Interest expense	(50.8)	(6.6)	—	(4.0)	—	(61.4)
Interest income	—	0.2	—	0.3	—	0.5
Other	—	3.2	—	(10.1)	—	(6.9)
Loss on debt repurchase	0.1	(0.8)	—	—	—	(0.7)
Equity in earnings	341.2	735.3	5.5	—	(1,082.0)	—
Income (loss) before income taxes	290.5	744.8	6.2	334.3	(1,070.1)	305.7
Income tax provision	—	3.7	—	(16.5)	—	(12.8)
Net income (loss)	290.5	748.5	6.2	317.8	(1,070.1)	292.9
Net income (loss) attributable to minority interest	—	—	—	—	(2.4)	(2.4)
Net income (loss) attributable to ON Semiconductor Corporation	\$ 290.5	\$ 748.5	\$ 6.2	\$ 317.8	\$ (1,072.5)	\$ 290.5
Net cash provided by operating activities	\$ —	\$ 419.9	\$ 0.2	\$ 131.7	\$ —	\$ 551.8
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(59.6)	(0.2)	(129.1)	—	(188.9)
Purchase of a business, net of cash acquired	—	—	—	(91.0)	—	(91.0)
Proceeds from sale of property, plant and equipment	—	37.1	—	—	—	37.1
Deposits utilized for purchases of property, plant and equipment	—	—	—	(2.2)	—	(2.2)
Change in restricted cash	—	(142.1)	—	5.9	—	(136.2)
Proceeds from held-to-maturity securities	—	—	—	45.5	—	45.5
Net cash used in investing activities	—	(164.6)	(0.2)	(170.9)	—	(335.7)

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

	Issuers	Guarantor Subsidiaries		Non- Guarantor Subsidiaries	Eliminations	Total
	ON Semiconductor Corporation (1)	SCI LLC	Other Subsidiaries			
Cash flows from financing activities:						
Intercompany loans	—	(666.9)	—	666.9	—	—
Intercompany loan repayments	—	672.7	—	(672.7)	—	—
Proceeds from issuance of common stock under the employee stock purchase plan	—	7.0	—	—	—	7.0
Proceeds from debt issuance	—	33.0	—	119.0	—	152.0
Proceeds from exercise of stock options	—	23.3	—	—	—	23.3
Payment of capital lease obligation	—	(29.8)	—	(2.5)	—	(32.3)
Purchase of treasury stock	—	(15.0)	—	—	—	(15.0)
Repayment of long term debt	—	(173.3)	—	(81.1)	—	(254.4)
Net cash used in financing activities	—	(149.0)	—	29.6	—	(119.4)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	0.9	—	0.9
Net increase (decrease) in cash and cash equivalents	—	106.3	—	(8.7)	—	97.6
Cash and cash equivalents, beginning of period	—	286.0	—	239.7	—	525.7
Cash and cash equivalents, end of period	<u>\$ —</u>	<u>\$ 392.3</u>	<u>\$ —</u>	<u>\$ 231.0</u>	<u>\$ —</u>	<u>\$ 623.3</u>

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

	Issuers	Guarantor Subsidiaries		Non- Guarantor Subsidiaries	Eliminations	Total
	ON Semiconductor Corporation ⁽¹⁾	SCI LLC	Other Subsidiaries			
For the year ended December 31, 2009						
Revenues	\$ —	\$ 512.5	\$ 12.1	\$ 2,291.5	\$ (1,047.2)	\$1,768.9
Cost of product revenues	—	399.1	1.7	1,794.1	(1,046.7)	1,148.2
Gross profit	—	113.4	10.4	497.4	(0.5)	620.7
Research and development	—	40.8	8.1	150.0	(0.1)	198.8
Selling and marketing	—	48.0	0.8	72.1	—	120.9
General and administrative	—	(49.2)	0.6	110.7	42.4	104.5
Amortization of acquisition related intangible assets	—	12.5	—	19.4	(2.9)	29.0
Restructuring, asset impairments and other, net	—	3.3	—	21.6	—	24.9
Total operating expenses	—	55.4	9.5	373.8	39.4	478.1
Operating income (loss)	—	58.0	0.9	123.6	(39.9)	142.6
Interest expense	(52.2)	(6.5)	—	(5.9)	—	(64.6)
Interest income	—	0.4	—	0.3	0.1	0.8
Other	—	(1.4)	—	(3.3)	—	(4.7)
Loss on debt repurchase	(3.1)	—	—	—	—	(3.1)
Gain (loss) on acquisition	—	—	—	—	—	—
Equity in earnings	116.3	72.4	5.4	119.4	(313.5)	—
Income (loss) before income taxes	61.0	122.9	6.3	234.1	(353.3)	71.0
Income tax provision	—	5.2	—	(12.9)	—	(7.7)
Net income (loss)	61.0	128.1	6.3	221.2	(353.3)	63.3
Net income (loss) attributable to minority interest	—	—	—	—	(2.3)	(2.3)
Net income (loss) attributable to ON Semiconductor Corporation	<u>\$ 61.0</u>	<u>\$ 128.1</u>	<u>\$ 6.3</u>	<u>\$ 221.2</u>	<u>\$ (355.6)</u>	<u>\$ 61.0</u>
Net cash provided by operating activities	<u>\$ —</u>	<u>\$(217.3)</u>	<u>\$ —</u>	<u>\$ 496.6</u>	<u>\$ —</u>	<u>\$ 279.3</u>
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(9.4)	—	(45.9)	—	(55.3)
Purchase of a business, net of cash acquired	—	—	—	(16.7)	—	(16.7)
Deposits utilized for purchases of property, plant and equipment	—	—	—	0.3	—	0.3
Proceeds from sales of property, plant and equipment	—	—	—	(3.2)	—	(3.2)
Proceeds from held-to-maturity securities	—	—	—	52.4	—	52.4
Purchase of held-to-maturity securities	—	—	—	(97.9)	—	(97.9)
Change in restricted cash	—	—	—	(5.9)	—	(5.9)
Net cash used in investing activities	<u>—</u>	<u>(9.4)</u>	<u>—</u>	<u>(116.9)</u>	<u>—</u>	<u>(126.3)</u>

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

	Issuers	Guarantor Subsidiaries		Non- Guarantor Subsidiaries	Eliminations	Total
	ON Semiconductor Corporation ⁽¹⁾	SCI LLC	Other Subsidiaries			
Cash flows from financing activities:						
Intercompany loans	—	(123.6)	—	123.6	—	—
Intercompany loan repayments	—	501.5	—	(501.5)	—	—
Proceeds from issuance of common stock under the employee stock purchase plan	—	5.5	—	—	—	5.5
Proceeds from debt issuance	—	—	—	79.5	—	79.5
Proceeds from exercise of stock options	—	17.5	—	—	—	17.5
Purchase of Treasury Stock	—	(8.6)	—	—	—	(8.6)
Payment of capital lease obligation	—	(23.4)	—	(6.1)	—	(29.5)
Repayment of long term debt	—	(69.6)	—	(81.0)	—	(150.6)
Net cash used in financing activities	—	299.3	—	(385.5)	—	(86.2)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	0.2	—	0.2
Net increase (decrease) in cash and cash equivalents	—	72.6	—	(5.6)	—	67.0
Cash and cash equivalents, beginning of period	—	213.4	—	245.3	—	458.7
Cash and cash equivalents, end of period	\$ —	\$ 286.0	\$ —	\$ 239.7	\$ —	\$ 525.7

(1) ON Semiconductor is a holding Company and has no operations apart from those of its operating subsidiaries. Additionally, ON Semiconductor does not maintain a bank account; rather SCI LLC, its primary domestic operating subsidiary, processes all of its cash receipts and disbursements on its behalf.

See also Note 15: “Commitments and Contingencies—Other Contingencies” for further discussion of the Company’s guarantees.

ON SEMICONDUCTOR CORPORATION
SUPPLEMENTARY DATA
SELECTED QUARTERLY DATA (UNAUDITED)

Consolidated quarterly financial information for 2011 and 2010 follows (in millions, except per share data):

	<u>Quarter ended 2011</u>			
	<u>April 1</u>	<u>July 1</u>	<u>September 30</u>	<u>December 31</u>
Revenues	\$870.6	\$905.8	\$ 898.0	\$ 767.9
Gross Profit	242.4	266.1	261.1	239.2
Net income (loss) attributable to ON Semiconductor Corporation	35.5	34.3	(49.4)	(8.8)
Diluted net income (loss) per common share attributable to ON Semiconductor Corporation	\$ 0.08	\$ 0.07	\$ (0.11)	\$ (0.02)

	<u>Quarter ended 2010</u>			
	<u>April 2</u>	<u>July 2</u>	<u>October 1</u>	<u>December 31</u>
Revenues	\$550.2	\$583.3	\$ 600.7	\$ 579.2
Gross Profit	228.1	243.8	246.5	237.6
Net income attributable to ON Semiconductor Corporation	63.0	78.7	87.8	61.0
Diluted net income per common share attributable to ON Semiconductor Corporation	\$ 0.14	\$ 0.18	\$ 0.20	\$ 0.14

ON SEMICONDUCTOR CORPORATION
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(in millions)

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>	<u>Deductions/ Write-offs</u>	<u>Balance at End of Period</u>
<i>Allowance for doubtful accounts</i>					
Year ended December 31, 2009	\$ 10.2	\$ (0.5)	\$ —	\$ (0.4)	\$ 9.3
Year ended December 31, 2010	\$ 9.3	\$ (1.8)	\$ —	\$ (0.2)	\$ 7.3
Year ended December 31, 2011	\$ 7.3	\$ (0.3)	\$ —	\$ —	\$ 7.0
<i>Allowance for deferred tax assets</i>					
Year ended December 31, 2009	\$ 606.8	\$ (56.4)	\$ —	\$ —	\$ 550.4
Year ended December 31, 2010	\$ 550.4	\$ 10.4	\$ —	\$ —	\$ 560.8
Year ended December 31, 2011	\$ 560.8	\$ 170.1	\$ 895.2(1)	\$ —	\$1,626.1

(1) Represents \$895.2 million for deferred tax assets acquired from SANYO Semiconductor.

EXHIBIT INDEX*

<u>Exhibit No.</u>	<u>Exhibit Description</u>
2.1	Reorganization Agreement, dated as of May 11, 1999, among Motorola, Inc., SCG Holding Corporation and Semiconductor Components Industries, LLC (incorporated by reference from Exhibit 2.1 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)†
2.2(a)	Agreement and Plan of Recapitalization and Merger, as amended, dated as of May 11, 1999, among SCG Holding Corporation, Semiconductor Components Industries, LLC, Motorola, Inc., TPG Semiconductor Holdings LLC, and TPG Semiconductor Acquisition Corp. (incorporated by reference from Exhibit 2.2 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)†
2.2(b)	Amendment No. 1 to Agreement and Plan of Recapitalization and Merger, dated as of July 28, 1999, among SCG Holding Corporation, Semiconductor Components Industries, LLC, Motorola, Inc., TPG Semiconductor Holdings LLC, and TPG Semiconductor Acquisition Corp. (incorporated by reference from Exhibit 2.3 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)†
2.3	Asset Purchase Agreement between LSI Logic Corporation and Semiconductor Components Industries, LLC, dated as of April 5, 2006 (incorporated by reference from Exhibit 2.1 to the Company's First Quarter 2006 Form 10-Q filed with the Commission on April 27, 2006)††
2.4	Agreement and Plan of Merger and Reorganization, dated as of December 13, 2007, between ON Semiconductor Corporation ("Company" for purposes of this Exhibit Index), Orange Acquisition Corporation, Inc., and AMIS Holdings, Inc. (incorporated by reference from Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on December 13, 2007)†
2.5(a)	Purchase and Sale Agreement, dated as of November 8, 2007, among Semiconductor Components Industries, LLC, ON Semiconductor Trading, Ltd., Analog Devices, Inc. and Analog Devices B.V. (incorporated by reference from Exhibit 2.6 to the Company's Annual Report on Form 10-K filed with the Commission on February 12, 2008)†
2.5(b)	First Amendment to Purchase and Sale Agreement among Analog Devices, Inc. and Analog Devices B.V. and Semiconductor Components Industries, LLC, ON Semiconductor Trading, Ltd. and ON Semiconductor Ireland Research and Design Limited dated May 21, 2008 (incorporated by reference from Exhibit 2.1 to the Company's Second Quarter 2008 Form 10-Q filed with the Commission on August 6, 2008)†
2.6	Agreement and Plan of Merger and Reorganization, dated July 16, 2008, among ON Semiconductor Corporation, Centaur Acquisition Corporation and Catalyst Semiconductor, Inc. (incorporated by reference from Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on July 17, 2008)†
2.7	Agreement and Plan of Merger and Reorganization, dated December 14, 2009, among ON Semiconductor Corporation, Pac-10 Acquisition Corporation, and California Micro Devices Corporation (incorporated by reference from Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on December 14, 2009)†

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
2.8	Form of Tender and Voting Agreement, dated December 14, 2009, among ON Semiconductor Corporation, Pac-10 Acquisition Corporation, California Micro Devices Corporation and each of the following executive officers, directors and stockholders of California Micro Devices Corporation: Robert V. Dickinson, Kevin Berry, Kyle Baker, Daniel Hauck, Jurgen Lutz, Manuel Mere, Dr. Ed Ross, Jon S. Castor, John Fichthorn, J. Michael Gullard, Kenneth Potashner and David Wittrock (incorporated by reference from Exhibit 2.2 to the Company's Current Report on Form 8-K filed with the Commission on December 14, 2009)
2.9	Form of Tender and Voting Agreement, dated December 14, 2009, by and among ON Semiconductor Corporation, Pac-10 Acquisition Corporation, California Micro Devices Corporation and Dialectic Capital Management, LLC (incorporated by reference from Exhibit 2.3 to the Company's Current Report on Form 8-K filed with the Commission on December 14, 2009)
2.10(a)	Purchase Agreement by and among ON Semiconductor Corporation, Semiconductor Components Industries, LLC and SANYO Electric Co., Ltd. dated July 15, 2010 (incorporated by reference from Exhibit 2.1 to the Company's Third Quarter 2010 Form 10-Q filed with the Commission on November 4, 2010)†
2.10(b)	Amendment No. 1 to Purchase Agreement by and among ON Semiconductor Corporation, Semiconductor Components Industries, LLC and SANYO Electric Co., Ltd. dated November 30, 2010 (incorporated by reference from Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on January 6, 2011)†
3.1	Amended and Restated Certificate of Incorporation of ON Semiconductor Corporation, as further amended through March 26, 2008 (incorporated by reference from Exhibit 3.1 to the Company's First Quarter 2008 Form 10-Q filed with the Commission on May 7, 2008)
3.2	Amended and Restated Bylaws of ON Semiconductor Corporation(1)
4.1	Specimen of share certificate of Common Stock, par value \$0.01, ON Semiconductor Corporation (incorporated by reference from Exhibit 4.1 to the Company's Annual Report on Form 10-K filed with the Commission on March 10, 2004)
4.2(a)	Indenture regarding the 1.875% Convertible Senior Subordinated Notes due 2025, dated as of December 21, 2005, between ON Semiconductor Corporation, Semiconductor Components Industries, LLC, SCG (Malaysia SMP) Holding Corporation, SCG (Czech) Holding Corporation, SCG (China) Holding Corporation, Semiconductor Components Industries Puerto Rico, Inc., Semiconductor Components Industries of Rhode Island, Inc., SCG International Development LLC and Semiconductor Components Industries International of Rhode Island, Inc. as guarantors and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on December 27, 2005)
4.2(b)	Form of Note for the 1.875% Senior Subordinated Notes due 2025 between ON Semiconductor Corporation and Deutsche Bank Trust Company Americas (incorporated by reference from Exhibit 4.2 (Exhibit A to Exhibit 4.1) to the Company's Current Report on Form 8-K filed with the Commission on December 27, 2005)
4.2(c)	Registration Rights Agreement for the 1.875% Convertible Senior Subordinated Notes due 2025, dated as of December 21, 2005, between ON Semiconductor Corporation and Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on December 27, 2005)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
4.3(a)	Indenture regarding Zero Coupon Convertible Senior Subordinated Note due 2024, Series B dated as of July 21, 2006, between ON Semiconductor Corporation, certain of its subsidiaries and Wells Fargo Bank, N.A. (as trustee) (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on July 26, 2006)
4.3(b)	First Supplemental Indenture regarding Zero Coupon Convertible Senior Subordinated Note due 2024, Series B dated as of April 12, 2010, between ON Semiconductor Corporation, certain of its subsidiaries and Wells Fargo Bank, N.A. (as trustee) (incorporated by reference from Exhibit 4.1 to the Corporation's Current Report on Form 8-K filed with the Commission on April 12, 2010)
4.3(c)	Global Zero Coupon Convertible Senior Subordinated Note due 2024, Series B, dated July 21, 2006 and executed by ON Semiconductor Corporation (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on July 26, 2006)
4.3(d)	Form of Note for the Zero Coupon Convertible Senior Subordinated Notes due 2024, Series B (incorporated by reference from Exhibit 4.3 (Exhibit A to Exhibit 4.1) to the Company's Current Report on Form 8-K filed with the Commission on July 26, 2006)
4.4(a)	Indenture regarding the 2.625% Convertible Senior Subordinated Notes due 2026, dated as of December 15, 2006, among ON Semiconductor Corporation, the Note Guarantors named therein and Deutsche Trust Company Americas (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on December 20, 2006)
4.4(b)	Indenture dated as of December 15, 2011 among the ON Semiconductor Corporation, the Subsidiary Guarantors named therein and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on December 19, 2011)
4.4(c)	Form of Note for the 2.625% Convertible Senior Subordinated Notes due 2026 (incorporated by reference from Exhibit 4.2 (Exhibit A to Exhibit 4.1) to the Company's Current Report on Form 8-K filed with the Commission on December 20, 2006)
4.4(d)	Form of Note for the 2.625% Convertible Senior Subordinated Notes due 2026, Series B (incorporated by reference from Exhibit 4.2 (Exhibit A to Exhibit 4.1) to the Company's Current Report on Form 8-K filed with the Commission on December 19, 2011)
4.4(e)	Registration Rights Agreement for the 2.625% Convertible Senior Subordinated Notes due 2026, dated as of December 15, 2006, among ON Semiconductor Corporation and Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc., Credit Suisse (USA) LLC, Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Friedman, Billings, Ramsey & Co., Inc. (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on December 20, 2006)
4.5	Loan Agreement dated January 1, 2011 by and among ON Semiconductor Corporation, Semiconductor Components Industries, LLC and SANYO Electric Co., Ltd. (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on January 6, 2011)
10.1	Stock Purchase Agreement dated March 8, 2000 among Semiconductor Components Industries, LLC, SCG Holding Corporation and The Cherry Corporation (incorporated by reference from Exhibit 10.3 to Amendment No. 2 to Registration Statement No. 333-30670 filed with the Commission on April 7, 2000)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.2	Amended and Restated Intellectual Property Agreement, dated August 4, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.5 to Amendment No. 1 to the Registration Statement No. 333-90359 filed with the Commission on January 11, 2000)††
10.3	Lease for 52nd Street property, dated July 31, 1999, among Semiconductor Components Industries, LLC as Lessor, and Motorola Inc. as Lessee (incorporated by reference from Exhibit 10.16 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.4	Declaration of Covenants, Easement of Restrictions and Options to Purchase and Lease, dated July 31, 1999, among Semiconductor Components Industries, LLC and Motorola, Inc. (incorporated by reference from Exhibit 10.17 to Registration Statement No. 333-90359 filed with the Commission on November 5, 1999)
10.5	Joint Venture Contract for Leshan-Phoenix Semiconductor Company Limited, amended and restated on April 20, 2006 between SCG (China) Holding Corporation (a subsidiary of ON Semiconductor Corporation) and Leshan Radio Company Ltd. (incorporated by reference from Exhibit 10.3 to the Company's Second Quarter 2006 Form 10-Q filed with the Commission on July 28, 2006)
10.6	Credit Agreement by and between ON Semiconductor Corporation, Semiconductor Components Industries, LLC, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and The Royal Bank of Scotland plc as Co-Syndication Agents, dated as of December 23, 2011(1)
10.7(a)	2000 Stock Incentive Plan as amended and restated May 19, 2004 (incorporated by reference from Exhibit 10.7 of the Company's Second Quarter 2004 Form 10-Q filed with the Commission on August 6, 2004)(2)
10.7(b)	Amendment to the ON Semiconductor Corporation 2000 Stock Incentive Plan, dated May 16, 2007 (incorporated by reference from Exhibit 10.2 to the Company's Second Quarter Form 10-Q filed with the Commission on August 1, 2007)(2)
10.7(c)	ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (incorporated by reference from Exhibit 4.1 to the Company's registration statement on Form S-8 No. 333-166958 filed with the Commission on May 19, 2010)(2)
10.7(d)	2000 Stock Incentive Plan - non-qualified stock option agreement (incorporated by reference from Exhibit 10.35(d) to Amendment No. 1 to Registration Statement No. 333-30670 filed with the Commission on March 24, 2000)(2)
10.7(e)	Non-qualified Stock Option Agreement for Senior Vice Presidents and Above (form of agreement) (incorporated by reference from Exhibit 10.5 to the Current Report on Form 8-K filed with the Commission on February 16, 2005)(2)
10.7(f)	Non-qualified Stock Option Agreement for Directors (form of standard agreement) (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 16, 2005)(2)
10.7(g)	Non-qualified Stock Option Agreement for Directors (J. Daniel McCranie) dated as of February 10, 2005 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 16, 2005)(2)
10.7(h)	Restricted Stock Units Award Agreement under the ON Semiconductor 2000 Stock Incentive Plan (Form of Agreement for Certain Officers) (incorporated by reference from Exhibit 10.1 to the Company's Second Quarter 2006 Form 10-Q filed with the Commission on July 28, 2006)(2)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.7(i)	Performance Based Restricted Stock Units Award Agreement under the ON Semiconductor 2000 Stock Incentive Plan (Form of Performance Based Award for Certain Officers) (incorporated by reference from Exhibit 10.3 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.7(j)	Form of Restricted Stock Units Award Agreement (For Certain U.S. Officers with Change of Control) between ON Semiconductor Corporation and a Participant in the ON Semiconductor 2000 Stock Incentive Plan, as amended, (incorporated by reference from Exhibit 10.1 to the Company's Third Quarter 2007 Form 10-Q filed with the Commission on October 31, 2007)(2) Stock Incentive Plan, as amended, (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 1, 2007)(2)
10.7(k)	Restricted Stock Award Agreement under the ON Semiconductor 2000 Stock Incentive Plan (Form of Agreement for Non-employee Directors) (incorporated by reference to Exhibit 10.11 to the Company's First Quarter 2008 Form 10-Q filed with the Commission on May 7, 2008)(2)
10.7(l)	Performance Based Restricted Stock Units Award Agreement under the ON Semiconductor 2000 Stock Incentive Plan (Form of Performance Based Award for Certain Officers (for Donald Colvin)) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 19, 2008)(2)
10.7(m)	Performance Based Restricted Stock Units Award Agreement under the ON Semiconductor 2000 Stock Incentive Plan (Form of Performance Based Award for Certain Officers (for Robert Mahoney and John Nelson)) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 19, 2008)(2)
10.7(n)	Performance Based Restricted Stock Units Award Agreement under the ON Semiconductor 2000 Stock Incentive Plan (Form of Performance Based Award for Certain Officers) (incorporated by reference from Exhibit 10.1 to the Company's First Quarter 2010 Form 10-Q filed with the Commission on May 6, 2010)(2)
10.7(o)	Non-qualified Stock Option Agreement for Directors for the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (form of standard agreement) (incorporated by reference from Exhibit 10.2 to the Company's Second Quarter 2010 Form 10-Q filed with the Commission on August 5, 2010)(2)
10.7(p)	Non-qualified Stock Option Agreement for Senior Vice Presidents and Above for the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (form of standard agreement) (incorporated by reference from Exhibit 10.3 to the Company's Second Quarter 2010 Form 10-Q filed with the Commission on August 5, 2010)(2)
10.7(q)	Restricted Stock Units Award Agreement for Senior Vice Presidents and Above for the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (form of standard agreement) (incorporated by reference from Exhibit 10.4 to the Company's Second Quarter 2010 Form 10-Q filed with the Commission on August 5, 2010)(2)
10.7(r)	Stock Grant Award Agreement for Directors under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (form of standard Stock Grant Award for Non-employee Directors) (incorporated by reference from Exhibit 10.1 to the Company's First Quarter 2011 Form 10-Q filed with the Commission on May 6, 2011)(2)
10.7(s)	Performance Based Restricted Stock Units Award Agreement under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (form of Performance Based Award for Senior Vice Presidents and Above) (incorporated by reference from Exhibit 10.1 to the Company's First Quarter 2011 Form 10-Q filed with the Commission on May 6, 2011)(2)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.7(t)	Performance Based Restricted Stock Units Award Agreement for William M. Hall under the ON Semiconductor Corporation 2000 Stock Incentive Plan granted effective March 3, 2008 (incorporated by reference from Exhibit 10.1 to the Company's First Quarter 2011 Form 10-Q filed with the Commission on May 6, 2011)(2)
10.7(u)	Performance Based Restricted Stock Units Award Agreement for William Schromm under the ON Semiconductor Corporation 2000 Stock Incentive Plan granted effective March 3, 2008 (incorporated by reference from Exhibit 10.1 to the Company's First Quarter 2011 Form 10-Q filed with the Commission on May 6, 2011)(2)
10.8	ON Semiconductor Corporation 2000 Employee Stock Purchase Plan, as amended and restated as of May 20, 2009 (incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-8 (No. 333-159381) filed with the Commission on May 21, 2009)(2)
10.9(a)	ON Semiconductor 2002 Executive Incentive Plan (incorporated by reference from Exhibit 10.1 of the Company's Second Quarter 2002 Form 10-Q filed with the Commission on August 9, 2002)(2)
10.9(b)	ON Semiconductor 2007 Executive Incentive Plan (incorporated by reference from Appendix B of Schedule 14A filed with the Commission on April 11, 2006)(2)
10.9(c)	First Amendment to the ON Semiconductor 2007 Executive Incentive Plan (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on August 22, 2007)(2)
10.10(a)	Employee Incentive Plan January 2002 (incorporated by reference from Exhibit 10.2 of the Company's Second Quarter 2002 Form 10-Q filed with the Commission on August 9, 2002)(2)
10.10(b)	First Amendment to the ON Semiconductor 2002 Employee Incentive Plan (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on August 22, 2007)(2)
10.11(a)	Employment Agreement, dated as of November 10, 2002, between ON Semiconductor Corporation and Keith Jackson (incorporated by reference from Exhibit 10.50(a) to the Company's Annual Report on Form 10-K filed with the Commission on March 25, 2003)(2)
10.11(b)	Letter Agreement dated as of November 19, 2002, between ON Semiconductor Corporation and Keith Jackson (incorporated by reference from Exhibit 10.50(b) to the Company's Form 10-K filed with the Commission on March 25, 2003)(2)
10.11(c)	Amendment No. 2 to Employment Agreement between ON Semiconductor Corporation and Keith Jackson dated as of March 21, 2003 (incorporated by reference from Exhibit 10.18(c) to the Company's Annual Report on Form 10-K filed with the Commission on February 22, 2006)(2)
10.11(d)	Amendment No. 3 to Employment Agreement between ON Semiconductor Corporation and Keith Jackson dated as of May 19, 2005 (incorporated by reference from Exhibit 10.1 in the Company's Second Quarter 2005 Form 10-Q filed with the Commission on August 3, 2005)(2)
10.11(e)	Amendment No. 4 to Employment Agreement between ON Semiconductor Corporation and Keith Jackson dated as of February 14, 2006 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 17, 2006)(2)
10.11(f)	Amendment No. 5 to Employment Agreement between ON Semiconductor Corporation and Keith Jackson executed on September 1, 2006 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 8, 2006)(2)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.11(g)	Amendment No. 6 to Employment Agreement with Keith Jackson executed on April 23, 2008 (incorporated by reference from Exhibit 10.3 to the Company's Second Quarter 2008 Form 10-Q filed with the Commission on August 6, 2008)(2)
10.11(h)	Amendment No. 7 to Employment Agreement with Keith Jackson executed on April 30, 2009 (incorporated by reference from Exhibit 10.4 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.11(i)	Amendment No. 8 to Employment Agreement with Keith Jackson executed on March 24, 2010 (incorporated by reference from Exhibit 10.2 to the Corporation's First Quarter 2010 Form 10- Q filed with the Commission on May 5, 2010)(2)
10.12(a)	Employment Agreement, effective May 26, 2005, between Semiconductor Components Industries, LLC and Donald Colvin (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 27, 2005)(2)
10.12(b)	Amendment No. 1 to Employment Agreement with Donald Colvin executed on April 23, 2008(incorporated by reference from Exhibit 10.4 to the Company's Second Quarter 2008 Form 10-Q filed with the Commission on August 6, 2008)(2)
10.12(c)	Amendment No. 2 to Employment Agreement with Donald Colvin executed on April 30, 2009 (incorporated by reference from Exhibit 10.5 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.12(d)	Amendment No. 3 to Employment Agreement with Donald Colvin executed on March 24, 2010 (incorporated by reference from Exhibit 10.3 to the Corporation's First Quarter 2010 Form 10- Q filed with the Commission on May 5, 2010)(2)
10.13(a)	Employment Agreement, effective May 26, 2005, between Semiconductor Components Industries, LLC and George H. Cave (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 27, 2005)(2)
10.13(b)	Amendment No. 1 to Employment Agreement with George H. Cave executed on April 23, 2008 (incorporated by reference from Exhibit 10.5 to the Company's Second Quarter 2008 Form 10-Q filed with the Commission on August 6, 2008)(2)
10.13(c)	Amendment No. 2 to Employment Agreement with George H. Cave executed on April 30, 2009 (incorporated by reference from Exhibit 10.8 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.13(d)	Amendment No. 3 to Employment Agreement with George H. Cave executed on March 24, 2010 (incorporated by reference from Exhibit 10.6 to the Corporation's First Quarter 2010 Form 10- Q filed with the Commission on May 5, 2010)(2)
10.14(a)	Retention Agreement executed and effective on January 4, 2006, between Semiconductor Components Industries, LLC and Robert Charles Mahoney (incorporated by reference from Exhibit 10.27 to the Company's Annual Report on Form 10-K filed with the Commission on February 23, 2007)(2)
10.14(b)	Employment Agreement, dated as of July 11, 2006, between Semiconductor Components Industries, LLC and Robert Charles Mahoney (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 13, 2006)(2)
10.14(c)	Amendment No. 1 to Employment Agreement with Robert Charles Mahoney executed on April 29, 2008 (incorporated by reference from Exhibit 10.12 to the Company's First Quarter 2008 Form 10-Q filed with the Commission on May 7, 2008)(2)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.14(d)	Amendment No. 2 to Employment Agreement with Robert Charles Mahoney executed on April 29, 2008 (incorporated by reference from Exhibit 10.6 to the Company's Second Quarter 2008 Form 10-Q filed with the Commission on August 6, 2008)(2)
10.14(e)	Amendment No. 3 to Employment Agreement with Robert Charles Mahoney executed on April 30, 2009 (incorporated by reference from Exhibit 10.7 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.14(f)	Amendment No. 4 to Employment Agreement with Robert Charles Mahoney executed on March 24, 2010 (incorporated by reference from Exhibit 10.5 to the Corporation's First Quarter 2010 Form 10-Q filed with the Commission on May 5, 2010)(2)
10.15(a)	Employment Agreement, dated as of May 1, 2007, between Semiconductor Components Industries, LLC and W. John Nelson (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 4, 2007)(2)
10.15(b)	Amendment No. 1 to Employment Agreement with W. John Nelson executed on April 23, 2008 (incorporated by reference from Exhibit 10.7 to the Company's Second Quarter 2008 Form 10-Q filed with the Commission on August 6, 2008)(2)
10.15(c)	Amendment No. 2 to Employment Agreement with W. John Nelson executed on April 30, 2009 (incorporated by reference from Exhibit 10.6 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.15(d)	Amendment No. 3 to Employment Agreement with W. John Nelson executed on March 24, 2010 (incorporated by reference from Exhibit 10.4 to the Corporation's First Quarter 2010 Form 10-Q filed with the Commission on May 5, 2010)(2)
10.16(a)	Employment Agreement by and between Semiconductor Components Industries, LLC and Bill Hall, dated as of April 23, 2006 (incorporated by reference from Exhibit 10.1 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.16(b)	Amendment No. 1 to Employment Agreement by and between Semiconductor Components Industries, LLC and William M. Hall, dated as of April 23, 2008 (incorporated by reference from Exhibit 10.2 to the Company's First Quarter 2009 Form 10-Q filed with the Commission on May 7, 2009)(2)
10.17(a)	Employment Agreement by and between Semiconductor Components Industries, LLC and William Schromm, dated as of October 20, 2006(1)(2)
10.17(b)	Amendment No. 1 to Employment Agreement by and between Semiconductor Components Industries, LLC and William Schromm, executed on April 29, 2008(1)(2)
10.18(a)	Amended and Restated AMIS Holdings, Inc. 2000 Equity Incentive Plan (incorporated by reference to Exhibit 10 to AMIS Holdings, Inc. Third Quarter Form 10-Q filed with the Commission on November 12, 2003)(2)
10.18(b)	Form of 2000 Equity Incentive Plan Stock Option Agreement (Nonstatutory Stock Option Agreement) (incorporated by reference to Exhibit 10.1 to AMIS Holdings, Inc. Current Report on Form 8-K filed with the Commission on February 7, 2005)(2)
10.18(c)	Form of U.S. Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 to AMIS Holdings, Inc. Third Quarter Form 10-Q filed with the Commission on November 9, 2006)(2)

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<u>Exhibit No.</u>	<u>Exhibit Description</u>
14.1	ON Semiconductor Corporation Code of Business Conduct effective as of January 25, 2012 (incorporated by reference from Exhibit 14 to the Company's Current Report on Form 8-K filed with the Commission on January 26, 2012)
21.1	List of Significant Subsidiaries(1)
23.1	Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP(1)
24.1	Powers of Attorney(1)
31.1	Certification by CEO pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)
31.2	Certification by CFO pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the 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(3)
101.INS	XBRL Instance Document(4)
101.SCH	XBRL Taxonomy Extension Schema Document(4)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document(4)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document(4)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document(4)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document(4)

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

(1) Filed herewith.

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

(3) Furnished herewith.

(4) In accordance with Rule 406T of Regulation S-T, the XBRL related information shall not be deemed to be "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

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

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

BY-LAWS
OF
ON SEMICONDUCTOR CORPORATION
As Amended and Restated on February 16, 2012

ARTICLE I
OFFICES

SECTION 1. REGISTERED OFFICE. The registered office of ON Semiconductor Corporation (hereinafter referred to as the "Corporation") shall be established and maintained at the office of The Corporation Trust Company, in the City of Wilmington, in the County of New Castle, in the State of Delaware, which shall be the registered agent of the Corporation in charge thereof.

SECTION 2. OTHER OFFICES. The Corporation may have other offices, either within or without the State of Delaware, at such place or places as the Board of Directors of the Corporation (hereinafter referred to as the "Board") may from time to time appoint or the business of the Corporation may require.

ARTICLE II
MEETING OF STOCKHOLDERS

SECTION 1. ANNUAL MEETINGS. Annual meetings of stockholders for the election of directors and for such other business as may be stated in the notice of the meeting, shall be held at such place, either within or without the State of Delaware, and at such time and date as the Board, by resolution, shall determine and as set forth in the notice of the meeting.

If the date of the annual meeting shall fall upon a legal holiday, the meeting shall be held on the next business day. At each annual meeting, the stockholders entitled to vote shall elect directors by plurality vote, in accordance with Article NINTH of the Amended and Restated Certificate of Incorporation of the Corporation, and the stockholders may transact such other corporate business as shall be stated in the notice of the meeting.

SECTION 2. SPECIAL MEETINGS. Except as provided in the Amended and Restated Certificate of Incorporation of the Corporation, special meetings of the stockholders may be called only on the order of the Chairman of the Board or the Board and shall be held at such date, time and place as may be specified by such order. The business permitted to be conducted at any special meeting of the stockholders is limited to the purpose or purposes specified by such order.

SECTION 3. VOTING. Each stockholder entitled to vote in accordance with the terms of the Amended and Restated Certificate of Incorporation of the Corporation and these By-Laws may vote in person or by proxy by the stockholder or by his or her duly authorized attorney-in-fact. If a quorum is present, the affirmative vote of a majority of the votes cast at a meeting of the stockholders by the holders of shares entitled to vote thereat shall be the act of the stockholders, unless the vote of a greater or lesser number of shares of stock is required by law, the Amended and Restated Certificate of Incorporation of the Corporation or these By-Laws.

A complete list of the stockholders entitled to vote at the ensuing election, arranged in alphabetical order, with the address of each, and the number of shares held by each, shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary

business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Except as otherwise provided by these Bylaws, each director shall be elected by the vote of the majority of the votes cast with respect to that director's election at any meeting for the election of directors at which a quorum is present, provided that if, as of the tenth (10th) day preceding the date the Corporation first mails its notice of meeting for such meeting to the stockholders of the Corporation, the number of nominees exceeds the number of directors to be elected (a "Contested Election"), the directors shall be elected by the vote of a plurality of the votes cast. For purposes of this Article II, Section 3, a majority of votes cast shall mean that the number of votes cast "for" a director's election exceeds the number of votes cast "against" that director's election (with "abstentions" and "broker nonvotes" not counted as a vote cast either "for" or "against" that director's election).

In the event an incumbent director fails to receive a majority of the votes cast in an election that is not a Contested Election, the incumbent director shall promptly tender his or her resignation to the Board of Directors. The Corporate Governance and Nominating Committee, or such other committee designated by the Board of Directors pursuant to these Bylaws, shall make a recommendation to the Board of Directors as to whether to accept or reject the resignation of such incumbent director, or whether other action should be taken. The Board of Directors shall act on the resignation, taking into account such committee's recommendation, and publicly disclose (by a press release and filing an appropriate disclosure with the Securities and Exchange Commission) its decision regarding the resignation and, if such resignation is rejected, the rationale behind the decision within ninety (90) days following certification of the election results. The committee in making its recommendation and the Board of Directors in making its decision each may consider any factors and other information that they consider appropriate and relevant.

If the Board of Directors accepts a director's resignation pursuant to this Article II, Section 3, or if a nominee for director is not elected and the nominee is not an incumbent director, then the resulting vacancy may be filled pursuant to Article NINTH, Section 2 of the Amended and Restated Certificate of Incorporation of the Corporation.

SECTION 4. QUORUM. Except as otherwise required by law, by the Amended and Restated Certificate of Incorporation of the Corporation or by these By-Laws, the presence, in person or by proxy, of stockholders holding a majority of the stock of the Corporation entitled to vote shall constitute a quorum at all meetings of the stockholders. In case a quorum shall not be present at any meeting, a majority in interest of the stockholders entitled to vote thereat, present in person or by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of stock entitled to vote shall be present. At any such adjourned meeting at which the requisite amount of stock entitled to vote shall be represented, any business may be transacted that might have been transacted at the meeting as originally noticed; but, unless the Board fixes a new record date, only those stockholders entitled to vote at the meeting as originally noticed shall be entitled to vote at any adjournment or adjournments thereof.

SECTION 5. NOTICE OF MEETINGS. Written notice of all meetings of the stockholders shall be mailed or delivered to each stockholder not less than ten nor more than sixty days before the meeting. The notice or an accompanying document shall identify the business to be transacted at the meeting as determined by the Board and, if directors are to be elected, the nominees therefor proposed by the Board.

Other business may be transacted at the annual meeting (but not at any special meeting), only if the Secretary of the Corporation has received from the sponsoring stockholder (a) not less than ninety nor more than one hundred twenty days before the first Tuesday in June (or, if the Board has designated another date for the annual meeting pursuant to Section 1 of this Article II, not less than ninety nor more than one hundred twenty days before such other date, or, if such other date has not been publicly disclosed or announced at least one hundred five days in advance, then not less than fifteen days after such initial public disclosure or announcement) a written notice setting forth (i) as to each matter the stockholder proposes to bring before the annual meeting, a brief description of the proposal desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (iii) the class and number of shares that are owned beneficially and of record by such stockholder on the date of such stockholder's notice and (iv) any material interest of the stockholder in such proposal, and (b) not more than ten days after receipt by the sponsoring stockholder of a written request from the Secretary, such additional information as the Secretary may reasonably require.

Notwithstanding anything in these By-Laws to the contrary, no business shall be brought before or conducted at an annual meeting except in accordance with the provisions of this Section 5 of Article II. The officer of the Corporation or other person presiding over the annual meeting shall, if the facts so warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 5 of Article II and, if he or she should so determine, such officer shall so declare to the meeting and any business so determined to be not properly brought before the meeting shall not be transacted.

Candidates for election to the Board (other than nominees proposed by the Board) may be nominated at the annual meeting (but not at any special meeting), only if the Secretary of the Corporation has received from the nominating stockholder (a) not less than ninety nor more than one hundred twenty days before the first Tuesday in June (or, if the Board has designated another date for the annual meeting pursuant to Section 1 of this Article II, not less than ninety days nor more than one hundred twenty days before such other date, or, if such other date has not been publicly disclosed or announced at least one hundred five days in advance, then not less than fifteen days after such initial public disclosure or announcement) a written notice setting forth (i) with respect to each person whom such stockholder proposes to nominate for election or re-election as a director, all information relating to such person that would be required to be disclosed in solicitations of proxies for the election of directors, or would otherwise be required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, if such Regulation 14A or any successor regulation or statute were applicable (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business and (iii) the class and number of shares that are owned beneficially and of record by such stockholder on the date of such stockholder's notice, and (b) not more than ten days after receipt by the nominating stockholder of a written request from the Secretary, such additional information as the Secretary may reasonably require. Notwithstanding anything in these By-Laws to the contrary, no person shall be eligible for election as a director except in accordance

with the provisions of this Section 5 of Article II. The officer of the Corporation or other person presiding over the annual meeting shall, if the facts so warrant, determine and declare to the meeting that a nomination was not made in accordance with the provisions of this Section 5 of Article II and, if he or she should so determine, such officer shall so declare to the meeting and any such defective nomination shall be disregarded.

ARTICLE III
DIRECTORS

SECTION 1. NUMBER. The number of directors shall be fixed by the Board from time to time in accordance with Article NINTH of the Amended and Restated Certificate of Incorporation of the Corporation.

SECTION 2. COMMITTEES. The Board may, by resolution or resolutions passed by a majority of the entire Board, designate one or more committees of the Board, each such committee to consist of one or more directors.

SECTION 3. MEETINGS. The newly elected directors may hold their first meeting for the purpose of organization and the transaction of business, if a quorum be present, immediately after the annual meeting of the stockholders; or the time and place of such meeting may be fixed by consent in writing of all the directors.

Regular meetings of the Board or any committee of the Board may be held without notice at such places and times as shall be determined from time to time by resolution of the Board or such committee, as the case may be.

Special meetings of the Board may be called by the Chairman of the Board or the President and shall be called by the Secretary on the written request of any two directors on at least one day's notice to each director and shall be held at such place or places as may be determined by the Board, or shall be stated in the call of the meeting.

Unless otherwise restricted by the Amended and Restated Certificate of Incorporation of the Corporation or by these By-Laws, members of the Board or any committee of the Board, may participate in a meeting of the Board or any such committee, as the case may be, by means of telephone conference or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

SECTION 4. QUORUM. A majority of the Board or a majority of the members of a committee of the Board shall constitute a quorum of the Board or such committee, as the case may be, for the transaction of business. If at any meeting of the Board or a committee there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is obtained, and no further notice thereof need be given other than by announcement at the meeting which shall be so adjourned. The vote of the majority of directors present at a meeting at which a quorum is present shall be the act of the Board or such committee, as the case may be, unless the Amended and Restated Certificate of Incorporation of the Corporation or these By-Laws shall require the vote of a greater number.

SECTION 5. COMPENSATION. Non-employee directors, as such, may receive such stated salary for their services and/or such fixed sums and expenses of attendance for attendance at each regular or special meeting of the Board or any committee thereof as may be established by resolution of the Board; *provided* that no compensation shall be so paid for participation in any action taken pursuant to Article III, Section 6; *provided further* that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 6. ACTION WITHOUT MEETING. Any action required or permitted to be taken at any meeting of the Board or of any committee of the Board may be taken without a meeting if, prior to such action, a written consent thereto is signed by all members of the Board or such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or such committee, as the case may be.

ARTICLE IV
CHAIRMAN OF THE BOARD AND OFFICERS

SECTION 1. OFFICERS. The officers of the Corporation shall be a President, a Treasurer, and a Secretary, all of whom shall be elected by the Board and who shall hold office until their successors are elected and qualified. In addition, the Board may elect a Chairman, one or more Vice-Presidents and such Assistant Secretaries and Assistant Treasurers as they deem proper. None of the officers of the Corporation need be directors of the Corporation. The officers shall be elected at the first meeting of the Board after each annual meeting. More than two offices may be held by the same person.

SECTION 2. OTHER OFFICERS AND AGENTS. The Board may appoint such other officers and agents as it may deem advisable, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

SECTION 3. CHAIRMAN. The Chairman of the Board, if one be elected, shall preside at all meetings of the Board and he shall have and perform such other duties as from time to time may be assigned to him by the Board. The Chairman of the Board shall not be deemed an officer of the Corporation unless he is designated as such by a resolution of the Board of Directors.

SECTION 4. PRESIDENT. The President shall be the chief executive officer of the Corporation and shall have the general powers and duties of supervision and management usually vested in the office of President of a corporation. He shall preside at all meetings of the stockholders if present thereat, and in the absence or nonelection of the Chairman of the Board, at all meetings of the Board, and shall have general supervision, direction and control of the business of the Corporation. Except as the Board shall authorize the execution thereof in some other manner, he shall execute bonds, mortgages and other contracts on behalf of the Corporation, and shall cause the seal to be affixed to any instrument requiring it and when so affixed the seal shall be attested by the signature of the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer.

SECTION 5. VICE-PRESIDENT. Each Vice-President shall have such powers and shall perform such duties as shall be assigned to him by the directors.

SECTION 6. TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation. He shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositories as may be designated by the Board.

The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board, or the President, taking proper vouchers for such disbursements. He shall render to the President and Board at the regular meetings of the Board, or whenever they may request it, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board, he shall give the Corporation a bond for the faithful discharge of his duties in such amount and with such surety as the Board shall prescribe.

SECTION 7. SECRETARY. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and directors, and all other notices required by law or by these By-Laws, and in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the President, or by the directors, or stockholders, upon whose requisition the meeting is called as provided in these By-Laws. He shall record all the proceedings of the meetings of the Corporation and of the Board or any committee of the Board in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him by the Board or the President. He shall have the custody of the seal of the Corporation and shall affix the same to all instruments requiring it, when authorized by the directors or the President, and attest the same.

SECTION 8. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES. Assistant Treasurers and Assistant Secretaries, if any, shall be elected and shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the directors.

ARTICLE V
MISCELLANEOUS

SECTION 1. STOCK CERTIFICATES; UNCERTIFICATED SHARES. Shares of stock of the Corporation may be issued in certificated or uncertificated form or any other such form as the Board may from time to time prescribe, consistent with the laws of the State of Delaware. Every holder of certificated shares of stock in the Corporation shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman or Vice Chairman of the Board, if they be elected, President or Vice-President, and the Treasurer or an Assistant Treasurer, or Secretary or an Assistant Secretary, certifying the number of shares owned by him in the Corporation. Any of or all the signatures on a certificate may be facsimiles.

SECTION 2. LOST CERTIFICATES. A new certificate of stock or uncertificated shares of stock may be issued in the place of any certificate theretofore issued by the Corporation, alleged to have been lost or destroyed. The directors may, in their discretion, require the owner of the lost or destroyed certificate, or his legal representatives, to give the Corporation a bond, in such sum as they may direct not exceeding double the value of the stock, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss of any such certificate, or the issuance of any such new certificate or uncertificated shares.

SECTION 3. TRANSFER OF SHARES. Subject to any restrictions on transfer, shares of stock of the Corporation may be transferred upon the books of the Corporation, if such shares are certificated, only by the holders thereof or their duly authorized attorneys or legal representatives by the delivery thereof to the person in charge of the stock and transfer books and ledgers, or to such other person as the Corporation may designate, by whom they shall be cancelled and upon their surrender to the Corporation of their certificates, or, if such shares are uncertificated, only upon receipt of proper transfer instructions from the registered owner of the shares. A record shall be made of each transfer and whenever a transfer shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer. The Corporation may treat as the absolute owner of shares of the Corporation the person or persons in whose name shares are registered on the books of the Corporation.

SECTION 4. STOCKHOLDERS RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board may fix a new record date for the adjourned meeting.

SECTION 5. DIVIDENDS. Subject to the provisions of the Amended and Restated Certificate of Incorporation of the Corporation, the Board may, out of funds legally available therefor at any regular or special meeting, declare dividends upon the capital stock of the Corporation as and when they deem expedient. Before declaring any dividend there may be set apart out of any funds of the Corporation available for dividends, such sum or sums as the

directors from time to time in their discretion deem proper for working capital or as a reserve fund to meet contingencies or for equalizing dividends or for such other purposes as the directors shall deem conducive to the interests of the company.

SECTION 6. SEAL. The corporate seal shall be circular in form and shall contain the name of the Corporation, the year of its creation and the words "CORPORATE SEAL DELAWARE". Said seal may be used by causing it or a facsimile to be impressed or affixed or reproduced or otherwise.

SECTION 7. FISCAL YEAR. The fiscal year of the Corporation shall be determined by resolution of the Board.

SECTION 8. CHECKS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner as shall be determined from time to time by resolutions of the Board.

SECTION 9. NOTICE AND WAIVER OF NOTICE. Whenever any notice is required by these By-Laws to be given, personal notice is not meant unless expressly so stated (and except in the case of notice pursuant to Article III, Section 3), and any notice so required shall be deemed to be sufficient if given by (i) depositing the same in the United States mail, postage prepaid, addressed to the person entitled thereto at his address as it appears on the records of the Corporation (such notice shall be deemed to have been given on the day of such mailing) or (ii) by transmitting it to the person entitled thereto by electronic mail to any electronic mail address of such person or by any other electronic means, all as consistent with the laws of the State of Delaware and federal rules and regulations. Stockholders not entitled to vote shall not be entitled to receive notice of any meetings except as otherwise provided by Statute.

Whenever any notice whatever is required to be given under the provisions of any law, or under the provisions of the Amended and Restated Certificate of Incorporation of the Corporation or By-Laws, a waiver thereof in writing, signed by the person or persons entitled to said notice (or transmitted electronically by such person or persons), whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VI AMENDMENTS

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

entitled to vote generally in the election of directors, considered for purposes of this Article VI as a single class.

J.P.Morgan

CREDIT AGREEMENT

dated as of

December 23, 2011

among

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC,

as the Borrower

ON SEMICONDUCTOR CORPORATION,
as Holdings

The Lenders Party Hereto

JPMORGAN CHASE BANK, N.A.
as Administrative Agent,

and

BANK OF AMERICA, N.A. and
THE ROYAL BANK OF SCOTLAND plc
as Co-Syndication Agents

J.P. MORGAN SECURITIES LLC,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED and
RBS SECURITIES INC.
as Joint Bookrunners and Joint Lead Arrangers

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Schedule 2.02 – Mandatory Cost

EXHIBITS:

Exhibit A – Form of Assignment and Assumption

Exhibit B – Form of Opinion of Loan Parties' Counsel

Exhibit C – Form of Increasing Lender Supplement

Exhibit D – Form of Augmenting Lender Supplement

Exhibit E – List of Closing Documents

Exhibit F – Form of Subsidiary Guaranty

Exhibit G-1 – Form of U.S. Tax Certificate (Non-U.S. Lenders That Are Not Partnerships)

Exhibit G-2 – Form of U.S. Tax Certificate (Non-U.S. Lenders That Are Partnerships)

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Exhibit H – Form of Compliance Certificate

Exhibit I – Form of Borrowing Request

Exhibit J – Form of Interest Election Request

Exhibit K – Form of Promissory Note

CREDIT AGREEMENT (this "Agreement") dated as of December 23, 2011 among SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, ON SEMICONDUCTOR CORPORATION, the LENDERS from time to time party hereto, JPMORGAN CHASE BANK, N.A., as Administrative Agent, and BANK OF AMERICA, N.A. and THE ROYAL BANK OF SCOTLAND plc, as Co-Syndication Agents.

The parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to a Loan, or the Loans comprising such Borrowing, bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurocurrency Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the sum of (i) (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate plus, without duplication (ii) in the case of Loans by a Lender from its office or branch in the United Kingdom or any Participating Member State, the Mandatory Cost.

"Administrative Agent" means JPMorgan Chase Bank, N.A. (including its branches and affiliates), in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Commitment" means the aggregate of the Commitments of all of the Lenders, as reduced or increased from time to time pursuant to the terms and conditions hereof. As of the Effective Date, the Aggregate Commitment is \$325,000,000.

"Agreed Currencies" means (i) Dollars, (ii) euro, (iii) Pounds Sterling, (iv) Japanese Yen and (v) any other Foreign Currency that is (x) lawful currency (other than Dollars) that is readily available and freely transferable and convertible into Dollars, (y) available in the London interbank deposit market and (z) requested by the Borrower and agreed to by the Administrative Agent and each of the Lenders.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus $\frac{1}{2}$ of 1% and (c) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%, provided that, for the avoidance of doubt, the Adjusted LIBO Rate for any day shall be based on the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such page) at approximately 11:00 a.m. London

time on such day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

“Applicable Percentage” means, with respect to any Lender, the percentage of the Aggregate Commitment represented by such Lender’s Commitment; provided that, in the case of Section 2.22 when a Defaulting Lender shall exist, “Applicable Percentage” shall mean the percentage of the Aggregate Commitment (disregarding any Defaulting Lender’s Commitment) represented by such Lender’s Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender’s status as a Defaulting Lender at the time of determination.

“Applicable Rate” means, for any day, with respect to any Eurocurrency Revolving Loan or any ABR Revolving Loan or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption “Eurocurrency Spread”, “ABR Spread” or “Commitment Fee Rate”, as the case may be, based upon the Total Leverage Ratio applicable on such date:

	<u>Total Leverage Ratio:</u>	<u>Eurocurrency Spread</u>	<u>ABR Spread</u>	<u>Commitment Fee Rate</u>
<u>Category 1:</u>	< 1.75 to 1.00	1.50%	0.50%	0.30%
<u>Category 2:</u>	³ 1.75 to 1.00 but < 2.25 to 1.00	1.75%	0.75%	0.35%
<u>Category 3:</u>	³ 2.25 to 1.00 but < 2.75 to 1.00	2.00%	1.00%	0.40%
<u>Category 4:</u>	³ 2.75 to 1.00 but < 3.25 to 1.00	2.25%	1.25%	0.45%
<u>Category 5:</u>	³ 3.25 to 1.00	2.50%	1.50%	0.50%

For purposes of the foregoing,

(i) if at any time Holdings fails to deliver the Financials on or before the date the Financials are due pursuant to Section 5.01, Category 5 shall be deemed applicable for the period commencing three (3) Business Days after the required date of delivery and ending on the date which is three (3) Business Days after the Financials are actually delivered, after which the Category shall be determined in accordance with the table above as applicable;

(ii) adjustments, if any, to the Category then in effect shall be effective three (3) Business Days after the Administrative Agent has received the applicable Financials (it being understood and agreed that each change in Category shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change); and

(iii) notwithstanding the foregoing, Category 2 shall be deemed to be applicable until the Administrative Agent's receipt of the applicable Financials for Holdings' first fiscal quarter ending after the Effective Date (unless such Financials demonstrate that Category 3, 4 or 5 should have been applicable during such period, in which case such other Category shall be deemed to be applicable during such period) and adjustments to the Category then in effect shall thereafter be effected in accordance with the preceding paragraphs.

"Approved Fund" has the meaning assigned to such term in Section 9.04.

"Assignment and Assumption" means an assignment and assumption agreement entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent and the Borrower.

"Augmenting Lender" has the meaning assigned to such term in Section 2.20.

"Available Revolving Commitment" means, at any time with respect to any Lender, the Commitment of such Lender then in effect minus the Revolving Credit Exposure of such Lender at such time; it being understood and agreed that any Lender's Swingline Exposure shall not be deemed to be a component of the Revolving Credit Exposure for purposes of calculating the commitment fee under Section 2.12(a).

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Banking Services" means each and any of the following bank services provided to Holdings, the Borrower or any Restricted Subsidiary by any Lender or any of its Affiliates: (a) credit cards for commercial customers (including, without limitation, commercial credit cards and purchasing cards), (b) stored value cards and (c) treasury management services (including, without limitation, foreign exchange services, controlled disbursement, automated clearinghouse transactions, return items, overdrafts and interstate depository network services).

"Banking Services Agreement" means any agreement entered into by Holdings, the Borrower or any Restricted Subsidiary in connection with Banking Services.

"Banking Services Obligations" means any and all obligations of Holdings, the Borrower or any Restricted Subsidiary, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) in connection with Banking Services.

"Bankruptcy Event" means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such

Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

“Bermuda IP Subsidiary” means ON Semiconductor Trading Ltd., a Bermuda corporation.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrower” means Semiconductor Components Industries, LLC, a Delaware limited liability company.

“Borrowing” means (a) Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurocurrency Loans, as to which a single Interest Period is in effect or (b) a Swingline Loan.

“Borrowing Request” means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.03.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurocurrency Loan or Borrowing, the term “Business Day” shall also exclude any day on which banks are not open for dealings in the relevant Agreed Currency in the London interbank market or the principal financial center of such Agreed Currency (and, if the Borrowings or LC Disbursements which are the subject of a borrowing, drawing, payment, reimbursement or rate selection are denominated in euro, the term “Business Day” shall also exclude any day on which the TARGET payment system is not open for the settlement of payments in euro).

“Capital Lease Obligations” of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital lease obligations on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“Change in Control” means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person other than Holdings of any Equity Interest in the Borrower; (b) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the SEC thereunder as in effect on the Effective Date), of Equity Interests representing more than 35% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Holdings; or (c) occupation of a majority of the seats (other than vacant seats) on the board of directors of Holdings by Persons who were neither (i) nominated by the board of directors of Holdings nor (ii) appointed or approved by directors so nominated.

“Change in Law” means the occurrence, after the date of this Agreement (or with respect to any Lender, if later, the date on which such Lender becomes a Lender), of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority, or (c) the making or issuance of any request, rules, guideline, requirement or directive (whether or not having the force of law) by any Governmental Authority; provided however, that notwithstanding

anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law” regardless of the date enacted, adopted, issued or implemented.

“China JV” means Leshan Phoenix Semiconductor Co., Ltd., an entity existing under the laws of The People’s Republic of China.

“Class”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Swingline Loans.

“Code” means the Internal Revenue Code of 1986.

“Commitment” means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender’s Revolving Credit Exposure hereunder, as such commitment may be (a) reduced or terminated from time to time pursuant to Section 2.09, (b) increased from time to time pursuant to Section 2.20 and (c) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender’s Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption or other documentation contemplated hereby pursuant to which such Lender shall have assumed its Commitment, as applicable.

“Computation Date” is defined in Section 2.04.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes.

“Consolidated EBITDA” means, with reference to any period of four (4) consecutive fiscal quarters, Consolidated Net Income for such period plus

(a) without duplication and to the extent deducted in determining such Consolidated Net Income, the sum of:

- (i) Consolidated Interest Expense for such period,
- (ii) consolidated income tax expense for such period,
- (iii) all amounts attributable to depreciation and amortization for such period,
- (iv) all extraordinary charges during such period,
- (v) noncash expenses during such period resulting from the grant of stock options and restricted stock, restricted stock units or other awards to management, directors, consultants or employees of Holdings, the Borrower or any of the Restricted Subsidiaries,

- (vi) any non-recurring fees, expenses or premiums related to the redemption, repayment or repurchase of any securities of Holdings or the Borrower,
 - (vii) cash restructuring expenses to the extent expensed (A) during the period beginning on the Effective Date and continuing to, but not including, the third fiscal quarter of Borrower in 2014, in an aggregate amount not to exceed \$125,000,000 and (B) thereafter, beginning with the third fiscal quarter of Borrower in 2014, in an amount not to exceed \$20,000,000 for such period,
 - (viii) all other noncash expenses or losses of Holdings, the Borrower or any of the Restricted Subsidiaries for such period (excluding any such expense or loss that constitutes an accrual of or a reserve for cash payments to be made in any future period),
 - (ix) any non-recurring fees, expenses or charges recognized by Holdings, the Borrower or any of the Restricted Subsidiaries for such period related to any offering of capital stock, incurrence of Indebtedness or Permitted Acquisition, and minus
- (b) without duplication and to the extent included in determining such Consolidated Net Income, the sum of:
- (i) any extraordinary gains for such period,
 - (ii) all noncash items increasing Consolidated Net Income for such period (excluding any items that represent the reversal of any accrual of, or cash reserve for, anticipated cash charges in any prior period) and
 - (iii) all gains during such period attributable to any sale or disposition of assets (other than in the ordinary course of business),

all determined on a consolidated basis in accordance with GAAP. For the purposes of calculating Consolidated EBITDA for any period of four consecutive fiscal quarters (each such period, a "Reference Period"), (i) if at any time during such Reference Period Holdings, the Borrower or any Restricted Subsidiary shall have made any Material Disposition or converted any Restricted Subsidiary to an Unrestricted Subsidiary, the Consolidated EBITDA for such Reference Period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the property that is the subject of such Material Disposition for such Reference Period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such Reference Period, and (ii) if during such Reference Period Holdings, the Borrower or any Restricted Subsidiary shall have made a Material Acquisition or converted any Unrestricted Subsidiary into a Restricted Subsidiary, Consolidated EBITDA for such Reference Period shall be calculated after giving effect thereto on a pro forma basis as if such Material Acquisition occurred on the first day of such Reference Period. As used in this definition, "Material Acquisition" means any acquisition of property or series of related acquisitions of property (other than transactions among Holdings, the Borrower or any Subsidiary and the Borrower or any other Subsidiary, including in connection with a Permitted Tax Restructuring) that (a) constitutes (i) assets comprising all or substantially all or any significant portion of a business or operating unit of a business, or (ii) all or substantially all of the common stock or other Equity Interests of a Person, and (b) involves the payment of consideration by Holdings, the Borrower and the Restricted Subsidiaries in excess of \$25,000,000; and "Material Disposition" means any sale, transfer or disposition of property or series of related sales, transfers, or dispositions of property (other than transactions among Holdings, the Borrower or any Subsidiary and the Borrower or any other Subsidiary, including in connection with a Permitted Tax

Restructuring) that yields gross proceeds to Holdings, the Borrower or any of the Restricted Subsidiaries in excess of \$25,000,000.

“Consolidated Interest Expense” means, with reference to any period, the interest expense (including without limitation interest expense under Capital Lease Obligations that is treated as interest in accordance with GAAP) of Holdings, the Borrower and the Restricted Subsidiaries calculated on a consolidated basis for such period with respect to all outstanding Indebtedness of Holdings, the Borrower and the Restricted Subsidiaries allocable to such period in accordance with GAAP (including, without limitation, net costs under interest rate Swap Agreements to the extent such net costs are allocable to such period in accordance with GAAP). In the event that Holdings, the Borrower or any Restricted Subsidiary shall have completed a Material Acquisition or a Material Disposition since the beginning of the relevant period, Consolidated Interest Expense shall be determined for such period on a pro forma basis as if such acquisition or disposition, and any related incurrence or repayment of Indebtedness, had occurred at the beginning of such period.

“Consolidated Net Income” means, with reference to any period, the net income or loss of Holdings, the Borrower and the Restricted Subsidiaries for such period determined on a consolidated basis in accordance with GAAP, provided that there shall be excluded from such net income or loss (a) the income of any Person (other than a consolidated Restricted Subsidiary) in which any other Person (other than Holdings, the Borrower or any consolidated Restricted Subsidiary or any director holding qualifying shares in compliance with applicable law) owns an Equity Interest, except to the extent of the amount of dividends or other distributions actually paid to the Borrower or any of the consolidated Restricted Subsidiaries by such Person during such period, and (b) the income or loss of any Person accrued prior to the date on which it becomes a Restricted Subsidiary or is merged into or consolidated with the Borrower or any consolidated Restricted Subsidiary or the date on which such Person’s assets are acquired by the Borrower or any consolidated Restricted Subsidiary.

“Consolidated Net Worth” means, as of the date of any determination thereof, the consolidated stockholders’ equity of Holdings, the Borrower and the Restricted Subsidiaries calculated in accordance with GAAP on a consolidated basis as of such date.

“Consolidated Senior Indebtedness” means, as of the date of any determination thereof, Consolidated Total Indebtedness minus Subordinated Indebtedness of Holdings, the Borrower and the Restricted Subsidiaries on such date.

“Consolidated Total Assets” means, as of the date of any determination thereof, total assets of Holdings, the Borrower and the Restricted Subsidiaries calculated in accordance with GAAP on a consolidated basis as of such date.

“Consolidated Total Indebtedness” means, as of the date of any determination thereof, without duplication, the sum of (a) the aggregate Indebtedness of Holdings, the Borrower and the Restricted Subsidiaries calculated on a consolidated basis as of such time in accordance with GAAP, (b) Indebtedness of the type referred to in clause (a) hereof of another Person guaranteed by Holdings, the Borrower or any of the Restricted Subsidiaries and (c) the aggregate outstanding principal amount of Permitted Convertible Notes at such time.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms “Controlling” and “Controlled” have meanings correlative thereto.

“Co-Syndication Agents” means each of Bank of America, N.A. and The Royal Bank of Scotland plc, in its capacity as co-syndication agent for the credit facility evidenced by this Agreement.

“Credit Event” means a Borrowing, the issuance of a Letter of Credit, an LC Disbursement or any of the foregoing.

“Credit Party” means the Administrative Agent, the Issuing Bank, the Swingline Lender or any other Lender.

“Default” means any event or condition that constitutes an Event of Default or that upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

“Defaulting Lender” means any Lender that (a) has failed, within two (2) Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or Swingline Loans or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified Holdings or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three (3) Business Days after written request by a Credit Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit Party’s receipt of such certification in form and substance reasonably satisfactory to it and the Administrative Agent, or (d) has become the subject of a Bankruptcy Event; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender.

“Designated IP Subsidiary” initially means the Bermuda IP Subsidiary and, thereafter, any Restricted Subsidiary which is a successor in interest to the Bermuda IP Subsidiary or another Designated IP Subsidiary with respect to the rights owned by the Bermuda IP Subsidiary on the Effective Date, to exploit intellectual property in foreign jurisdictions and such other intellectual property exploitation rights in foreign jurisdictions acquired by the Bermuda IP Subsidiary or such other Designated IP Subsidiary after the Effective Date, in each case, (i) to the extent such exploitation rights are material to the business of Holdings, the Borrower and the Restricted Subsidiaries taken as a whole and (ii) for so long as such Restricted Subsidiary owns such rights.

“Disclosed Matters” means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06 to the Disclosure Letter.

“Disclosure Letter” means the disclosure letter, dated as of the date hereof, delivered by Borrower to the Administrative Agent for the benefit of the Lenders.

“Dollar Amount” of any currency at any date shall mean (i) the amount of such currency if such currency is Dollars or (ii) the equivalent in such currency of Dollars if such currency is a Foreign Currency, calculated on the basis of the Exchange Rate for such currency, on or as of the most recent Computation Date provided for in Section 2.04.

“Dollars” or “\$” refers to lawful money of the United States of America.

“Domestic Subsidiary” means a Subsidiary organized under the laws of a jurisdiction located in the United States of America (other than a Subsidiary owned, directly or indirectly, by a Foreign Subsidiary).

“Effective Date” means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

“Environmental Laws” means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by or with any Governmental Authority, relating in any way to the environment, preservation or restoration of natural resources, the management, Release or threatened Release of any Hazardous Material or to health and safety matters.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, administrative oversight costs, fines, penalties or indemnities), of Holdings, the Borrower or any Restricted Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the Release or threatened Release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any of the foregoing.

“Equivalent Amount” of any currency with respect to any amount of Dollars at any date shall mean the equivalent in such currency of such amount of Dollars, calculated on the basis of the Exchange Rate for such other currency at 11:00 a.m., London time, on the date on or as of which such amount is to be determined.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

“ERISA Event” means (a) any Reportable Event; (b) the failure to satisfy the “minimum funding standard” (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan under Section 4042 of ERISA; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

“euro” and/or “EUR” means the single currency of the Participating Member States.

“Eurocurrency”, when used in reference to a currency means an Agreed Currency and when used in reference to any Loan or Borrowing, means that such Loan, or the Loans comprising such Borrowing, bears interest at a rate determined by reference to the Adjusted LIBO Rate.

“Eurocurrency Payment Office” of the Administrative Agent shall mean, for each Foreign Currency, the office, branch, affiliate or correspondent bank of the Administrative Agent for such currency as specified from time to time by the Administrative Agent to the Borrower and each Lender.

“Event of Default” has the meaning assigned to such term in Section 7.01.

“Exchange Rate” means, on any day, with respect to any Foreign Currency, the rate at which such Foreign Currency may be exchanged into Dollars, as set forth at approximately 11:00 a.m., Local Time, on such date on the Reuters World Currency Page for such Foreign Currency. In the event that such rate does not appear on any Reuters World Currency Page, the Exchange Rate with respect to such Foreign Currency shall be determined by reference to such other publicly available service for displaying exchange rates as may be reasonably selected by the Administrative Agent or, in the event no such service is selected, such Exchange Rate shall instead be calculated on the basis of the arithmetical mean of the buy and sell spot rates of exchange of the Administrative Agent for such Foreign Currency on the London market at 11:00 a.m., Local Time, on such date for the purchase of Dollars with such Foreign Currency, for delivery two Business Days later; provided, that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent, after consultation with the Borrower, may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

“Excluded Taxes” means, with respect to any payment made by any Loan Party under any Loan Document, any of the following Taxes imposed on or with respect to a Recipient:

(a) income or franchise taxes (however denominated) imposed on (or measured by) net income or in lieu of net income taxes by the United States of America (or any political subdivision thereof), or by the jurisdiction under the laws of which such Recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located or that are Other Connection Taxes;

(b) any branch profits Taxes imposed by the United States of America or any similar Taxes imposed by any other jurisdiction in which the Borrower is located;

(c) in the case of a Non U.S. Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any U.S. Federal withholding Taxes resulting from any law in effect on the date such Non U.S. Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that such Non U.S. Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding Taxes pursuant to Section 2.17(a);

(d) any withholding tax imposed by the United States (or any political subdivision thereof) by reason of a Lender or its assignee's failure to comply with Section 2.17(f); and

(e) any U.S. Federal withholding Taxes imposed under FATCA.

“Existing Letters of Credit” is defined in Section 2.06(a).

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement, and any regulations or official interpretations thereof, whether in existence on the date hereof or promulgated or published hereafter.

“FCPA” means the United States Foreign Corrupt Practices Act of 1977, as amended.

“Federal Funds Effective Rate” means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“Financial Officer” means a chief financial officer, principal accounting officer, treasurer, corporate controller, Vice President, Corporate Analysis and Strategy, or such other officers as may be agreed among Holdings, the Borrower and the Administrative Agent from time to time.

“Financials” means the annual or quarterly financial statements, and accompanying certificates and other documents, of Holdings, the Borrower and the Subsidiaries required to be delivered pursuant to Section 5.01(a) or 5.01(b).

“First Tier Foreign Subsidiary” means each Foreign Subsidiary with respect to which any one or more of Holdings, the Borrower and the Domestic Subsidiaries directly owns more than 50% of such Foreign Subsidiary's issued and outstanding Equity Interests; provided that, if Holdings, the Borrower or such Domestic Subsidiary ceases to own more than 50% of such Foreign Subsidiary's issued and outstanding Equity Interests solely as the result of a Permitted Tax Restructuring, such Foreign Subsidiary shall remain a “First Tier Foreign Subsidiary”.

“Foreign Currencies” means Agreed Currencies other than Dollars.

“Foreign Currency LC Exposure” means, at any time, the sum of (a) the Dollar Amount of the aggregate undrawn and unexpired amount of all outstanding Foreign Currency Letters of Credit at

such time plus (b) the aggregate principal Dollar Amount of all LC Disbursements in respect of Foreign Currency Letters of Credit that have not yet been reimbursed at such time.

“Foreign Currency Letter of Credit” means a Letter of Credit denominated in a Foreign Currency.

“Foreign Currency Sublimit” means \$75,000,000.

“Foreign Holding Companies” means SCG (Malaysia SMP) Holding Corporation, SCG (Czech) Holding Corporation and SCG (China) Holding Corporation, each a Delaware corporation and such other companies and joint ventures in respect of foreign operations as are created, entered into or acquired after the Effective Date and not in violation of this Agreement.

“Foreign Subsidiary” means any Subsidiary which is not a Domestic Subsidiary.

“GAAP” means generally accepted accounting principles in the United States of America.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Guarantee” of or by any Person (the “guarantor”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment thereof, or (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness, provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes, and all substances or wastes of any nature regulated pursuant to any Environmental Law.

“Holdings” means ON Semiconductor Corporation, a Delaware corporation.

“Increasing Lender” has the meaning assigned to such term in Section 2.20.

“Incremental Term Loan” has the meaning assigned to such term in Section 2.20.

“Incremental Term Loan Amendment” has the meaning assigned to such term in Section 2.20.

“Indebtedness” of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or

similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding (i) accounts payable incurred in the ordinary course of business and deferred compensation payable to directors, officers or employees of Holdings, the Borrower or any Subsidiary and (ii) unless the same are reflected as indebtedness or liabilities on the balance sheet of such Person, obligations which are being contested in good faith by appropriate proceedings and for which adequate reserves have been set aside in accordance with GAAP), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. Notwithstanding anything to the contrary in this paragraph, the term "Indebtedness" shall not include (a) obligations under Swap Agreements, (b) agreements providing for indemnification, purchase price adjustments, earn-outs or similar obligations incurred or assumed in connection with the acquisition or disposition of assets or stock or (c) obligations pursuant to Permitted Call Spread Swap Agreements or Permitted Convertible Notes.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by any Loan Party under any Loan Document and (b) Other Taxes.

"Information Memorandum" means the Confidential Information Memorandum dated November 2011 relating to Holdings, the Borrower and the Transactions.

"Interest Coverage Ratio" has the meaning assigned to such term in Section 6.12(b).

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December and the Maturity Date, (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and the Maturity Date and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid and the Maturity Date.

"Interest Period" means with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurocurrency Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurocurrency Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is

no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“IRS” means the United States Internal Revenue Service.

“Issuing Bank” means JPMorgan Chase Bank, N.A., in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.06(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term “Issuing Bank” shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

“Japanese Yen” means the lawful currency of Japan.

“LC Disbursement” means a payment made by the Issuing Bank pursuant to a Letter of Credit.

“LC Exposure” means, at any time, the sum of (a) the aggregate undrawn Dollar Amount of all outstanding Letters of Credit at such time plus (b) the aggregate Dollar Amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

“Lenders” means the Persons listed on Schedule 2.01 and any other Person that shall have become a Lender hereunder pursuant to Section 2.20 or pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term “Lenders” includes the Swingline Lender.

“Letter of Credit” means any letter of credit issued pursuant to this Agreement.

“LIBO Rate” means, with respect to any Eurocurrency Borrowing for any Interest Period, the rate appearing on, in the case of Dollars, Reuters Screen LIBOR01 Page and, in the case of any Foreign Currency, the appropriate page of such service which displays British Bankers Association Interest Settlement Rates for deposits in such Foreign Currency (or, in each case, on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in the relevant Agreed Currency in the London interbank market) at approximately 11:00 a.m., London time, two (2) Business Days prior to (or, in the case of Loans denominated in Pounds Sterling, on the day of) the commencement of such Interest Period, as the rate for deposits in the relevant Agreed Currency with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the “LIBO Rate” with respect to such Eurocurrency Borrowing for such Interest Period shall be the rate at which deposits in the relevant Agreed Currency in an Equivalent Amount of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two (2) Business Days prior to (or, in the case of Loans denominated in Pounds Sterling, on the day of) the commencement of such Interest Period.

“Lien” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease, that is not an operating lease, having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“Loan Documents” means this Agreement, any promissory notes issued pursuant to Section 2.10(e) of this Agreement, any Letter of Credit applications, the Subsidiary Guaranty and the Pledge Agreements. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to this Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

“Loan Parties” means, collectively, Holdings, the Borrower and the Subsidiary Guarantors.

“Loans” means the loans made by the Lenders to the Borrower pursuant to this Agreement.

“Local Time” means (i) New York City time in the case of a Loan, Borrowing or LC Disbursement denominated in Dollars and (ii) local time in the case of a Loan, Borrowing or LC Disbursement denominated in a Foreign Currency (it being understood that such local time shall mean London, England time unless otherwise notified by the Administrative Agent).

“Mandatory Cost” is described in Schedule 2.02.

“Material Acquisition” is defined in the definition of Consolidated EBITDA.

“Material Adverse Effect” means a material adverse effect on (a) the business, assets, operations or condition (financial or otherwise) of Holdings, the Borrower and the Restricted Subsidiaries taken as a whole or (b) the validity or enforceability of this Agreement or any and all other Loan Documents or the material rights or remedies of the Administrative Agent and the Lenders thereunder.

“Material Disposition” is defined in the definition of Consolidated EBITDA.

“Material Domestic Subsidiary” means each Domestic Subsidiary (other than any Unrestricted Subsidiary) which, as of the end of the most recent fiscal year of Holdings for which financial statements have been delivered pursuant to Section 5.01(a) (or, if prior to the date of the delivery of the first financial statements to be delivered pursuant to Section 5.01(a), the most recent financial statements referred to in Section 3.04(a)(ii)), contributed greater than five percent (5%) of Consolidated Total Assets as of such date; provided that, if at any time the aggregate amount of Consolidated Total Assets attributable to all Domestic Subsidiaries (other than Unrestricted Subsidiaries) that are not Material Domestic Subsidiaries exceeds ten percent (10%) of Consolidated Total Assets as of the end of any such fiscal year, Holdings (or, in the event Holdings has failed to do so within thirty (30) days, the Administrative Agent) shall designate sufficient Domestic Subsidiaries (other than Unrestricted Subsidiaries) as “Material Domestic Subsidiaries” to eliminate such excess, and such designated Subsidiaries shall for all purposes of this Agreement constitute Material Domestic Subsidiaries.

“Material Foreign Subsidiary” means each Foreign Subsidiary which, as of the most recent fiscal year of Holdings for which financial statements have been delivered pursuant to Section 5.01(a) (or, if prior to the date of the delivery of the first financial statements to be delivered pursuant to Section 5.01(a), the most recent financial statements referred to in Section 3.04(a)(ii)), contributed greater than five percent (5%) of Consolidated Total Assets as of such date.

“Material Indebtedness” means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of any one or more of Holdings, the Borrower and the Restricted Subsidiaries in an aggregate principal amount exceeding \$50,000,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of Holdings, the Borrower or any Restricted Subsidiary in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that Holdings, the Borrower or such Restricted Subsidiary would be required to pay if such Swap Agreement were terminated at such time.

“Maturity Date” means December 23, 2016.

“Moody’s” means Moody’s Investors Service, Inc.

“Multiemployer Plan” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Non-U.S. Lender” means a Lender that is not a U.S. Person.

“Obligations” means all unpaid principal of and accrued and unpaid interest on the Loans, all LC Exposure, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations and indebtedness (including interest and fees accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), obligations and liabilities of any of Holdings, the Borrower and the Restricted Subsidiaries to any of the Lenders, the Administrative Agent, the Issuing Bank or any indemnified party, individually or collectively, existing on the Effective Date or incurred or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, under this Agreement or any of the other Loan Documents or to the Lenders or any of their Affiliates under any Swap Agreement or any Banking Services Agreement.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Other Connection Taxes” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Taxes (other than a connection arising from such Recipient having executed, delivered, enforced, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to, or enforced, any Loan Document, or sold or assigned an interest in any Loan Document).

“Other Taxes” means any present or future stamp, court, documentary, intangible, recording, filing or similar excise or property Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, or from the registration, receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such

Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment under Section 2.19(b)).

“Overnight Foreign Currency Rate” means, for any amount payable in a Foreign Currency, the rate of interest per annum as determined by the Administrative Agent at which overnight or weekend deposits in the relevant currency (or if such amount due remains unpaid for more than three (3) Business Days, then for such other period of time as the Administrative Agent may elect) for delivery in immediately available and freely transferable funds would be offered by the Administrative Agent to major banks in the interbank market upon request of such major banks for the relevant currency as determined above and in an amount comparable to the unpaid principal amount of the related Credit Event, plus any taxes, levies, imposts, duties, deductions, charges or withholdings imposed upon, or charged to, the Administrative Agent by any relevant correspondent bank in respect of such amount in such relevant currency.

“Parent” means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

“Participant” has the meaning assigned to such term in Section 9.04(c).

“Participant Register” has the meaning assigned to such term in Section 9.04(c).

“Participating Member State” means any member state of the European Union that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to economic and monetary union.

“Patriot Act” means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Permitted Acquisition” means any acquisition (whether by purchase, merger, consolidation or otherwise) or a series of related Acquisitions by the Borrower or any consolidated Restricted Subsidiary of all or substantially all the assets of, or all or substantially all of the Equity Interests in, a Person or division or line of business of a Person if, at the time of and immediately after giving effect thereto, (a) no Default has occurred and is continuing or would result therefrom, (b) the principal business of such Person shall be reasonably related to a business in which the Borrower or any of the Restricted Subsidiaries were engaged on the Effective Date, (c) Holdings and the Borrower shall be in compliance (on a pro forma basis) with the covenants contained in Section 6.12 and (d) if such acquisition constitutes a Material Acquisition, a Financial Officer of Holdings has delivered to the Administrative Agent a certificate to the effect set forth in clause (c) above, it being understood and agreed that the calculations set forth in such certificate shall be calculated in accordance with Section 1.04(b) hereof.

“Permitted Call Spread Swap Agreements” means (a) a Swap Agreement pursuant to which Holdings or the Borrower acquires a call option requiring the counterparty thereto to deliver to Holdings or the Borrower, as the case may be, shares or units of Equity Interests of Holdings or the Borrower, as the case may be, the cash value of such Equity Interests or a combination thereof from time to time upon exercise of such option and (b) a Swap Agreement pursuant to which Holdings or the Borrower issues to the counterparty thereto warrants to acquire shares or units of Equity Interests of

Holdings or the Borrower, as the case may be, in each case entered into by Holdings or the Borrower, as the case may be, with respect to Permitted Convertible Notes; provided that (i) the terms, conditions and covenants of each such Swap Agreement shall be such as are typical and customary for Swap Agreements of such type (as determined by the board of directors (including an authorized committee thereof) of Holdings for Holdings or as the sole member of the Borrower, as the case may be, in good faith) and (ii) in the case of clause (b) above, such Swap Agreement would be classified as an equity instrument in accordance with EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*, or any successor thereto (including pursuant to the Accounting Standards Codification), and the settlement of such Swap Agreement does not require Holdings or the Borrower to make any payment in cash or cash equivalents that would disqualify such Swap Agreement from so being classified as an equity instrument.

“Permitted Convertible Notes” means any unsecured notes issued by Holdings or the Borrower that are convertible into shares or units of Equity Interests of Holdings or the Borrower, respectively, or cash or any combination of cash and Equity Interests, and the Indebtedness thereunder is Subordinated Indebtedness; provided that Permitted Convertible Notes may only be issued after the Effective Date so long as (i) both immediately prior to and after giving effect (including on a pro forma basis) thereto, no Default or Event of Default shall exist or would result therefrom, (ii) such Permitted Convertible Notes mature after, and do not require any scheduled amortization or other scheduled payments of principal prior to, the date that is 181 days after the Maturity Date (it being understood that neither (x) any provision requiring an offer to purchase or a right to call such Permitted Convertible Notes at, as of, or after, a designated date or otherwise as a result of change of control, asset sale, other fundamental change or other event nor (y) any early conversion of such Permitted Convertible Notes in accordance with the terms thereof shall violate the foregoing restriction), (iii) such Permitted Convertible Notes are not guaranteed by any Subsidiary other than the Subsidiary Guarantors (which guarantees shall be expressly subordinated to the Obligations on terms not less favorable to the Lenders than the subordination terms of any other Subordinated Indebtedness), (iv) the covenants applicable to such Permitted Convertible Notes are not more onerous or more restrictive in any material respect (taken as a whole) than the applicable covenants set forth in this Agreement (as determined by the board of directors (including an authorized committee thereof) of Holdings for Holdings or as the sole member of the Borrower, as the case may be, in good faith) and (v) both immediately prior to and after giving effect (including on a pro forma basis) thereto, Holdings and the Borrower are in compliance with Section 6.12.

“Permitted Encumbrances” means:

(a) Liens imposed by law for taxes or other governmental charges that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in the same manner as Tax liability contests under Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) Liens and deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Section 7.01;

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business and minor defects or irregularities in title that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Restricted Subsidiary;

(g) ground leases in respect of real property on which facilities owned or leased by the Borrower or any of the Restricted Subsidiaries are located;

(h) application specific integrated circuit (ASIC) contracts entered into in the ordinary course of business consistent with past practice;

(i) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(j) customary restrictions or conditions imposed by a foreign government or any political subdivision of any foreign government or any public instrumentality thereof in connection with the transfer or disposition of assets;

(k) leases or subleases, or licenses or sublicenses, granted to other Persons and not interfering in any material respect with the business of Holdings, the Borrower and the Restricted Subsidiaries, taken as a whole;

(l) banker's liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with depository institutions; provided that such deposit accounts or funds are not established or deposited for the purpose of providing collateral for any Indebtedness and are not subject to restrictions on access by Holdings, the Borrower or any Restricted Subsidiary in excess of those required by applicable banking regulations.

(m) customary Liens on property of Holdings, the Borrower or any Restricted Subsidiary sold to another Person pursuant to a conditional sales agreement where Holdings, the Borrower or such Restricted Subsidiary retains title;

(n) Liens on cash or cash equivalents (in an aggregate amount not to exceed \$10,000,000) deposited in margin accounts with or on behalf of futures contract brokers or paid over to other contract counterparties or pledged or deposited as collateral to a contract counterparty to secure obligations with respect to Swap Agreements;

(o) Liens granted on cash or cash equivalents constituting proceeds from any sale or disposition of assets that is not prohibited by Section 6.05 deposited in escrow accounts or otherwise withheld or set aside to secure obligations of Holdings, the Borrower or any Restricted Subsidiary providing for indemnification, adjustment of purchase price or any similar obligations, in each case, in an amount not to exceed the amount of gross proceeds received by Holdings, the Borrower or any Restricted Subsidiary in connection with such sale or disposition;

(p) rights of lessees arising under leases entered into by Holdings, the Borrower or any Restricted Subsidiary as lessor, in the ordinary course of business;

(q) any Liens on or reservations with respect to governmental and other licenses, permits, franchises, consents and allowances;

(r) Liens solely on any cash earnest money deposits made by Holdings, the Borrower or any Restricted Subsidiary in connection with any letter of intent or purchase agreement permitted hereunder; and

(s) Liens granted on cash or cash equivalents (or other investments of the same) to defease Indebtedness of Holdings, the Borrower or any Restricted Subsidiary to the extent not prohibited under this Agreement;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within three years from the date of acquisition thereof;

(b) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within three years from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's;

(c) senior corporate debt obligations of an issuer organized under the laws of the United States or any state thereof that are rated BBB or better by S&P or Baa2 or better by Moody's that mature not more than three years after the date of acquisition thereof and that are actively traded in a secondary market, provided that obligations described in this clause (c) that are rated BBB by S&P or Baa2 by Moody's shall not at any time comprise more than 10% of all Permitted Investments held by Holdings, the Borrower and the Subsidiaries;

(d) investments in commercial paper maturing within one year after the date of acquisition thereof and having, at such date of acquisition, a credit rating of at least A-1 (or the equivalent thereof) from S&P or at least P-1 (or the equivalent thereof) from Moody's;

(e) investments in certificates of deposit, banker's acceptances and demand or time deposits, in each case maturing not more than one year from the date of acquisition thereof, issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof that has a combined capital and surplus and undivided profits of not less than \$250,000,000;

(f) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above;

(g) money market funds that (i) comply with the criteria set forth in Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least \$5,000,000,000;

(h) securities issued by any foreign government or any political subdivision of any foreign government or any public instrumentality thereof having maturities of not more than six months from the date of acquisition thereof and, at the time of acquisition, having one of the two highest credit ratings obtainable from S&P or from Moody's;

(i) in the case of any Foreign Subsidiary, other short-term investments that are analogous to the foregoing, are of comparable credit quality and are customarily used by companies in the jurisdiction of such Foreign Subsidiary for cash management purposes; and

(j) investments in funds that invest solely in one or more types of securities described in clauses (a), (b) and (h) above.

“Permitted Tax Restructurings” means a transaction or series of transactions pursuant to which direct and indirect Subsidiaries of Holdings and Borrower are converted, restructured or reorganized for tax planning, whether by (i) transfer, (ii) acquisition, (iii) contribution, (iv) merger, (v) consolidation, (vi) voluntary dissolution, (vii) liquidation, (viii) recapitalization, (ix) change in identity, form, or place of organization, or (x) otherwise, in each case the result of which may cause a direct or indirect sale, assignment or transfer of Equity Interests and/or other assets between and among Holdings, Borrower and/or various Subsidiaries of Holdings and Borrower; provided that no such Permitted Tax Restructuring(s) shall be effected if the Borrower reasonably determines in good faith that the Permitted Tax Restructuring taken as a whole would be materially disadvantageous to the Lenders; provided further that the Borrower may not make such a determination if such Permitted Tax Restructuring would (i) convert a Designated IP Subsidiary to an Unrestricted Subsidiary, (ii) cause a material portion of the assets and properties material to the business of Holdings, Borrower and the Restricted Subsidiaries taken as a whole to be owned by an Unrestricted Subsidiary (other than as permitted by Sections 6.04 and 6.05), or (iii) result in any Designated IP Subsidiary permitting to exist any Indebtedness for borrowed money.

“Permitted Unsecured Indebtedness” means unsecured Indebtedness of Holdings or the Borrower (including unsecured Subordinated Indebtedness to the extent subordinated to the Obligations on terms reasonably acceptable to the Administrative Agent), to the extent not otherwise permitted under Section 6.01, and any Indebtedness constituting refinancings, renewals or replacements of any such Indebtedness; provided that (i) both immediately prior to and after giving effect (including pro forma effect) thereto, no Default or Event of Default shall exist or would result therefrom, (ii) such Indebtedness matures after, and does not require any scheduled amortization or other scheduled payments of principal prior to, the date that is 181 days after the Maturity Date (it being understood that any provision requiring an offer to purchase such Indebtedness as a result of change of control or asset sale shall not violate the foregoing restriction), (iii) such Indebtedness is not Guaranteed by any Restricted Subsidiary of Holdings other than the Subsidiary Guarantors (which Guarantees, if such Indebtedness is subordinated, shall be expressly subordinated to the Obligations on terms not less favorable to the Lenders than the subordination terms of such Subordinated Indebtedness), (iv) the covenants applicable to such Indebtedness are not more onerous or more restrictive in any material respect (taken as a whole) than the applicable covenants set forth in this Agreement (as determined by the board of directors (including an authorized committee thereof) of Holdings for Holdings or as the sole member of the Borrower, as the case may be, in good faith) and (v) at the time of the incurrence of such Indebtedness and immediately after giving effect thereto (including pro forma effect), the Senior Leverage Ratio is less than 2.75 to 1.00.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is an “employer” as defined in Section 3(5) of ERISA.

“Pledge Agreements” means any pledge agreements, share mortgages, charges and comparable instruments and documents from time to time executed pursuant to the terms of Section 5.10 in favor of the Administrative Agent for the benefit of the Secured Parties as amended, restated, supplemented or otherwise modified from time to time.

“Pledge Subsidiary” means (i) the Borrower, (ii) each Domestic Subsidiary and (iii) each First Tier Foreign Subsidiary which is a Material Foreign Subsidiary.

“Pledged Equity” means all pledged Equity Interests in or upon which a security interest or Lien is from time to time granted to the Administrative Agent, for the benefit of the Secured Parties, under the Pledge Agreements.

“Pounds Sterling” means the lawful currency of the United Kingdom.

“Prime Rate” means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

“Qualifying Subsidiary” means any Restricted Subsidiary (other than a Material Domestic Subsidiary) that has Guaranteed any Permitted Convertible Notes or Permitted Unsecured Indebtedness.

“Recipient” means, as applicable, (a) the Administrative Agent, (b) any Lender and (c) the Issuing Bank.

“Register” has the meaning set forth in Section 9.04.

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person’s Affiliates.

“Release” means any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or within any building, structure, facility or fixture.

“Reportable Event” means any reportable event, as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan, other than events for which the 30-day notice period is waived under the final regulations issued under Section 4043, as in effect as of the date of this Agreement (the “Section 4043 Regulations”). Any changes made to the Section 4043 Regulations that become effective after the Effective Date shall have no impact on the definition of Reportable Event as used herein unless otherwise amended by the Borrower and the Administrative Agent.

“Required Lenders” means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests (including Indebtedness convertible into Equity Interests) in Holdings, the Borrower or any Restricted Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in Holdings, the Borrower or any Restricted Subsidiary or any option, warrant or other right to acquire any such Equity Interests in Holdings, the Borrower or any Restricted Subsidiary. Notwithstanding the foregoing, and for the avoidance of doubt, (i) the conversion of (including any cash payment upon conversion), or payment of any principal or premium on, or payment of any interest with respect to, any Permitted Convertible Notes shall constitute a Restricted Payment, (ii) any payment with respect to, or early unwind or settlement of, any Permitted Call Spread Swap Agreement shall not constitute a Restricted Payment, and (iii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership or other employee benefit plans or programs approved by the board of directors of Holdings (including an authorized committee thereof) shall not constitute a Restricted Payment.

“Restricted Subsidiary” means any Subsidiary that is not an Unrestricted Subsidiary.

“Revolving Credit Exposure” means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender’s Revolving Loans and its LC Exposure and Swingline Exposure at such time.

“Revolving Loan” means a Loan made pursuant to Section 2.02.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business.

“SEC” means the United States Securities and Exchange Commission.

“Secured Parties” means the holders of the Obligations from time to time and shall include (i) each Lender and the Issuing Bank in respect of its Loans and LC Exposure respectively, (ii) the Administrative Agent, the Issuing Bank and the Lenders in respect of all other present and future obligations and liabilities of Holdings, the Borrower and each Restricted Subsidiary of every type and description arising under or in connection with this Agreement or any other Loan Document, (iii) each Lender and affiliate of such Lender in respect of Swap Agreements and Banking Services Agreements entered into with such Person by Holdings, the Borrower or any Restricted Subsidiary, (iv) each indemnified party under Section 9.03 in respect of the obligations and liabilities of Holdings or the Borrower to such Person hereunder and under the other Loan Documents, and (v) their respective successors and (in the case of a Lender, permitted) transferees and assigns.

“Securities Act” means the Securities Act of 1933, as amended.

“Senior Leverage Ratio” means the ratio, determined as of the end of each of Holdings’ fiscal quarters ending on and after December 31, 2011, of (i) Consolidated Senior Indebtedness to (ii) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters ending with the end of

such fiscal quarter, all calculated for Holdings, the Borrower and the Restricted Subsidiaries on a consolidated basis.

“Statutory Reserve Rate” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve, liquid asset, fees or similar requirements (including any marginal, special, emergency or supplemental reserves or other requirements) established by any central bank, monetary authority, the Board, the Financial Services Authority, the European Central Bank or other Governmental Authority for any category of deposits or liabilities customarily used to fund loans in the applicable currency, expressed in the case of each such requirement as a decimal. Such reserve, liquid asset, fees or similar requirements shall, in the case of Dollar denominated Loans, include those imposed pursuant to Regulation D of the Board. Eurocurrency Loans shall be deemed to be subject to such reserve, liquid asset, fee or similar requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under any applicable law, rule or regulation, including Regulation D of the Board. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve, liquid asset or similar requirement.

“Subordinated Indebtedness” means any Indebtedness of Holdings, the Borrower or any Restricted Subsidiary the payment of which is subordinated to payment of the obligations under the Loan Documents.

“Subordinated Indebtedness Documents” means any document, agreement or instrument evidencing any Subordinated Indebtedness or entered into in connection with any Subordinated Indebtedness.

“subsidiary” means, with respect to any Person (the “parent”) at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, Controlled or held.

“Subsidiary” means any subsidiary of Holdings other than the Borrower. Without limiting the generality of the definition of the term “subsidiary”, it is understood and agreed that each of (a) ON Semiconductor Czech Republic, s.r.o., legal successor, a corporation existing under the laws of the Czech Republic, (b) ON Semiconductor Slovakia a.s. (formerly known as Slovakia Electronic Industries, a.s.), a corporation existing under the laws of Slovakia and (c) Leshan-Phoenix Semiconductor Co., Ltd., an entity existing under the laws of the People’s Republic of China, is a subsidiary of Holdings as of the Effective Date.

“Subsidiary Guarantor” means each (i) Material Domestic Subsidiary and (ii) Qualifying Subsidiary, in each case that is a party to the Subsidiary Guaranty and has not been released. The Subsidiary Guarantors on the Effective Date are identified as such in Schedule 3.01 to the Disclosure Letter.

“Subsidiary Guaranty” means that certain Guaranty dated as of the Effective Date in the form of Exhibit F (including any and all supplements thereto) and executed by each Subsidiary Guarantor, as amended, restated, supplemented or otherwise modified from time to time.

“Swap Agreement” means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or interest rate, commodities and foreign currency exchange protection agreements or any similar transaction or any combination of these transactions; provided that no option, phantom stock or similar security providing for payments only on account of services provided by or issued under a plan for current or former directors, officers, employees or consultants of Holdings or the Restricted Subsidiaries shall be a Swap Agreement.

“Swap Obligations” means any and all obligations of Holdings, the Borrower or any Restricted Subsidiary, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (a) any and all Swap Agreements permitted hereunder with a Lender or an Affiliate of a Lender, and (b) any and all cancellations, buy backs, reversals, terminations or assignments of any such Swap Agreement transaction.

“Swingline Exposure” means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

“Swingline Lender” means JPMorgan Chase Bank, N.A., in its capacity as lender of Swingline Loans hereunder.

“Swingline Loan” means a Loan made pursuant to Section 2.05.

“TARGET” means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) payment system (or, if such payment system ceases to be operative, such other payment system (if any) reasonably determined by the Administrative Agent to be a suitable replacement) for the settlement of payments in euro.

“Taxes” means any present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Total Leverage Ratio” has the meaning assigned to such term in Section 6.12(a).

“Transactions” means the execution, delivery and performance by the Loan Parties of this Agreement and the other Loan Documents, the borrowing and repayment of Loans and other credit extensions and the issuance of Letters of Credit hereunder.

“Type”, when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

“Unrestricted Subsidiary” means (a) any Subsidiary that has been designated by the board of directors of Holdings as an Unrestricted Subsidiary pursuant to Section 6.13 subsequent to the

Effective Date (and not subsequently designated as a Restricted Subsidiary in accordance with such Section) and (b) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Person” means a “United States person” within the meaning of Section 7701(a)(30) of the Code.

“U.S. Tax Certificate” has the meaning assigned to such term in Section 2.17(f)(ii)(D)(2).

“Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

“Withholding Agent” means any Loan Party and the Administrative Agent.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a “Revolving Loan”) or by Type (e.g., a “Eurocurrency Loan”) or by Class and Type (e.g., a “Eurocurrency Revolving Loan”). Borrowings also may be classified and referred to by Class (e.g., a “Revolving Borrowing”) or by Type (e.g., a “Eurocurrency Borrowing”) or by Class and Type (e.g., a “Eurocurrency Revolving Borrowing”).

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. The word “law” shall be construed as referring to all statutes, rules, regulations, codes and other laws (including official rulings and interpretations thereunder having the force of law or with which affected Persons customarily comply), and all judgments, orders and decrees, of all Governmental Authorities. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified (including by succession of comparable successor laws), (c) any reference herein to any Person shall be construed to include such Person’s successors and assigns (subject to any restrictions on assignment set forth herein) and, in the case of any Governmental Authority, any other Governmental Authority that shall have succeeded to any or all functions thereof, (d) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (e) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (f) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP; Treatment of Unrestricted Subsidiaries; Pro Forma Calculations. (a) Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if Holdings notifies the Administrative Agent that Holdings requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies Holdings that the

Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made (i) without giving effect to any election under Accounting Standards Codification 825-10-25 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of Holdings, the Borrower or any Subsidiary at “fair value”, as defined therein and (ii) without giving effect to any treatment of Indebtedness in respect of convertible debt instruments under Accounting Standards Codification 470-20 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be valued at the full stated principal amount thereof. Except as otherwise agreed, all accounting and financial calculations and determinations shall be made without consolidating the accounts of Unrestricted Subsidiaries with those of Holdings, the Borrower or any Restricted Subsidiary, notwithstanding that such treatment is inconsistent with GAAP.

(b) All pro forma computations required to be made hereunder giving effect to any Material Acquisition or Material Disposition, or issuance, incurrence or assumption of Indebtedness, or other transaction shall in each case be calculated giving pro forma effect thereto (and, in the case of any pro forma computation made hereunder to determine whether such acquisition or disposition, or issuance, incurrence or assumption of Indebtedness, or other transaction is permitted to be consummated hereunder, to any other such transaction consummated since the first day of the period covered by any component of such pro forma computation and on or prior to the date of such computation) as if such transaction had occurred on the first day of the period of four consecutive fiscal quarters ending with the most recent fiscal quarter for which financial statements shall have been delivered pursuant to Section 5.01(a) or 5.01(b) (or, prior to the delivery of any such financial statements, ending with the last fiscal quarter included in the financial statements referred to in Section 3.04(a)(ii)), and, to the extent applicable, to the historical earnings and cash flows associated with the assets acquired or disposed of (but without giving effect to any synergies or cost savings) and any related incurrence or reduction of Indebtedness, all in accordance with Article 11 of Regulation S-X under the Securities Act. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Swap Agreement applicable to such Indebtedness).

SECTION 1.05. Status of Obligations. In the event that Holdings or any other Loan Party shall at any time issue or have outstanding any Subordinated Indebtedness, Holdings shall take or cause such other Loan Party to take all such actions as shall be necessary to cause the Obligations to constitute senior indebtedness (however denominated) in respect of such Subordinated Indebtedness and to enable the Administrative Agent and the Lenders to have and exercise any payment blockage or other remedies available or potentially available to holders of senior indebtedness under the terms of such Subordinated Indebtedness. Without limiting the foregoing, the Obligations are hereby designated as “senior indebtedness” and as “designated senior indebtedness” and words of similar import under and in respect of any indenture or other agreement or instrument under which such Subordinated Indebtedness is outstanding and are further given all such other designations as shall be required under the terms of any such Subordinated Indebtedness in order that the Lenders may have and exercise any payment blockage or other remedies available or potentially available to holders of senior indebtedness under the terms of such Subordinated Indebtedness. Nothing contained herein shall constitute a consent by the

Administrative Agent and the Lenders to the incurrence by any Loan Party of any Indebtedness not otherwise permitted to be incurred in accordance with the provisions of this Agreement.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrower in Agreed Currencies from time to time during the Availability Period in an aggregate principal amount that will not result in (a) subject to Sections 2.04 and 2.11(b), the Dollar Amount of such Lender's Revolving Credit Exposure exceeding such Lender's Commitment, (b) subject to Sections 2.04 and 2.11(b), the sum of the Dollar Amount of the total Revolving Credit Exposures exceeding the Aggregate Commitment or (c) subject to Sections 2.04 and 2.11(b), the Dollar Amount of the total outstanding Revolving Loans and LC Exposure, in each case denominated in Foreign Currencies, exceeding the Foreign Currency Sublimit. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan (other than a Swingline Loan) shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required. Any Swingline Loan shall be made in accordance with the procedures set forth in Section 2.05.

(b) Subject to Section 2.14, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurocurrency Loans as the Borrower may request in accordance herewith; provided that each ABR Loan shall only be made in Dollars. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan (and in the case of an Affiliate, the provisions of Sections 2.14, 2.15, 2.16 and 2.17 shall apply to such Affiliate to the same extent as to such Lender); provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurocurrency Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 (or, if such Borrowing is denominated in (i) Japanese Yen, JPY 100,000,000 or (ii) a Foreign Currency other than Japanese Yen, 1,000,000 units of such currency) and not less than \$10,000,000 (or, if such Borrowing is denominated in (i) Japanese Yen, JPY 1,000,000,000 or (ii) a Foreign Currency other than Japanese Yen, 10,000,000 units of such currency). At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$500,000 and not less than \$10,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the Aggregate Commitment or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each Swingline Loan shall be in an amount that is an integral multiple of \$500,000 and not less than \$10,000,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of six (6) Eurocurrency Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request (a) by irrevocable written notice (via a written Borrowing Request in the form attached hereto as Exhibit I and signed by the Borrower, promptly followed by telephonic confirmation of such request) in the case of a Eurocurrency Borrowing, not later than 12:00 noon, Local Time, three (3) Business Days (in the case of a Eurocurrency Borrowing denominated in Dollars) or by irrevocable written notice (via a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower) not later than four (4) Business Days (in the case of a Eurocurrency Borrowing denominated in a Foreign Currency), in each case before the date of the proposed Borrowing or (b) by telephone in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing;
- (iv) in the case of a Eurocurrency Borrowing, the Agreed Currency and initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Revolving Borrowing is specified, then, in the case of a Borrowing denominated in Dollars, the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurocurrency Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Determination of Dollar Amounts. The Administrative Agent will, in a manner consistent with its customary practices, determine the Dollar Amount of:

- (a) each Eurocurrency Borrowing as of the date two (2) Business Days prior to the date of such Borrowing or, if applicable, the date of conversion/continuation of any Borrowing as a Eurocurrency Borrowing,

(b) the LC Exposure as of the date of each request for the issuance, amendment, renewal or extension of any Letter of Credit, and

(c) all outstanding Credit Events on and as of the last Business Day of each calendar quarter and, during the continuation of an Event of Default, on any other Business Day elected by the Administrative Agent in its discretion or upon instruction by the Required Lenders.

Each day upon or as of which the Administrative Agent determines Dollar Amounts as described in the preceding clauses (a), (b) and (c) is herein described as a "Computation Date" with respect to each Credit Event for which a Dollar Amount is determined on or as of such day.

SECTION 2.05. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans in Dollars to the Borrower from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$15,000,000 or (ii) the Dollar Amount of the total Revolving Credit Exposures exceeding the Aggregate Commitment; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other

party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein pursuant to this Section 2.05(c) shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.06. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit denominated in Agreed Currencies for its own account, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. Notwithstanding the foregoing, the letters of credit identified on Schedule 2.06 to the Disclosure Letter (the "Existing Letters of Credit") shall be deemed to be "Letters of Credit" issued on the Effective Date for all purposes of the Loan Documents.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the Agreed Currency applicable thereto, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) subject to Sections 2.04 and 2.11(b), the Dollar Amount of the LC Exposure shall not exceed \$40,000,000, (ii) subject to Sections 2.04 and 2.11(b), the sum of the Dollar Amount of the total Revolving Credit Exposures shall not exceed the Aggregate Commitment and (iii) subject to Sections 2.04 and 2.11(b), the Dollar Amount of the total outstanding Revolving Loans and LC Exposure, in each case denominated in Foreign Currencies, shall not exceed the Foreign Currency Sublimit.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date eighteen (18) months after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, eighteen (18) months after such renewal or extension), and (ii) the date that is five (5) Business Days prior to the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the

Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate Dollar Amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent in Dollars the Dollar Amount equal to such LC Disbursement, calculated as of the date the Issuing Bank made such LC Disbursement (or if the Issuing Bank shall so elect in its sole discretion by notice to the Borrower, in such other Agreed Currency which was paid by the Issuing Bank pursuant to such LC Disbursement in an amount equal to such LC Disbursement) not later than 12:00 noon, Local Time, on the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that, if such LC Disbursement is not less than the Dollar Amount of \$1,000,000, the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent Dollar Amount of such LC Disbursement and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement. If the Borrower's reimbursement of, or obligation to reimburse, any amounts in any Foreign Currency would subject the Administrative Agent, the Issuing Bank or any Lender to any stamp duty, ad valorem charge or similar tax that would not be payable if such reimbursement were made or required to be made in Dollars, the Borrower shall, at its option, either (x) pay the amount of any such tax requested by the Administrative Agent, the Issuing Bank or the relevant Lender or (y) reimburse each LC Disbursement made in such Foreign Currency in Dollars, in an amount equal to the Equivalent Amount, calculated using the applicable Exchange Rates, on the date such LC Disbursement is made, of such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be

performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans (or in the case such LC Disbursement is denominated in a Foreign Currency, at the Overnight Foreign Currency Rate for such Agreed Currency plus the then effective Applicable Rate with respect to Eurocurrency Revolving Loans); provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit then outstanding and issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to 105% of the Dollar Amount of the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that (i) the portions of such amount attributable to undrawn Foreign Currency Letters of Credit or LC Disbursements in a Foreign Currency that the Borrower is not late in reimbursing shall be deposited in the applicable Foreign Currencies in the actual amounts of such undrawn Letters of Credit and LC Disbursements and (ii) the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Section 7.01. For the purposes of this paragraph, the Foreign Currency LC Exposure shall be calculated using the applicable Exchange Rate on the date notice demanding cash collateralization is delivered to the Borrower. The Borrower also shall deposit cash collateral pursuant to this paragraph as and to the extent required by Section 2.11(b). Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the Obligations. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other Obligations. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three (3) Business Days after all Events of Default have been cured or waived.

SECTION 2.07. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds (i) in the case of Loans denominated in Dollars, by 2:00 p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders and (ii) in the case of each Loan denominated in a Foreign Currency, by 12:00 noon, Local Time, in the city of the

Administrative Agent's Eurocurrency Payment Office for such currency and at such Eurocurrency Payment Office for such currency; provided that Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to (x) an account of the Borrower maintained with the Administrative Agent and designated by the Borrower in the applicable Borrowing Request, in the case of Loans denominated in Dollars and (y) an account of the Borrower as designated by the Borrower in the applicable Borrowing Request, in the case of Loans denominated in a Foreign Currency; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing (or, in the case of an ABR Borrowing, prior to 1:00 p.m. New York City time on the date of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (including without limitation the Overnight Foreign Currency Rate in the case of Loans denominated in a Foreign Currency) or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurocurrency Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election (by telephone or irrevocable written notice in the case of a Borrowing denominated in Dollars or by irrevocable written notice (via an Interest Election Request in the form attached hereto as Exhibit J and signed by the Borrower) in the case of a Borrowing denominated in a Foreign Currency) by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in the form attached hereto as Exhibit J and signed by the Borrower. Notwithstanding any contrary provision herein, this Section shall not be construed to permit the Borrower to (i) change the currency of any Borrowing, (ii) elect an Interest Period for Eurocurrency

Loans that does not comply with Section 2.02(d) or (iii) convert any Borrowing to a Borrowing of a Type not available under such Borrowing.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing; and

(iv) if the resulting Borrowing is a Eurocurrency Borrowing, the Interest Period and Agreed Currency to be applicable thereto after giving effect to such election, which Interest Period shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurocurrency Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurocurrency Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period (i) in the case of a Borrowing denominated in Dollars, such Borrowing shall be converted to an ABR Borrowing and (ii) in the case of a Borrowing denominated in a Foreign Currency in respect of which the Borrower shall have failed to deliver an Interest Election Request prior to the third (3rd) Business Day preceding the end of such Interest Period, such Borrowing shall automatically continue as a Eurocurrency Borrowing in the same Agreed Currency with an Interest Period of one month unless such Eurocurrency Borrowing is or was repaid in accordance with Section 2.11. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing denominated in Dollars may be converted to or continued as a Eurocurrency Borrowing, (ii) unless repaid, each Eurocurrency Revolving Borrowing denominated in Dollars shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto and (iii) unless repaid, each Eurocurrency Revolving Borrowing denominated in a Foreign Currency shall automatically be continued as a Eurocurrency Borrowing with an Interest Period of one month.

SECTION 2.09. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000 and (ii) the Borrower shall not terminate or

reduce the Commitments if and to the extent that, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the Dollar Amount of the sum of the Revolving Credit Exposures would exceed the Aggregate Commitment.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three (3) Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.10. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date in the currency of such Loan and (ii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two (2) Business Days after such Swingline Loan is made; provided that on each date that a Revolving Borrowing is made, the Borrower shall repay all Swingline Loans then outstanding.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class, Agreed Currency and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in the form attached hereto as Exhibit K. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. Prepayment of Loans.

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with the provisions of this Section 2.11(a). The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurocurrency Revolving Borrowing, not later than 12:00 noon, Local Time, three (3) Business Days (in the case of a Eurocurrency Borrowing denominated in Dollars) or four (4) Business Days (in the case of a Eurocurrency Borrowing denominated in a Foreign Currency), in each case before the date of prepayment, (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 12:00 noon, New York City time, on the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by (i) accrued interest to the extent required by Section 2.13 and (ii) break funding payments pursuant to Section 2.16.

(b) If at any time, (i) other than as a result of fluctuations in currency exchange rates, (A) the sum of the aggregate principal Dollar Amount of all of the Revolving Credit Exposures (calculated, with respect to those Credit Events denominated in Foreign Currencies, as of the most recent Computation Date with respect to each such Credit Event) exceeds the Aggregate Commitment or (B) the sum of the aggregate principal Dollar Amount of all of the outstanding Revolving Credit Exposures denominated in Foreign Currencies (the "Foreign Currency Exposure") (so calculated), as of the most recent Computation Date with respect to each such Credit Event, exceeds the Foreign Currency Sublimit or (ii) solely as a result of fluctuations in currency exchange rates, (A) the sum of the aggregate principal Dollar Amount of all of the Revolving Credit Exposures (so calculated) exceeds 105% of the Aggregate Commitment or (B) the Foreign Currency Exposure, as of the most recent Computation Date with respect to each such Credit Event, exceeds 105% of the Foreign Currency Sublimit, the Borrower shall in each case immediately repay Borrowings or cash collateralize LC Exposure in an account with the Administrative Agent pursuant to Section 2.06(j), as applicable, in an aggregate principal amount sufficient to cause (x) the aggregate Dollar Amount of all Revolving Credit Exposures (so calculated) to be less than or equal to the Aggregate Commitment and (y) the Foreign Currency Exposure to be less than or equal to the Foreign Currency Sublimit, as applicable.

SECTION 2.12. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at the Applicable Rate on the average daily amount of the Available Revolving Commitment of such Lender during the period from and including the Effective Date to but excluding the date on which the Commitment of such Lender terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such commitment fee shall continue to accrue on the average daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued commitment fees shall be payable in arrears on the last day of March, June, September and

December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any commitment fees accruing after the date on which the Commitments terminate shall be payable on demand. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Eurocurrency Revolving Loans on the average daily Dollar Amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure and (ii) to the Issuing Bank for its own account a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily Dollar Amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) attributable to Letters of Credit issued by the Issuing Bank during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees and commissions with respect to the issuance, amendment, cancellation, negotiation, transfer, presentment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Unless otherwise specified above, participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third (3rd) Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within ten (10) days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). Participation fees and fronting fees in respect of Letters of Credit denominated in Dollars shall be paid in Dollars, and participation fees and fronting fees in respect of Letters of Credit denominated in a Foreign Currency shall be paid in such Foreign Currency.

(c) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in Dollars (except as otherwise expressly provided in this Section 2.12) and immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders. Any such fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest. (a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurocurrency Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity,

upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Revolving Loan shall be payable in arrears on each Interest Payment Date for such Revolving Loan and upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurocurrency Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest (i) computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and (ii) for Borrowings denominated in Pounds Sterling shall be computed on the basis of a year of 365 days, and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurocurrency Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurocurrency Borrowing shall be ineffective and, unless repaid, (A) in the case of a Eurocurrency Borrowing denominated in Dollars, such Borrowing shall be made as an ABR Borrowing and (B) in the case of a Eurocurrency Borrowing denominated in a Foreign Currency, such Eurocurrency Borrowing shall be repaid on the last day of the then current Interest Period applicable thereto, and (ii) if any Borrowing Request requests a Eurocurrency Revolving Borrowing in Dollars, such Borrowing shall be made as an ABR Borrowing (and if any Borrowing Request requests a Eurocurrency Revolving Borrowing denominated in a Foreign Currency, such Borrowing Request shall be ineffective); provided that if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank;

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition, cost or expense affecting this Agreement or Eurocurrency Loans made by such Lender or any Letter of Credit or participation therein; or

(iii) subject any Recipient to any Taxes on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (e) of the definition of Excluded Taxes and (C) Connection Income Taxes);

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Loan or of maintaining its obligation to make any such Loan (including, without limitation, pursuant to any conversion of any Borrowing denominated in an Agreed Currency into a Borrowing denominated in any other Agreed Currency) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit (including, without limitation, pursuant to any conversion of any Borrowing denominated in an Agreed Currency into a Borrowing denominated in any other Agreed Currency) or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder, whether of principal, interest or otherwise (including, without limitation, pursuant to any conversion of any Borrowing denominated in an Agreed Currency into a Borrowing denominated in any other Agreed Currency), then the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more

than 180 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurocurrency Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default or as a result of any prepayment pursuant to Section 2.11), (b) the conversion of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurocurrency Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(a) and is revoked in accordance therewith) or (d) the assignment of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. Such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for deposits in the relevant currency of a comparable amount and period from other banks in the eurocurrency market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

SECTION 2.17. Taxes. (a) Withholding of Taxes; Gross-Up. Each payment by any Loan Party under any Loan Document shall be made without withholding for any Taxes, unless such withholding is required by any law. If any Withholding Agent determines, in its sole discretion exercised in good faith, that it is so required to withhold Taxes, then such Withholding Agent may so withhold and shall timely pay the full amount of withheld Taxes to the relevant Governmental Authority in accordance with applicable law. If such Taxes are Indemnified Taxes, then the amount payable by such Loan Party shall be increased as necessary so that, net of such withholding (including such withholding applicable to additional amounts payable under this Section), the applicable Recipient receives the amount it would have received had no such withholding been made.

(b) Payment of Other Taxes by the Borrower. The Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes by any Loan Party to a Governmental Authority, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) Indemnification by the Borrower. The Borrower shall indemnify each Recipient for any Indemnified Taxes that are paid or payable by such Recipient in connection with any Loan Document

(including amounts paid or payable under this Section 2.17(d)) and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The indemnity under this Section 2.17(d) shall be paid within ten (10) days after the Recipient delivers to the Borrower a certificate stating the amount of any Indemnified Taxes so paid or payable by such Recipient and describing the basis for the indemnification claim. Such certificate shall be conclusive of the amount so paid or payable absent manifest error. Such Recipient shall deliver a copy of such certificate to the Administrative Agent.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent for any Taxes (but, in the case of any Indemnified Taxes, only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so) attributable to such Lender that are paid or payable by the Administrative Agent or the applicable Loan Party (as applicable) in connection with any Loan Document and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The indemnity under this Section 2.17(e) shall be paid within ten (10) days after the Administrative Agent delivers to the applicable Lender a certificate stating the amount of Taxes so paid or payable by the Administrative Agent. Such certificate shall be conclusive of the amount so paid or payable absent manifest error.

(f) Status of Lenders. (i) Any Lender that is entitled to an exemption from, or reduction of, any applicable withholding Tax with respect to any payments under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without, or at a reduced rate of, withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to any withholding (including backup withholding) or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.17(f)(ii)(A) through (E) below) shall not be required if in the Lender's judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender. Upon the reasonable request of the Borrower or the Administrative Agent, any Lender shall update any form or certification previously delivered pursuant to this Section 2.17(f). If any form or certification previously delivered pursuant to this Section expires or becomes obsolete or inaccurate in any respect with respect to a Lender, such Lender shall promptly (and in any event within ten (10) days after such expiration, obsolescence or inaccuracy) notify the Borrower and the Administrative Agent in writing of such expiration, obsolescence or inaccuracy and update the form or certification if it is legally eligible to do so.

(ii) Without limiting the generality of the foregoing, if the Borrower is a U.S. Person, any Lender with respect to the Borrower shall, if it is legally eligible to do so, deliver to the Borrower and the Administrative Agent (in such number of copies reasonably requested by the Borrower and the Administrative Agent) on or prior to the date on which such Lender becomes a party hereto, duly completed and executed copies of whichever of the following is applicable:

(A) in the case of a Lender that is a U.S. Person, IRS Form W-9 certifying that such Lender is exempt from U.S. Federal backup withholding tax;

(B) in the case of a Non-U.S. Lender claiming the benefits of an income tax treaty to which the United States is a party (1) with respect to payments of interest under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the “interest” article of such tax treaty and (2) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

(C) in the case of a Non-U.S. Lender for whom payments under any Loan Document constitute income that is effectively connected with such Lender’s conduct of a trade or business in the United States, IRS Form W-8ECI;

(D) in the case of a Non-U.S. Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code both (1) IRS Form W-8BEN and (2) a certificate substantially in the form of Exhibit G (a “U.S. Tax Certificate”) to the effect that such Lender is not (a) a “bank” within the meaning of Section 881(c)(3)(A) of the Code, (b) a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, (c) a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code and (d) conducting a trade or business in the United States with which the relevant interest payments are effectively connected;

(E) in the case of a Non-U.S. Lender that is not the beneficial owner of payments made under this Agreement (including a partnership or a participating Lender) (1) an IRS Form W-8IMY on behalf of itself and (2) the relevant forms prescribed in clauses (A), (B), (C), (D) and (F) of this paragraph (f)(ii) that would be required of each such beneficial owner or partner of such partnership if such beneficial owner or partner were a Lender; provided, however, that if the Lender is a partnership and one or more of its partners are claiming the exemption for portfolio interest under Section 881(c) of the Code, such Lender may provide a U.S. Tax Certificate on behalf of such partners; or

(F) any other form prescribed by law as a basis for claiming exemption from, or a reduction of, U.S. Federal withholding Tax together with such supplementary documentation necessary to enable the Borrower or the Administrative Agent to determine the amount of Tax (if any) required by law to be withheld.

(iii) If a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Withholding Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Withholding Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Withholding Agent as may be necessary for the Withholding Agent to comply with its obligations under FATCA, to determine that such Lender has or has not complied with such Lender’s obligations under FATCA and, as necessary, to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 2.17(f)(iii), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

(g) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.17 (including additional amounts paid pursuant to this Section 2.17), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including any Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid to such indemnifying party pursuant to the previous sentence (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 2.17(g), in no event will any indemnified party be required to pay any amount to any indemnifying party pursuant to this Section 2.17(g) if such payment would place such indemnified party in a less favorable position (on a net after-Tax basis) than such indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This Section 2.17(g) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes which it deems confidential) to the indemnifying party or any other Person.

(h) Issuing Bank. For purposes of Section 2.17(e) and (f), the term “Lender” includes the Issuing Bank.

(i) Reasonable Efforts. Any Lender or assignee claiming any additional amounts payable pursuant to this Section 2.17 agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its lending office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender or assignee, be otherwise disadvantageous to such Lender or assignee.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to (i) in the case of payments denominated in Dollars, 12:00 noon, New York City time and (ii) in the case of payments denominated in a Foreign Currency, 12:00 noon, Local Time, in the city of the Administrative Agent’s Eurocurrency Payment Office for such currency, in each case on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made (i) in the same currency in which the applicable Credit Event was made (or where such currency has been converted to euro, in euro) and (ii) to the Administrative Agent at its offices at 10 South Dearborn Street, 7th Floor, Chicago, Illinois 60603 or, in the case of a Credit Event denominated in a Foreign Currency, the Administrative Agent’s Eurocurrency Payment Office for such currency, except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments denominated in the same currency received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be

payable for the period of such extension. Notwithstanding the foregoing provisions of this Section, if, after the making of any Credit Event in any Foreign Currency, currency control or exchange regulations are imposed in the country which issues such currency with the result that the type of currency in which the Credit Event was made (the "Original Currency") no longer exists or the Borrower is not able to make payment to the Administrative Agent for the account of the Lenders in such Original Currency, then all payments to be made by the Borrower hereunder in such currency shall instead be made when due in Dollars in an amount equal to the Dollar Amount (as of the date of repayment) of such payment due, it being the intention of the parties hereto that the Borrower takes all risks of the imposition of any such currency control or exchange regulations.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) At the election of the Administrative Agent, all payments of principal, interest, LC Disbursements, fees, premiums, reimbursable expenses (including, without limitation, all reimbursement for fees and expenses pursuant to Section 9.03), and other sums payable under the Loan Documents, may be paid from the proceeds of Borrowings made hereunder whether made following a request by the Borrower pursuant to Section 2.03 or a deemed request as provided in this Section or may be deducted from any deposit account of the Borrower maintained with the Administrative Agent. The Borrower hereby irrevocably authorizes (i) the Administrative Agent to make a Borrowing for the purpose of paying each payment of principal, interest and fees as it becomes due hereunder or any other amount due under the Loan Documents and agrees that all such amounts charged shall constitute Loans (including Swingline Loans) and that all such Borrowings shall be deemed to have been requested pursuant to Sections 2.03, 2.04 or 2.05, as applicable and (ii) the Administrative Agent to charge any deposit account of the Borrower maintained with the Administrative Agent for each payment of principal, interest and fees as it becomes due hereunder or any other amount due under the Loan Documents.

(d) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements and Swingline Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable

law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(e) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (including without limitation the Overnight Foreign Currency Rate in the case of Loans denominated in a Foreign Currency).

(f) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b), 2.18(e) or 9.03(c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), (i) apply any amounts thereafter received by the Administrative Agent for the account of such Lender and for the benefit of the Administrative Agent, the Swingline Lender or the Issuing Bank to satisfy such Lender's obligations to it under such Section until all such unsatisfied obligations are fully paid and/or (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Lender under any such Section; in the case of each of clauses (i) and (ii) above, in any order as determined by the Administrative Agent in its discretion.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, or the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If (i) any Lender requests compensation under Section 2.15, (ii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17 or (iii) any Lender becomes a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04, with the Borrower or replacement Lender obligated to pay any applicable processing or recordation fee), all its interests, rights and obligations under the Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (x) the Borrower shall have received the prior written consent of the Administrative Agent (and if a Commitment is being assigned, the Issuing Bank), which consent shall not unreasonably be withheld, (y) such Lender shall have received payment of an amount equal to the

outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (z) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.20. Expansion Option. The Borrower may from time to time elect to increase the Commitments or enter into one or more tranches of term loans (each an "Incremental Term Loan"), in each case in minimum increments of \$10,000,000 so long as, after giving effect thereto, the aggregate amount of such increases and all such Incremental Term Loans does not exceed \$125,000,000. The Borrower may arrange for any such increase or tranche to be provided by one or more Lenders (each Lender so agreeing to an increase in its Commitment, or to participate in such Incremental Term Loans, an "Increasing Lender"), or by one or more new banks, financial institutions or other entities (each such new bank, financial institution or other entity, an "Augmenting Lender"), to increase their existing Commitments, or to participate in such Incremental Term Loans, or extend Commitments, as the case may be; provided that (i) each Augmenting Lender, shall be subject to the approval of the Borrower and the Administrative Agent and (ii) (x) in the case of an Increasing Lender, the Borrower and such Increasing Lender execute an agreement substantially in the form of Exhibit C hereto, and (y) in the case of an Augmenting Lender, the Borrower and such Augmenting Lender execute an agreement substantially in the form of Exhibit D hereto. No consent of any Lender (other than the Lenders participating in the increase or any Incremental Term Loan) shall be required for any increase in Commitments or Incremental Term Loan pursuant to this Section 2.20. Increases and new Commitments and Incremental Term Loans created pursuant to this Section 2.20 shall become effective on the date agreed by the Borrower, the Administrative Agent and the relevant Increasing Lenders or Augmenting Lenders, and the Administrative Agent shall notify each Lender thereof. Notwithstanding the foregoing, no increase in the Commitments (or in the Commitment of any Lender) or tranche of Incremental Term Loans shall become effective under this paragraph unless, (i) on the proposed date of the effectiveness of such increase or Incremental Term Loans, (A) the conditions set forth in paragraphs (a) and (b) of Section 4.02 shall be satisfied or waived by the Required Lenders and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Borrower and (B) Holdings and the Borrower shall be in compliance (on a pro forma basis) with the covenants contained in Section 6.12 and (ii) the Administrative Agent shall have received documents consistent with those delivered on the Effective Date as to the corporate power and authority of the Borrower to borrow hereunder after giving effect to such increase. On the effective date of any increase in the Commitments or any Incremental Term Loans being made, (i) each relevant Increasing Lender and Augmenting Lender shall make available to the Administrative Agent such amounts in immediately available funds as the Administrative Agent shall determine, for the benefit of the other Lenders, as being required in order to cause, after giving effect to such increase and the use of such amounts to make payments to such other Lenders, each Lender's portion of the outstanding Revolving Loans of all the Lenders to equal its Applicable Percentage of such outstanding Revolving Loans, and (ii) except in the case of any Incremental Term Loans, the Borrower shall be deemed to have repaid and reborrowed all outstanding Revolving Loans as of the date of any increase in the Commitments (with such reborrowing to consist of the Types of Revolving Loans, with related Interest Periods if applicable, specified in a notice delivered by the Borrower, in accordance with the requirements of Section 2.03). The deemed payments made pursuant to clause (ii) of the immediately preceding sentence shall be accompanied by payment of all accrued interest on the amount prepaid and, in respect of each Eurocurrency Loan, shall be subject to indemnification by the Borrower pursuant to the provisions of Section 2.16 if the deemed payment occurs

other than on the last day of the related Interest Periods. The Incremental Term Loans (a) shall rank pari passu in right of payment with the Revolving Loans, (b) shall not mature earlier than the Maturity Date (but may have amortization prior to such date) and (c) shall be treated substantially the same as (and in any event no more favorably than) the Revolving Loans; provided that (i) the terms and conditions applicable to any tranche of Incremental Term Loans maturing after the Maturity Date may provide for material additional or different financial or other covenants or prepayment requirements applicable only during periods after the Maturity Date and (ii) the Incremental Term Loans may be priced differently than the Revolving Loans. Incremental Term Loans may be made hereunder pursuant to an amendment or restatement (an "Incremental Term Loan Amendment") of this Agreement and, as appropriate, the other Loan Documents, executed by the Borrower, each Increasing Lender participating in such tranche, each Augmenting Lender participating in such tranche, if any, and the Administrative Agent. The Incremental Term Loan Amendment may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent, to effect the provisions of this Section 2.20. Nothing contained in this Section 2.20 shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Commitment hereunder, or provide Incremental Term Loans, at any time.

SECTION 2.21. Judgment Currency. If for the purposes of obtaining judgment in any court it is necessary to convert a sum due from the Borrower hereunder in the currency expressed to be payable herein (the "specified currency") into another currency, the parties hereto agree, to the fullest extent that they may effectively do so under applicable law, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the specified currency with such other currency at the Administrative Agent's main New York City office on the Business Day preceding that on which final, non-appealable judgment is given. The obligations of the Borrower in respect of any sum due to any Lender or the Administrative Agent hereunder shall, notwithstanding any judgment in a currency other than the specified currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Administrative Agent (as the case may be) of any sum adjudged to be so due in such other currency such Lender or the Administrative Agent (as the case may be) may in accordance with normal, reasonable banking procedures purchase the specified currency with such other currency. If the amount of the specified currency so purchased is less than the sum originally due to such Lender or the Administrative Agent, as the case may be, in the specified currency, the Borrower agrees, to the fullest extent that it may effectively do so under applicable law, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Administrative Agent, as the case may be, against such loss, and if the amount of the specified currency so purchased exceeds (a) the sum originally due to any Lender or the Administrative Agent, as the case may be, in the specified currency and (b) any amounts shared with other Lenders as a result of allocations of such excess as a disproportionate payment to such Lender under Section 2.18, such Lender or the Administrative Agent, as the case may be, agrees to remit such excess to the Borrower.

SECTION 2.22. Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 2.12(a);

(b) the Commitment and Revolving Credit Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 9.02); provided, that this clause (b) shall not apply to the vote of a Defaulting Lender in the case of an

amendment, waiver or other modification requiring the consent of such Lender or each Lender affected thereby;

(c) if any Swingline Exposure or LC Exposure exists at the time such Lender becomes a Defaulting Lender then:

(i) all or any part of the Swingline Exposure and LC Exposure of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent (A) the sum of all non-Defaulting Lenders' Revolving Credit Exposures plus such Defaulting Lender's Swingline Exposure and LC Exposure does not exceed the total of all non-Defaulting Lenders' Commitments, (B) each non-Defaulting Lender's Revolving Credit Exposure does not exceed such non-Defaulting Lender's Commitment and (C) no Event of Default has occurred and is continuing;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within two (2) Business Days following notice by the Administrative Agent (x) first, prepay such Swingline Exposure and (y) second, cash collateralize for the benefit of the Issuing Bank only the Borrower's obligations corresponding to such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.06(j) for so long as such LC Exposure is outstanding;

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to clause (ii) above, the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.12(b) with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;

(iv) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Section 2.12(a) and Section 2.12(b) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages; and

(v) if all or any portion of such Defaulting Lender's LC Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of the Issuing Bank or any other Lender hereunder, all letter of credit fees payable under Section 2.12(b) with respect to such Defaulting Lender's LC Exposure shall be payable to the Issuing Bank until and to the extent that such LC Exposure is reallocated and/or cash collateralized; and

(d) so long as such Lender is a Defaulting Lender, the Swingline Lender shall not be required to fund any Swingline Loan and the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure and the Defaulting Lender's then outstanding LC Exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.22(c), and participating interests in any such newly made Swingline Loan or any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.22(c)(i) (and such Defaulting Lender shall not participate therein).

If (i) a Bankruptcy Event with respect to a Parent of any Lender shall occur following the date hereof and for so long as such event shall continue or (ii) the Swingline Lender or the Issuing Bank has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other

agreements in which such Lender commits to extend credit, the Swingline Lender shall not be required to fund any Swingline Loan and the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless the Swingline Lender or the Issuing Bank, as the case may be, shall have entered into arrangements with the Borrower or such Lender, satisfactory to the Swingline Lender or the Issuing Bank, as the case may be, to defease any risk to it in respect of such Lender hereunder.

In the event that the Administrative Agent, the Borrower, the Swingline Lender and the Issuing Bank each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swingline Exposure and LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders (other than Swingline Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage, any cash collateral provided by the Borrower pursuant to Section 2.22(c)(ii) shall be immediately returned to the Borrower and thereupon such Lender shall cease to be a Defaulting Lender.

ARTICLE III

Representations and Warranties

Each of Holdings and the Borrower represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers; Subsidiaries. Each of Holdings, the Borrower, each Material Domestic Subsidiary and each Material Foreign Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where the failure to be so qualified, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Holdings does not have any subsidiaries other than the Borrower and the Subsidiaries. Schedule 3.01 to the Disclosure Letter sets forth the name of each Subsidiary and, the ownership interest of Holdings in each Subsidiary and identifies each Subsidiary that is a Subsidiary Guarantor, in each case as of the Effective Date. As of the Effective Date, all Subsidiaries are Restricted Subsidiaries.

SECTION 3.02. Authorization; Enforceability. The Transactions entered into and to be entered into by each Loan Party are within such Loan Party's powers and have been duly authorized by all necessary action. This Agreement has been duly executed and delivered by each of Holdings and the Borrower and constitutes, and each other Loan Document to which any Loan Party is to be a party, when executed and delivered by such Loan Party, will constitute, a legal, valid and binding obligation of Holdings, the Borrower or such Loan Party (as the case may be), enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by or before, any Governmental Authority, except such as have been obtained or made and are in full force and effect and except where the failure to obtain such consent or approval or make such registration or filing, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect,

(b) will not violate (i) in any material respect any order of any Governmental Authority or any applicable law or regulation or (ii) the charter, by-laws or other organizational documents of Holdings, the Borrower or any Restricted Subsidiary, (c) except to the extent that they may prohibit payments required to be made on the Permitted Convertible Notes, will not violate or result in a default under any material indenture, agreement or other instrument binding upon Holdings, the Borrower or any Restricted Subsidiary or any of their assets, or give rise to a right thereunder to require any payment to be made by Holdings, the Borrower or any Restricted Subsidiary and (d) will not result in the creation or imposition of any Lien on any asset of Holdings, the Borrower or any Restricted Subsidiary, except Liens created under this Agreement and the Pledge Agreements.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) Holdings has heretofore furnished to the Lenders its consolidated financial statements (i) as of and for the two years ended December 31, 2010, reported on by PricewaterhouseCoopers LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended September 30, 2011, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the consolidated financial position and results of operations of Holdings, the Borrower and the consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, except with respect to financial statements referred to in clause (ii) above, subject to year-end audit adjustments and the absence of footnotes.

(b) Except as disclosed in the financial statements referred to in paragraph (a) above or the notes thereto or in Holdings' other reports and filings filed with the SEC prior to the Effective Date, or in the Information Memorandum and except for the Disclosed Matters (collectively, "Disclosure Documents"), none of Holdings, the Borrower or the Subsidiaries has, as of the Effective Date, any material contingent liabilities, unusual long-term commitments or unrealized losses.

(c) Since December 31, 2010, there has been no material adverse change in the business, assets, operations, properties or financial condition of Holdings, the Borrower and the Restricted Subsidiaries, taken as a whole.

SECTION 3.05. Properties. (a) Holdings, the Borrower and each of the Restricted Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes and subject to Permitted Encumbrances.

(b) Holdings, the Borrower and each of the Restricted Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and, to the knowledge of Holdings and the Borrower, the use thereof by Holdings, the Borrower and the Restricted Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. Litigation, Environmental and Labor Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of Holdings or the Borrower, threatened against or affecting Holdings, the Borrower or any of the Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters and disclosures in the Disclosure Documents) or (ii) that involve any of the Loan Documents or the Transactions.

(b) Except for the Disclosed Matters, matters disclosed in the Disclosure Documents, and any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, none of Holdings, the Borrower or any of the Restricted Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) As of the Effective Date, there are no material strikes, lockouts or slowdowns against Holdings, the Borrower or any Subsidiary pending or, to the knowledge of Holdings or the Borrower, threatened. Except as could not reasonably be expected to result in a Material Adverse Effect, (a) the hours worked by and payments made to employees of Holdings, the Borrower and the Restricted Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters and (b) the consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which Holdings, the Borrower or any Restricted Subsidiary is bound.

SECTION 3.07. Compliance with Laws and Agreements. Each of Holdings, the Borrower and the Restricted Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.08. Investment Company Status. None of Holdings, the Borrower or any of the Restricted Subsidiaries is an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

SECTION 3.09. Taxes. Holdings, the Borrower and each of the Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) any Taxes that are being contested in good faith by appropriate proceedings and for which Holdings, the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11. Disclosure. Holdings and the Borrower have disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which Holdings, the Borrower or any of the Restricted Subsidiaries is subject, and all other matters known to any of the President, a Vice President or a Financial Officer of such Persons, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. The Information Memorandum and the other reports, financial statements, certificates or other information furnished by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or any other Loan Document or delivered hereunder or thereunder (as modified or supplemented by other information so furnished), taken as a whole, as of the date so furnished or delivered, did not contain any material misstatement of fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that (a) with respect to projected financial information, Holdings and the Borrower represent only that such information was

prepared in good faith based upon assumptions believed to be reasonable at the time and (b) with respect to information regarding the semiconductor market and other industry data, Holdings and the Borrower represent only that such information was prepared by third-party industry research firms, and although Holdings and the Borrower believe such information is reliable, Holdings and the Borrower cannot guarantee the accuracy and completeness of the information and have not independently verified such information.

SECTION 3.12. Federal Reserve Regulations. No part of the proceeds of any Loan have been used or will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X.

SECTION 3.13. Liens. There are no Liens on any of the real or personal properties of Holdings, the Borrower or any Restricted Subsidiary except for Liens permitted by Section 6.02.

SECTION 3.14. No Default. No Default or Event of Default has occurred and is continuing.

SECTION 3.15. OFAC. None of Holdings, the Borrower or any Subsidiary, nor, to the knowledge of Holdings or the Borrower, any director, officer, agent, employee or Affiliate thereof, is currently subject to any U.S. sanctions administered or enforced by OFAC, and the Borrower will not directly or indirectly use the proceeds from the Loans or lend, contribute or otherwise make available such proceeds to Holdings or any Subsidiary, joint venture partner or other Person, for the purpose of financing activities of or with any Person or any country or territory that, at the time of such financing, is the subject of any OFAC sanctions.

SECTION 3.16. FCPA. No part of the proceeds of the Loans will be authorized for use, directly or indirectly, for any payments to any officer or employee of a government, or government-controlled entity, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the FCPA.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received (i) from each party hereto either (A) a counterpart of this Agreement signed on behalf of such party or (B) written evidence satisfactory to the Administrative Agent (which may include telecopy or electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement and (ii) duly executed copies of the Loan Documents and such other legal opinions, certificates, documents, instruments and agreements as the Administrative Agent shall reasonably request in connection with the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel and as further described in the list of closing documents attached as Exhibit E.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Snell & Wilmer L.L.P., counsel for the Loan Parties, substantially in the form of Exhibit B, and covering such other matters relating to the Loan Parties, the Loan Documents or the Transactions as the Administrative Agent shall reasonably request. Holdings hereby requests such counsel to deliver such opinion.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the initial Loan Parties, the authorization of the Transactions and any other legal matters relating to such Loan Parties, the Loan Documents or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel and as further described in the list of closing documents attached as Exhibit E.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of Holdings, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) The Administrative Agent shall have received evidence reasonably satisfactory to it that all governmental and third party approvals necessary or, in the discretion of the Administrative Agent, advisable in connection with the Transactions have been obtained and are in full force and effect.

(f) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by Holdings hereunder.

The Administrative Agent shall notify Holdings and the Lenders of the Effective Date, and such notice shall be conclusive and binding.

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of Holdings and the Borrower set forth in this Agreement shall be true and correct (i) in the case of the representations and warranties qualified by materiality or Material Adverse Effect, in all respects and (ii) otherwise, in all material respects, in each case on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, except in the case of any such representation and warranty that expressly relates to a prior date, in which case such representation and warranty shall be so true and correct on and as of such prior date.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default or Event of Default shall have occurred and be continuing.

Each Borrowing (other than Borrowings at the election of the Administrative Agent) and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by each of Holdings and the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, each of Holdings and the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. Holdings will furnish to the Administrative Agent for distribution to each Lender:

(a) promptly when available and in any event within 90 days after the end of each fiscal year of Holdings, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the consolidated financial condition and results of operations of Holdings, the Borrower and the Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) promptly when available and in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of Holdings, its unaudited consolidated balance sheet and related statements of operations and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the consolidated financial condition and results of operations of Holdings, the Borrower and the Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under paragraph (a) or (b) above, a certificate of a Financial Officer of Holdings in the form of Exhibit H (i) certifying as to whether a Default has occurred and is continuing and, if a Default has occurred and is continuing, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.12, (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of Holdings' audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate and (iv) listing each Subsidiary which has changed status from or to a Restricted Subsidiary, Unrestricted Subsidiary or Subsidiary Guarantor and identifying such Subsidiary as such as of the date of such certificate;

(d) promptly when available and in any event within 60 days after the commencement of each fiscal year of Holdings, a detailed consolidated budget for such fiscal year (including a projected consolidated balance sheet and related statements of projected operations and cash flow as of the end of and for such fiscal year and setting forth any material assumptions used for purposes of preparing such budget);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by Holdings, the Borrower or any Subsidiary with the SEC, or any Governmental Authority succeeding to any or all of the functions of the SEC, or distributed by Holdings to its public stockholders generally, as the case may be;

(f) concurrently with any delivery of financial statements under paragraph (a) or (b) above, if there are any Unrestricted Subsidiaries at the time, the related consolidating financial statements reflecting the adjustments necessary to eliminate the accounts of Unrestricted Subsidiaries from such consolidated financial statements;

(g) promptly following a request therefor, all documentation and other information that a Lender reasonably requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act; and

(h) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of Holdings, the Borrower or any Subsidiary, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender may reasonably request.

Documents required to be delivered pursuant to paragraphs (a), (b) and (e) of this Section 5.01 may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which such documents are filed for public availability on the SEC's Electronic Data Gathering and Retrieval System. Notwithstanding anything contained herein, in every instance Holdings shall be required to provide paper copies of the compliance certificates required by paragraph (c) of this Section 5.01 to the Administrative Agent.

SECTION 5.02. Notices of Material Events. Holdings and the Borrower will furnish to the Administrative Agent written notice of the following promptly upon a President, a Vice President, a Financial Officer or General Counsel of Holdings or the Borrower obtaining knowledge thereof:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting Holdings, the Borrower or any Restricted Subsidiary that could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer of Holdings or the Borrower, as the case may be, or other executive officer of Holdings or the Borrower, as the case may be, setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. Each of Holdings and the Borrower will, and will cause each of the Restricted Subsidiaries to, do or cause to be done all things necessary to

preserve, renew and keep in full force and effect its legal existence and the rights, contracts, licenses, permits, privileges, franchises, patents, copyrights, trademarks and trade names material to the conduct of the business of the Borrower and the Restricted Subsidiaries, taken as a whole, provided that the foregoing shall not prohibit any Permitted Tax Restructuring or any other merger, consolidation, liquidation or dissolution permitted under Section 6.03 or any sale of assets permitted under Section 6.05.

SECTION 5.04. Payment of Taxes. Each of Holdings and the Borrower will, and will cause each of the Restricted Subsidiaries to, pay its Tax liabilities before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) Holdings, the Borrower or such Restricted Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP, (c) such contest effectively suspends collection of the contested obligation and the enforcement of any Lien securing such obligation and (d) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties; Insurance. Except in connection with a Permitted Tax Restructuring, each of Holdings and the Borrower will, and will cause each of the Restricted Subsidiaries to, (a) keep and maintain all property material to the conduct of the business of Holdings, the Borrower and the Restricted Subsidiaries, taken as a whole, in good working order and condition, ordinary wear and tear excepted, it being understood that this covenant only relates to the working order and condition of such properties and shall not be construed as a covenant not to dispose of such properties, and (b) maintain, with financially sound and reputable insurance companies insurance in such amounts and against such risks as are customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations.

SECTION 5.06. Books and Records; Inspection Rights. Each of Holdings and the Borrower will, and will cause each of the Restricted Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all material dealings and transactions in relation to its business and activities. Each of Holdings and the Borrower will, and will cause each of the Restricted Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and at such reasonable intervals as may be reasonably requested.

SECTION 5.07. Compliance with Laws. Each of Holdings and the Borrower will, and will cause each of the Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property (including, without limitation, Environmental Laws), except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds. The proceeds of the Loans will be used only for general corporate purposes, including working capital and Permitted Acquisitions. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X. Letters of Credit will be issued only to support obligations of the Borrower or any Restricted Subsidiary incurred for general corporate purposes.

SECTION 5.09. Subsidiary Guaranty. As promptly as possible but in any event within thirty (30) days (or such later date as may be agreed upon by the Administrative Agent) (i) after the

delivery of the financial statements referred to in Section 5.01(a), with respect to any Restricted Subsidiary that qualifies independently as, or is designated by Holdings or the Administrative Agent as, a Subsidiary Guarantor pursuant to the definition of "Material Domestic Subsidiary" or (ii) after the date on which any Restricted Subsidiary qualifies independently as a Qualifying Subsidiary, Holdings shall provide the Administrative Agent with written notice thereof setting forth information in reasonable detail describing the material assets of such Person and shall cause each such Subsidiary to deliver to the Administrative Agent a joinder to the Subsidiary Guaranty (in the form contemplated thereby), pursuant to which such Subsidiary agrees to be bound by the terms and provisions thereof, such Subsidiary Guaranty to be accompanied by appropriate corporate resolutions, other corporate documentation and legal opinions in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

SECTION 5.10. Pledge Agreements. Holdings shall execute or cause to be executed, by no later than sixty (60) days (or such later date as is required to obtain required governmental consents or approvals provided that Holdings is diligently pursuing such consents or approvals or as is otherwise agreed to by the Administrative Agent in its reasonable discretion) after the date on which any Person becomes a Domestic Subsidiary or which any Subsidiary that is a First Tier Foreign Subsidiary would qualify as a Material Foreign Subsidiary, a Pledge Agreement in favor of the Administrative Agent for the benefit of the Secured Parties with respect to, (x) in the case of a Domestic Subsidiary (including, for purposes of this Section 5.10, the Borrower), 100% of all of the outstanding Equity Interests of such Pledge Subsidiary and (y) in the case of a Material Foreign Subsidiary, 65% of all of the outstanding Equity Interests of such Pledge Subsidiary; provided that (i) no such pledge of the Equity Interests of the China JV shall be required hereunder and (ii) no such pledge of the Equity Interests of a Pledge Subsidiary that is a First Tier Foreign Subsidiary shall be required hereunder to the extent the Administrative Agent and its counsel reasonably determine that, in light of the cost and expense associated therewith, such pledge would not provide material Pledged Equity for the benefit of the Secured Parties pursuant to legally binding, valid and enforceable Pledge Agreements. Holdings and the Borrower further agree to deliver to the Administrative Agent all such Pledge Agreements, together with appropriate corporate resolutions and other documentation (including legal opinions, the stock certificates representing the Equity Interests subject to such pledge, stock powers with respect thereto executed in blank, and such other documents as shall be reasonably requested to perfect the Lien of such pledge) in each case in form and substance reasonably satisfactory to the Administrative Agent, and in a manner that the Administrative Agent shall be reasonably satisfied that it has a first priority perfected pledge of or charge over the Pledged Equity related thereto. Notwithstanding the foregoing, the parties hereto acknowledge and agree that no Pledge Agreement in respect of the pledge of Equity Interests of a Pledge Subsidiary that is a First Tier Foreign Subsidiary shall be required until the date that occurs sixty (60) days after the Effective Date or the date on which a Subsidiary becomes a Pledge Subsidiary (or such later date as is required to obtain required governmental consents or approvals provided that Holdings is diligently pursuing such consents or approvals or as is otherwise agreed to by the Administrative Agent in its reasonable discretion).

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, each of Holdings and the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness. (a) The Borrower will not, and will not permit any Restricted Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

(i) the Obligations;

(ii) Indebtedness existing on the Effective Date and set forth in Schedule 6.01 to the Disclosure Letter and extensions, renewals, refinancings and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof (other than by the amount of any fees or expenses incurred in the extensions, renewals, refinancings and replacements thereof) or result in an earlier maturity date;

(iii) Indebtedness of the Borrower to Holdings or any Restricted Subsidiary and of any Restricted Subsidiary to Holdings, the Borrower or any other Restricted Subsidiary, in each case subject to Section 6.04;

(iv) Guarantees by the Borrower and by any Restricted Subsidiary of Indebtedness of Holdings, the Borrower or any other Restricted Subsidiary;

(v) Indebtedness of the Borrower or any Restricted Subsidiary in respect of workers' compensation claims, self-insurance obligations, performance bonds, surety, appeal or similar bonds and completion or other financial guarantees provided by the Borrower and the Restricted Subsidiaries in the ordinary course of their business, provided that upon the incurrence of Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims, such obligations are reimbursed within 30 days following such drawing or incurrence;

(vi) Indebtedness of the Borrower or any Restricted Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations (provided that such Indebtedness is incurred prior to or within 180 days after such acquisition or the completion of such construction or improvement); provided that the aggregate principal amount of Indebtedness permitted by this clause (vi) shall not exceed \$50,000,000 at any time outstanding;

(vii) Indebtedness of the China JV and other Restricted Subsidiaries, and Guarantees of obligations of Unrestricted Subsidiaries and other Persons not constituting Subsidiaries, in an aggregate principal amount not to exceed the greater of (x) \$300,000,000 and (y) 15% of Consolidated Net Worth (immediately after giving effect to the incurrence of such Indebtedness); provided that not more than \$50,000,000 of such Indebtedness is secured by assets located in the United States of America;

(viii) Indebtedness of any Person that becomes a Restricted Subsidiary or is merged into or consolidated with the Borrower or any Restricted Subsidiary or any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals, refinancings and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof (other than by the amount of any fees or expenses incurred in the refinancing thereof); provided that such Indebtedness exists at the time such Person becomes a Restricted Subsidiary and is not created in contemplation of or in connection with such Person becoming a Restricted Subsidiary;

(ix) reimbursement obligations (contingent or otherwise) in respect of letters of credit issued to support obligations of the Borrower or any Restricted Subsidiary incurred in the

ordinary course of business; provided that (A) the aggregate amount of such letters of credit and reimbursement obligations shall not exceed \$40,000,000 at any time and (B) such obligations may only be secured to the extent permitted by clause (v) of Section 6.02(a);

(x) Indebtedness in an aggregate principal amount not exceeding \$25,000,000 at any time outstanding; provided that the aggregate outstanding principal amount of such Indebtedness that is secured by any assets of the Borrower or any Restricted Subsidiary shall not exceed \$10,000,000;

(xi) the Permitted Convertible Notes;

(xii) Permitted Unsecured Indebtedness;

(xiii) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(xiv) Indebtedness consisting of (i) the financing of insurance premiums or (ii) take-or-pay obligations contained in supply, service or similar agreements, in each case incurred in the ordinary course of business;

(xv) customary indemnification obligations pursuant to factoring or similar arrangements permitted pursuant to clause (xi) of Section 6.02(a); and

(xvi) Indebtedness under interest rate, commodities and foreign currency exchange protection agreements entered into in the ordinary course of business to manage existing or anticipated risks and not for speculative purposes;

(b) Holdings will not create, incur, assume or permit to exist any Indebtedness except (i) Indebtedness created under the Loan Documents or created under the Permitted Convertible Notes, (ii) Indebtedness permitted under clause (a)(ii) or (a)(xii) of this Section 6.01, (iii) Guarantees by Holdings of Indebtedness of the Borrower and the Restricted Subsidiaries permitted hereby and (iv) Guarantees by Holdings to lenders to direct and indirect Subsidiaries.

(c) Neither Holdings nor the Borrower will permit any Designated IP Subsidiary to create, incur, assume or permit to exist any Indebtedness (regardless of whether permitted under paragraph (a) of this Section 6.01) other than Indebtedness of the Designated IP Subsidiary owed to Holdings, the Borrower or a Restricted Subsidiary that is otherwise permitted by this Agreement.

SECTION 6.02. Liens. (a) The Borrower will not, and will not permit any Restricted Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(i) Permitted Encumbrances and Liens created under this Agreement and the Pledge Agreements;

(ii) any Lien on any property or asset of the Borrower or any Restricted Subsidiary existing on the Effective Date and set forth in Schedule 6.02 to the Disclosure Letter, provided that (A) such Lien shall not apply to any other property or asset of the Borrower or any Restricted Subsidiary and (B) such Lien shall secure only those obligations that it secures on the Effective

Date and extensions, renewals, refinancings and replacements thereof that do not increase the outstanding principal amount thereof (other than by the amount of any fees or expenses incurred in the extensions, renewals, refinancings and replacements thereof);

(iii) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Restricted Subsidiary or existing on any property or asset of any Person that becomes a Restricted Subsidiary after the Effective Date prior to the time such Person becomes a Restricted Subsidiary, provided that (A) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Restricted Subsidiary, as the case may be, (B) such Lien shall not apply to any other property or assets of the Borrower or any Restricted Subsidiary and (C) such Lien shall secure only those obligations that it secures on the date of such acquisition or the date such Person becomes a Restricted Subsidiary, as the case may be, and extensions, renewals, refinancings and replacements thereof that do not increase the outstanding principal amount thereof (other than by the amount of any fees or expenses incurred in the extensions, renewals, refinancings and replacements thereof);

(iv) Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any Restricted Subsidiary; provided that (A) such Liens secure Indebtedness permitted by clause (vi) of Section 6.01(a), (B) such security interests and the Indebtedness secured thereby are incurred prior to or within 180 days after such acquisition or the completion of such construction or improvement, (C) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed capital assets and (D) such security interests shall not apply to any other property or assets of the Borrower or any Restricted Subsidiary;

(v) Liens on specified bank accounts and cash deposits of Holdings, the Borrower or any Restricted Subsidiary used to secure reimbursement obligations of Holdings, the Borrower or such Restricted Subsidiary in respect of letters of credit and similar arrangements for collateral security with respect to refinancings or replacements of the same; provided that the amounts in such specified bank accounts and the amount of such cash deposits, other than cash deposits securing letters of credit under defaulting lender provisions in credit or reimbursement facilities, shall not exceed an aggregate outstanding amount of \$10,000,000;

(vi) Liens, including anti-assignment provisions, in favor of a landlord on leases and leasehold improvements with respect to leased premises and Liens on cash and other assets securing performance thereunder;

(vii) Liens representing the interest or title of a lessor, licensor, sublicensor or sublessor;

(viii) Liens securing Indebtedness permitted under, and subject to the Lien limitations in, clause (vii) of Section 6.01(a);

(ix) Liens securing any sale and leaseback transactions permitted by Section 6.11;

(x) any encumbrance or restriction with respect to the transfer of the Equity Interests in any joint venture or similar arrangement pursuant to the terms thereof;

(xi) Liens on accounts receivable securing factoring, sales, pledges, assignments, transfers or other dispositions of such accounts receivable in the ordinary course of business (and to the extent such transaction is permitted under Section 6.05(j)) as part of any accounts receivable financing transaction; and

(xii) Liens on assets of the Borrower and the Restricted Subsidiaries not otherwise permitted above so long as the aggregate principal amount of the Indebtedness and other obligations subject to such Liens does not at any time exceed \$10,000,000.

(b) Holdings will not create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect thereof, except Liens created under the Pledge Agreements and Permitted Encumbrances.

SECTION 6.03. Fundamental Changes. (a) Neither Holdings nor the Borrower will, nor will they permit any Restricted Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing:

(i) any Person may merge into Holdings or the Borrower in a transaction in which Holdings or the Borrower, as the case may be, is the surviving entity;

(ii) any Restricted Subsidiary or Unrestricted Subsidiary may merge into a Restricted Subsidiary in a transaction in which the surviving entity is a Restricted Subsidiary;

(iii) any Restricted Subsidiary may liquidate or dissolve if Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders and may liquidate or dissolve to facilitate internal reorganizations (including Permitted Tax Restructurings); and

(iv) the Borrower and its Subsidiaries may consummate Permitted Acquisitions.

(b) Neither Holdings nor the Borrower will, nor will they permit any of the Restricted Subsidiaries to, engage to any material extent in any business other than businesses of the type conducted by the Borrower and the Restricted Subsidiaries on the Effective Date and businesses reasonably related thereto or useful in the operation of the businesses of the Borrower and the Restricted Subsidiaries.

(c) Neither Holdings nor the Borrower will, nor will they permit any of the Restricted Subsidiaries to, change its fiscal year from the basis in effect on the Effective Date, other than changes to the fiscal year of any acquired Restricted Subsidiary for the purposes of synchronizing such fiscal year with the fiscal year of Holdings and the Borrower.

(d) Except in connection with a Permitted Tax Restructuring, (i) Holdings will not engage in any business or activity other than the ownership of all the outstanding shares of capital stock of the Borrower and the Foreign Holding Companies, incurring Indebtedness permitted hereby, incurring the Permitted Convertible Notes, issuing Equity Interests and activities incidental thereto; (ii) Holdings will not own or acquire any assets (other than shares of capital stock of the Borrower, shares of capital stock of the Foreign Holding Companies, cash and Permitted Investments) or incur any liabilities (other than liabilities under the Loan Documents, Guarantees by Holdings of obligations of the Borrower and the Restricted Subsidiaries under leases of real property and other agreements, Indebtedness permitted hereby, the Permitted Convertible Notes, obligations under any stock option plans or other benefit plans for management, directors, consultants or employees of Holdings, the Borrower and the Restricted Subsidiaries, liabilities imposed by law, including tax liabilities, and other liabilities incidental to its existence and permitted business and activities). Notwithstanding the foregoing two sentences, Holdings may acquire Equity Interests in another Person in exchange solely for common stock of Holdings.

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. The Borrower will not, and will not permit any of the Restricted Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Restricted Subsidiary prior to such merger) any Equity Interests in or evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

(a) Permitted Investments;

(b) investments existing on the Effective Date and set forth on Schedule 6.04 to the Disclosure Letter;

(c) investments by the Borrower and the Restricted Subsidiaries in Equity Interests in Borrower or any Restricted Subsidiary and investments by Unrestricted Subsidiaries in Equity Interests of Borrower or any Restricted Subsidiary;

(d) loans or advances made by the Borrower or any Restricted Subsidiary to Borrower or any Restricted Subsidiary and made by any Unrestricted Subsidiary to Holdings, the Borrower or any Restricted Subsidiary;

(e) Guarantees of Indebtedness permitted under Section 6.01 and Guarantees of Permitted Convertible Notes made in compliance with the definition of Permitted Convertible Notes;

(f) investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business;

(g) Permitted Acquisitions;

(h) any investments in or loans to any other Person received as noncash consideration for sales, transfers, leases and other dispositions permitted by Section 6.03 or 6.05;

(i) Guarantees and indemnities by the Borrower and the Restricted Subsidiaries of leases and other agreements entered into by any Restricted Subsidiary;

(j) extensions of credit in the nature of accounts receivable or notes receivable in the ordinary course of business;

(k) investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(l) loans or advances to employees made in the ordinary course of business consistent with prudent business practice and not exceeding \$10,000,000 in the aggregate outstanding at any one time;

(m) investments in or acquisitions of stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Borrower or any Restricted Subsidiary or in satisfaction of judgments;

(n) investments in the form of Swap Agreements permitted under Section 6.06;

(o) investments, loans, advances, guarantees and acquisitions resulting from a foreclosure by the Borrower or any Restricted Subsidiary with respect to any secured investment or other transfer of title with respect to any secured investment in default;

(p) investments, loans, advances, guarantees and acquisitions the consideration for which consists solely of shares of common stock of Holdings;

(q) the licensing from other Persons by the Borrower and the Restricted Subsidiaries of intellectual property in accordance with normal industry practice; provided that if such licensing involves the effective acquisition of any business of another Person it must be otherwise permitted by this Section 6.04;

(r) exchanges of Permitted Convertible Notes, whether or not pursuant to such Permitted Convertible Notes; and

(s) any other investment, loan or advance (other than acquisitions) so long as the aggregate amount of all such investments, loans and advances does not exceed \$50,000,000 during the term of this Agreement.

SECTION 6.05. Asset Sales. The Borrower will not, and will not permit any of the Restricted Subsidiaries to, sell, transfer, lease or otherwise dispose of any asset, including any Equity Interest owned by it, nor will the Borrower permit any of the Restricted Subsidiaries to issue any additional Equity Interest in such Restricted Subsidiary, except:

(a) (i) sales, leases, transfers or other dispositions of inventory, used or surplus equipment and Permitted Investments in the ordinary course of business, (ii) non-cash sales or exchanges of surplus or fully-depreciated equipment in the ordinary course of business and (iii) the periodic clearance and disposal of obsolete or worn out property, including involuntary loss, damage or destruction of property, and (iv) licenses of technology in the ordinary course of business;

(b) sales, leases, transfers or other dispositions to the Borrower or a Restricted Subsidiary, provided that any such sales, transfers or dispositions to an Unrestricted Subsidiary shall be made in compliance with Section 6.07;

(c) sales, leases, transfers or other dispositions of assets (other than Equity Interests in a Subsidiary) that are not permitted by any other clause of this Section, provided that the aggregate fair market value of all assets sold, transferred or otherwise disposed of by Restricted Subsidiaries in reliance upon this clause (c) shall not exceed \$50,000,000 during any fiscal year of the Borrower;

(d) sale and leaseback transactions permitted by Section 6.11;

(e) sales, leases, transfers or other dispositions of property, plant and equipment located at any of the manufacturing sites listed in Schedule 6.05(e) to the Disclosure Letter;

(f) leases of property, plant and equipment for fair market value;

(g) sales, leases, transfers or other dispositions of assets acquired pursuant to a Permitted Acquisition that in the reasonable judgment of the Borrower's management are not necessary or desirable to carry out the Borrower's business plans, to the extent binding agreements or letters of intent providing for such sales, transfers or other dispositions are entered into within 12 months after the acquisition of such assets;

(h) the licensing by the Borrower and the Restricted Subsidiaries of intellectual property to other Persons, in accordance with normal industry practice; provided that if such licensing involves the effective transfer or conveyance of any division of the Borrower or any Restricted Subsidiary utilizing such intellectual property it must be otherwise permitted by this Section 6.05;

(i) sales and other assignments, transfers or other dispositions of accounts receivable in connection with the compromise or collection thereof;

(j) factoring, sales and other assignments, transfers or other dispositions of accounts receivable of any Foreign Subsidiary in the ordinary course of business as part of any accounts receivable financing transaction in an aggregate amount not to exceed \$50,000,000 during any fiscal year of the Borrower; and

(k) sales, leases, transfers or other dispositions by the Borrower and the Restricted Subsidiaries of intellectual property to other Persons, in accordance with normal industry practice; provided that such sales in reliance upon this clause (k) shall not exceed \$35,000,000 during any fiscal year of the Borrower or applicable Restricted Subsidiary;

provided that, except with respect to sales of property, plant and equipment listed in Schedule 6.05(e) to the Disclosure Letter and to the extent set forth on Schedule 6.05(e) to the Disclosure Letter, all sales, transfers, leases and other dispositions permitted hereby shall be made for fair value (other than those permitted by clause (b) above) and for consideration of at least 75% cash or cash equivalents (other than those permitted by clauses (a)(ii) and (b) above) and (ii) a Designated IP Subsidiary shall not make sales, transfers or other dispositions other than pursuant to clauses (a), (b), (f), (h) or (k) above. The foregoing cash or cash equivalents requirement shall not be deemed to preclude agreements which provide for periodic payments, such as (and without limitation) licenses, leases and sale and leaseback transactions.

SECTION 6.06. Swap Agreements. Neither Holdings nor the Borrower will, nor will they permit any of the Restricted Subsidiaries to, enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which the Borrower or any Restricted Subsidiary has actual exposure (other than those in respect of Equity Interests of the Borrower or any Restricted Subsidiaries), (b) Swap Agreements entered into in order to effectively cap, collar, currency exchange or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Borrower or any Restricted Subsidiary and (c) each of Holdings and the Borrower may enter into, and perform its respective obligations under, Permitted Call Spread Swap Agreements.

SECTION 6.07. Transactions with Affiliates. Neither Holdings nor the Borrower will, nor will they permit any Restricted Subsidiary to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) transactions that are at prices and on terms and conditions not less favorable to the Borrower or such Restricted Subsidiary than could be obtained on an

arm's-length basis from unrelated third parties, (b) transactions between or among Holdings, the Borrower and the Restricted Subsidiaries, (c) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership or other employee benefit plans or programs approved by the board of directors of Holdings (including an authorized committee thereof), (d) the grant of stock options, restricted stock, other stock-based awards or similar rights to officers, employees, consultants and directors of Holdings pursuant to plans approved by the board of directors of Holdings (including an authorized committee thereof) and the payment of amounts or the issuance of securities pursuant thereto, (e) loans or advances to employees in the ordinary course of business consistent with prudent business practice, but in any event not to exceed \$10,000,000 in the aggregate outstanding at any one time and (f) any Restricted Payment permitted by Section 6.08.

SECTION 6.08. Restricted Payments. Neither Holdings nor the Borrower will, nor will they permit any Restricted Subsidiary to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except that (i) Holdings may declare and pay dividends with respect to its capital stock payable solely in additional shares of its capital stock, (ii) Restricted Subsidiaries may declare and pay dividends ratably with respect to their Equity Interests, (iii) Holdings may make Restricted Payments, not exceeding \$15,000,000 during any fiscal year, pursuant to and in accordance with stock option plans or other benefit plans for management, directors, consultants or employees of Holdings, the Borrower and the Restricted Subsidiaries, including the redemption or purchase of capital stock of Holdings held by former directors, management, consultants or employees of Holdings, the Borrower or any Restricted Subsidiary following termination of their employment, (iv) the Borrower may pay dividends to Holdings at such times and in such amounts, not exceeding \$7,500,000 during any fiscal year, as shall be necessary to permit Holdings to discharge its permitted liabilities, (v) Restricted Payments may be made in the form of capital stock issued by Holdings, (vi) each of Holdings and the Borrower may enter into, exercise its respective rights and perform its respective obligations under Permitted Call Spread Swap Agreements, (vii) Holdings and the Borrower may make deliveries of shares of its common stock upon conversion of Permitted Convertible Notes pursuant to the terms thereof, (viii) Holdings and the Borrower may make interest payments in respect of Indebtedness under Permitted Convertible Notes and (ix) other Restricted Payments may be made so long as prior to making any such Restricted Payment, and after giving effect thereto (including on a pro forma basis), (A) no Default or Event of Default shall exist and (B) the Senior Leverage Ratio does not exceed 2.50 to 1.00.

SECTION 6.09. Restrictive Agreements. Neither Holdings nor the Borrower will, nor will they permit any Restricted Subsidiary to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of Holdings, the Borrower or any Restricted Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Restricted Subsidiary to pay dividends or other distributions with respect to holders of its Equity Interests or to make or repay loans or advances to the Borrower or any other Restricted Subsidiary or to Guarantee Indebtedness of the Borrower or any other Restricted Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by any Loan Document, (ii) the foregoing shall not apply to restrictions and conditions existing on the Effective Date identified on Schedule 6.09 to the Disclosure Letter (but shall apply to any extension or renewal of, or any amendment or modification if it expands the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Restricted Subsidiary pending such sale, provided such restrictions and conditions apply only to the Restricted Subsidiary that is to be sold and such sale is permitted hereunder, (iv) the foregoing shall not apply to restrictions and conditions contained in agreements of any Person that becomes a Restricted Subsidiary or is merged into or consolidated with the Borrower or any Restricted Subsidiary or agreements assumed from any Person in connection with the acquisition of assets

by the Borrower or any Restricted Subsidiary of such Person after the date hereof, provided that such agreements exist at the time such Person becomes a Restricted Subsidiary or such agreements are assumed and in each case are not created in contemplation of or in connection with such Person becoming a Restricted Subsidiary or the agreements being assumed; (v) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (vi) clause (a) of the foregoing shall not apply to customary provisions in leases and other agreements restricting the assignment thereof or any interest therein, (vii) clause (a) of the foregoing shall not apply to customary negative pledge clauses and restrictions on the ability of Holdings, the Borrower or any Subsidiary to Guarantee Indebtedness; provided that such restrictions do not limit the ability of the Obligations under this Agreement to be Guaranteed or to be secured by any Lien on any of the properties or assets of Holdings, the Borrower or any Restricted Subsidiary (including without limitation pursuant to the Subsidiary Guaranty and Pledge Agreements), (viii) the foregoing restrictions shall not apply to customary restrictions and conditions imposed by agreements relating to Indebtedness of a Foreign Subsidiary permitted under Section 6.01(a) so long as (A) such restrictions and conditions only apply to such Foreign Subsidiary and its subsidiaries and (B) the aggregate principal amount of all such Indebtedness of all Foreign Subsidiaries covered by this clause (viii) does not exceed \$125,000,000 and (ix) clause (a) of the foregoing shall not apply to customary restrictions or conditions imposed by a foreign government or any political subdivision of any foreign government or any public instrumentality thereof in connection with the transfer or disposition of assets.

SECTION 6.10. Subordinated Indebtedness and Amendments to Subordinated Indebtedness Documents. Neither Holdings nor the Borrower will nor will they permit any Restricted Subsidiary to, directly or indirectly voluntarily prepay, defease or in substance defease, purchase, redeem, retire or otherwise acquire, any Subordinated Indebtedness or any Indebtedness from time to time outstanding under the Subordinated Indebtedness Documents; provided that any such prepayment, defeasance, purchase, redemption, retirement or acquisition may be made so long as prior thereto, and after giving effect thereto (including on a pro forma basis), (A) no Default or Event of Default shall exist and (B) the Senior Leverage Ratio does not exceed 2.50 to 1.00. Furthermore, neither Holdings nor the Borrower will, nor will they permit any Restricted Subsidiary to, amend the Subordinated Indebtedness Documents or any document, agreement or instrument evidencing any Indebtedness incurred pursuant to the Subordinated Indebtedness Documents (or any replacements, substitutions, extensions or renewals thereof) or pursuant to which such Indebtedness is issued where such amendment, modification or supplement amends, modifies or adds any provisions thereof in a manner which, when taken as a whole, are (i) materially adverse to Holdings, the Borrower and the Restricted Subsidiary and/or the Lenders or (ii) more onerous in any material respect than the existing applicable provisions in the Subordinated Indebtedness Documents or the applicable provisions set forth in this Agreement, in each case as determined by the board of directors (including an authorized committee thereof) of Holdings for Holdings or as the sole member of the Borrower, as the case may be, in good faith.

SECTION 6.11. Sale and Leaseback Transactions. The Borrower will not, and will not permit any of the Restricted Subsidiaries to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred, except for (a) any such sale of any fixed or capital assets that is made for cash consideration in an amount not less than the cost of such fixed or capital asset and is consummated within 180 days after the Borrower or such Restricted Subsidiary acquires or completes the construction of such fixed or capital asset and (b) any such sales and leasebacks made after the Effective Date of real or personal property with an aggregate fair value not to exceed \$50,000,000 during any four consecutive quarter period.

SECTION 6.12. Financial Covenants.

(a) Maximum Total Leverage Ratio. Neither Holdings nor the Borrower will permit the ratio (the "Total Leverage Ratio"), determined as of the end of each of its fiscal quarters ending on and after December 31, 2011, of (i) Consolidated Total Indebtedness to (ii) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters ending with the end of such fiscal quarter, all calculated for Holdings, the Borrower and the Restricted Subsidiaries on a consolidated basis, to be greater than 3.75 to 1.00.

(b) Minimum Interest Coverage Ratio. Neither Holdings nor the Borrower will permit the ratio (the "Interest Coverage Ratio"), determined as of the end of each of its fiscal quarters ending on and after December 31, 2011, of (i) Consolidated EBITDA to (ii) Consolidated Interest Expense paid or payable in cash, in each case for the period of four (4) consecutive fiscal quarters ending with the end of such fiscal quarter, all calculated for Holdings, the Borrower and the Restricted Subsidiaries on a consolidated basis, to be less than 3.50 to 1.00.

SECTION 6.13. Designation of Subsidiaries. The board of directors of Holdings may, at any time from and after the Effective Date, designate any Restricted Subsidiary as an Unrestricted Subsidiary or any Unrestricted Subsidiary as a Restricted Subsidiary; provided that (i) immediately before and after such designation, no Default or Event of Default shall have occurred and be continuing, (ii) immediately after giving effect to such designation, Holdings and the Borrower shall be in compliance with the covenants set forth in Section 6.12 on a pro forma basis, (iii) no Restricted Subsidiary may be designated as an Unrestricted Subsidiary if it was previously designated as an Unrestricted Subsidiary and (iv) if a Restricted Subsidiary is being designated as an Unrestricted Subsidiary hereunder, such Restricted Subsidiary, together with all other Unrestricted Subsidiaries as of such date of designation, must not have contributed greater than ten percent (10%) of Consolidated Total Assets (but, notwithstanding the definition of Consolidated Total Assets, calculated inclusive of all Unrestricted Subsidiaries), as of the most recently ended fiscal quarter of the Holdings for which financial statements have been delivered pursuant to Section 5.01(a) (or, if prior to the date of the delivery of the first financial statements to be delivered pursuant to Section 5.01(a), the most recent financial statements referred to in Section 3.04(a)(ii)). The designation of any Restricted Subsidiary as an Unrestricted Subsidiary after the Effective Date shall constitute an Investment by Holdings, the Borrower or the applicable Restricted Subsidiary therein at the date of designation in an amount equal to the fair market value of Holdings', the Borrower's or the applicable Restricted Subsidiary's investment therein. None of Holdings, the Borrower or any Restricted Subsidiary shall at any time be directly or indirectly liable for any Indebtedness that provides the holder thereof may (with the passage of time or notice or both) declare a default thereon or cause the payment thereof to be accelerated upon the occurrence of a default with respect to any Indebtedness, Lien or other obligation of an Unrestricted Subsidiary (including any right to take enforcement action against such Unrestricted Subsidiary). The designation of any Unrestricted Subsidiary as a Restricted Subsidiary shall constitute (i) the incurrence at the time of designation of any Investment, Indebtedness or Liens of such Subsidiary existing at such time and (ii) a return on any Investment by Holdings, the Borrower or the applicable Restricted Subsidiary in Unrestricted Subsidiaries pursuant to the preceding sentence in an amount equal to the fair market value at the date of such designation of Holdings', the Borrower's or such Restricted Subsidiary's Investment in such Subsidiary. Notwithstanding the foregoing, neither the Borrower nor any Designated IP Subsidiary shall be permitted to be an Unrestricted Subsidiary.

ARTICLE VII

Events of Default

SECTION 7.01. Events of Default. If any of the following events (“Events of Default”) shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Section 7.01) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five (5) Business Days;

(c) any representation or warranty made or deemed made by or on behalf of Holdings, the Borrower or any Restricted Subsidiary in or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, or in any certificate or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) Holdings or the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to the existence of Holdings or the Borrower), 5.08, 5.09 or 5.10 or in Article VI;

(e) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document (other than those specified in clause (a), (b) or (d) of this Section 7.01), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender);

(f) Holdings, the Borrower or any Restricted Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable after giving effect to any applicable grace or similar period with respect thereto;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, provided that this clause (g) shall not apply to (i) any secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness, (ii) any requirement to make a cash payment as a result of the early termination of a Permitted Call Spread Swap Agreement and (iii) any requirement to deliver cash upon conversion of Permitted Convertible Notes;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of Holdings, the Borrower or, subject to Section 7.02, any Restricted Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for

Holdings, the Borrower or, subject to Section 7.02, any Restricted Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) Holdings, the Borrower or, subject to Section 7.02, any Restricted Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Section 7.01, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Holdings, the Borrower or, subject to Section 7.02, any Restricted Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) Holdings, the Borrower or, subject to Section 7.02, any Restricted Subsidiary, shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$50,000,000 (net of amounts covered by insurance as to which the insurer has not denied coverage) shall be rendered against Holdings, the Borrower, any Restricted Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed or appealed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of Holdings, the Borrower or any Restricted Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(m) any security interest purported to be created under any Pledge Agreement shall cease to be, or shall be asserted by any Loan Party not to be, a valid and perfected first priority security interest in Pledged Equity having, in the aggregate, a value in excess of \$10,000,000, except (i) as a result of the sale or other disposition of the applicable Pledged Equity in a transaction permitted under the Loan Documents, (ii) any action taken by the Administrative Agent to release any such security interest in compliance with the provisions of this Agreement or any other Loan Document or (iii) as a result of the Administrative Agent's failure to maintain possession of any stock certificates or other instruments delivered to it under a Pledge Agreement;

(n) the Subsidiary Guaranty or the guaranty under Article X, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or any Loan Party or any other Person contests in any manner the validity or enforceability of the Subsidiary Guaranty or such guaranty; or any Loan Party denies that it has any or further liability or obligation under the Subsidiary Guaranty or such guaranty, or purports to revoke, terminate or rescind the Subsidiary Guaranty or such guaranty; or

(o) a Change in Control shall occur;

then, and in every such event (other than an event with respect to Holdings or the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to Holdings, take

either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations of Holdings and the Borrower accrued hereunder and under the other Loan Documents, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Holdings and the Borrower; and in case of any event with respect to Holdings or the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other Obligations accrued hereunder and under the other Loan Documents, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Holdings and the Borrower. Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent may, and at the request of the Required Lenders shall, exercise any rights and remedies provided to the Administrative Agent under the Loan Documents or at law or equity.

If any proceeds of Pledged Equity are received by the Administrative Agent after an Event of Default has occurred and is continuing and the Administrative Agent so elects or the Required Lenders so direct, such funds shall be applied ratably first, to pay any fees, indemnities, or expense reimbursements including amounts then due to the Administrative Agent and the Issuing Bank, each in their respective capacities as such, from Holdings and the Borrower, second, to pay any fees or expense reimbursements then due to the Lenders from Holdings and the Borrower, third, to pay interest then due and payable on the Loans ratably, fourth, to prepay principal on the Loans and unreimbursed LC Disbursements and any other amounts owing with respect to Banking Services Obligations and Swap Obligations ratably, fifth, to pay an amount to the Administrative Agent equal to one hundred five percent (105%) of the aggregate undrawn face amount of all outstanding Letters of Credit and the aggregate amount of any unpaid LC Disbursements, to be held as cash collateral for such Obligations and sixth, to the payment of any other Obligation due to the Administrative Agent or any Lender by Holdings or the Borrower. The Administrative Agent and the Lenders shall have the continuing and exclusive right to apply and reverse and reapply any and all such proceeds and payments to any portion of the Obligations.

SECTION 7.02. Exclusion of Immaterial Subsidiaries. Solely for the purposes of determining whether a Default has occurred under clause (h), (i) or (j) of Section 7.01, any reference in any such clause to any "Restricted Subsidiary" shall be deemed not to include any Restricted Subsidiary affected by any event or circumstance referred to in any such clause that did not, as of the last day of the fiscal quarter of Holdings most recently ended, have assets with a value in excess of 5.0% of Consolidated Total Assets as of such date, provided that if it is necessary to exclude more than one Restricted Subsidiary from clause (h), (i) or (j) of Section 7.01 pursuant to this Section in order to avoid a Default thereunder, all excluded Restricted Subsidiaries shall be considered to be a single consolidated Restricted Subsidiary for purposes of determining whether the condition specified above is satisfied.

ARTICLE VIII

The Administrative Agent

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf, including execution of the other Loan Documents, and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with Holdings, the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to Holdings, the Borrower or any of the Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by Holdings, the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection with any Loan Document, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent or (vi) the creation, perfection or priority of Liens on the Pledged Equity or the existence of the Pledged Equity.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for Holdings), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all of its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and Holdings. Upon any such resignation, the Required Lenders shall have the right to appoint a successor with the approval of the Borrower (such approval not to be unreasonably withheld or delayed; provided that no such approval shall be required if an Event of Default has occurred and is continuing). If no successor shall have been so appointed by the Required Lenders (and, if required, approved by the Borrower) and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder; provided that, solely for purposes of maintaining any security interest granted to the Administrative Agent under any Pledge Agreement for the benefit of the Secured Parties, the retiring Administrative Agent shall continue to be vested with such security interest as collateral agent for the benefit of the Secured Parties and, in the case of any Pledged Equity in the possession of the Administrative Agent, shall continue to hold such Pledged Equity, in each case until such time as a successor Administrative Agent is appointed and accepts such appointment in accordance with this paragraph (it being understood and agreed that the retiring Administrative Agent shall have no duty or obligation to take any further action under any Pledge Agreement, including any action required to maintain the perfection of any such security interest). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between Holdings and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

None of the Lenders, if any, identified in this Agreement as a Co-Syndication Agent shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of such Lenders shall have or be deemed to have a fiduciary relationship with any Lender. Each Lender hereby makes the same acknowledgments with respect to the relevant Lenders in their respective capacities as Co-Syndication Agent as it makes with respect to the Administrative Agent in the preceding paragraph.

The Lenders are not partners or co-venturers, and no Lender shall be liable for the acts or omissions of, or (except as otherwise set forth herein in case of the Administrative Agent) authorized to act for, any other Lender. The Administrative Agent shall have the exclusive right on behalf of the Lenders to enforce the payment of the principal of and interest on any Loan after the date such principal or interest has become due and payable pursuant to the terms of this Agreement.

In its capacity, the Administrative Agent is a “representative” of the Secured Parties within the meaning of the term “secured party” as defined in the New York Uniform Commercial Code. Each Lender authorizes the Administrative Agent to enter into each of the Pledge Agreements to which it is a party and to take all action contemplated by such documents. Each Lender agrees that no Secured Party (other than the Administrative Agent) shall have the right individually to seek to realize upon the security granted by any Pledge Agreement, it being understood and agreed that such rights and remedies may be exercised solely by the Administrative Agent for the benefit of the Secured Parties upon the terms of the Pledge Agreements. In the event that any Pledged Equity is hereafter pledged by any Person as collateral security for the Obligations, the Administrative Agent is hereby authorized, and hereby granted a power of attorney, to execute and deliver on behalf of the Secured Parties any Loan Documents necessary or appropriate to grant and perfect a Lien on such Pledged Equity in favor of the Administrative Agent on behalf of the Secured Parties. The Lenders hereby authorize the Administrative Agent, at its option and in its discretion, to release any Lien granted to or held by the Administrative Agent upon any Pledged Equity (i) as described in Section 9.02(d); (ii) as permitted by, but only in accordance with, the terms of the applicable Loan Document; or (iii) if approved, authorized or ratified in writing by the Required Lenders, unless such release is required to be approved by all of the Lenders hereunder. Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent’s authority to release particular types or items of Pledged Equity pursuant hereto. Upon any sale or transfer of assets constituting Pledged Equity which is permitted pursuant to the terms of any Loan Document, or consented to in writing by the Required Lenders or all of the Lenders, as applicable, and upon at least five (5) Business Days’ prior written request by Holdings to the Administrative Agent, the Administrative Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the Liens granted to the Administrative Agent for the benefit of the Secured Parties herein or pursuant hereto upon the Pledged Equity that was sold or transferred; provided, however, that (i) the Administrative Agent shall not be required to execute any such document on terms which, in the Administrative Agent’s opinion, would expose the Administrative Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any Liens upon (or obligations of Holdings, the Borrower or any Subsidiary in respect of) all interests retained by Holdings, the Borrower or any Subsidiary, including (without limitation) the proceeds of the sale, all of which shall continue to constitute part of the Pledged Equity.

Each of Holdings, on its behalf and on behalf of the Subsidiaries, the Borrower, and each Lender, on its behalf and on the behalf of its affiliated Secured Parties, hereby irrevocably constitute the Administrative Agent as the holder of an irrevocable power of attorney (*fondé de pouvoir* within the meaning of Article 2692 of the Civil Code of Québec) in order to hold hypothecs and security granted by Holdings, the Borrower or any Subsidiary on property pursuant to the laws of the Province of Quebec to secure obligations of Holdings, the Borrower or any Subsidiary under any bond, debenture or similar title of indebtedness issued by Holdings, the Borrower or any Subsidiary in connection with this Agreement, and agree that the Administrative Agent may act as the bondholder and mandatary with respect to any bond, debenture or similar title of indebtedness that may be issued by Holdings, the Borrower or any Subsidiary and pledged in favor of the Secured Parties in connection with this Agreement. Notwithstanding the provisions of Section 32 of the An Act respecting the special powers of legal persons (Québec), JPMorgan Chase Bank, N.A. as Administrative Agent may acquire and be the holder of any bond issued by Holdings, the Borrower or any Subsidiary in connection with this Agreement (i.e., the *fondé de pouvoir* may acquire and hold the first bond issued under any deed of hypothec by Holdings, the Borrower or any Subsidiary).

The Administrative Agent is hereby authorized to execute and deliver any documents necessary or appropriate to create and perfect the rights of pledge for the benefit of the Secured Parties

including a right of pledge with respect to the entitlements to profits, the balance left after winding up and the voting rights of Holdings as ultimate parent of any subsidiary of Holdings which is organized under the laws of the Netherlands and the Equity Interests of which are pledged in connection herewith (a "Dutch Pledge"). Without prejudice to the provisions of this Agreement and the other Loan Documents, the parties hereto acknowledge and agree with the creation of parallel debt obligations of Holdings or any relevant Subsidiary as will be described in any Dutch Pledge (the "Parallel Debt"), including that any payment received by the Administrative Agent in respect of the Parallel Debt will - conditionally upon such payment not subsequently being avoided or reduced by virtue of any provisions or enactments relating to bankruptcy, insolvency, preference, liquidation or similar laws of general application - be deemed a satisfaction of a pro rata portion of the corresponding amounts of the Obligations, and any payment to the Secured Parties in satisfaction of the Obligations shall - conditionally upon such payment not subsequently being avoided or reduced by virtue of any provisions or enactments relating to bankruptcy, insolvency, preference, liquidation or similar laws of general application - be deemed as satisfaction of the corresponding amount of the Parallel Debt. The parties hereto acknowledge and agree that, for purposes of a Dutch Pledge, any resignation by the Administrative Agent is not effective until its rights under the Parallel Debt are assigned to the successor Administrative Agent.

The parties hereto acknowledge and agree for the purposes of taking and ensuring the continuing validity of German law governed pledges (*Pfandrechte*) with the creation of parallel debt obligations of Holdings, the Borrower and the Subsidiaries as will be further described in a separate German law governed parallel debt undertaking. The Administrative Agent shall (i) hold such parallel debt undertaking as fiduciary agent (*Treuhänder*) and (ii) administer and hold as fiduciary agent (*Treuhänder*) any pledge created under a German law governed Pledge Agreement which is created in favor of any Secured Party or transferred to any Secured Party due to its accessory nature (*Akzessorietät*), in each case in its own name and for the account of the Secured Parties. Each Lender (on behalf of itself and its affiliated Secured Parties) hereby authorizes the Administrative Agent to enter as its agent in its name and on its behalf into any German law governed Pledge Agreement, accept as its agent in its name and on its behalf any pledge or other creation of any accessory security right in relation to this Agreement and to agree to and execute on its behalf as its representative in its name and on its behalf any amendments, supplements and other alterations to any such Pledge Agreement and to release on behalf of any such Lender or Secured Party any such Pledge Agreement and any pledge created under any such Pledge Agreement in accordance with the provisions herein and/or the provisions in any such Pledge Agreement.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to Holdings or the Borrower, to it at 5005 E. McDowell Road, Phoenix, AZ 85008, Attention of Treasurer (Telecopy No. (602) 244-5139; Telephone No. (602) 244-5374), with a copy (in the case of a notice of Default) to General Counsel (Telecopy No. (602) 244-5500; Telephone No. (602) 244-5226);

(ii) if to the Administrative Agent, (A) in the case of Borrowings denominated in Dollars, to JPMorgan Chase Bank, N.A., 10 South Dearborn Street, Chicago, Illinois 60603, Attention of

April Yebd (Telecopy No. (888) 292-9533; Email: jpm.agency.servicing.4@jpmchase.com) and (B) in the case of Borrowings denominated in Foreign Currencies, to J.P. Morgan Europe Limited, 125 London Wall, London EC2Y 5AJ, Attention of Loan and Agency Services (Telecopy No. 44 207 777 2360; Email: loan_and_agency_london@jpmorgan.com), and in each case with a copy to JPMorgan Chase Bank, N.A., 2200 Ross Avenue, 3rd Floor, TX1-2903, Dallas, Texas 75201, Attention of Gregory T. Martin (Telecopy No. (214) 965-2171);

(iii) if to the Issuing Bank, to it at JPMorgan Chase Bank, N.A., 10 South Dearborn Street, Chicago, Illinois 60603, Attention of Debra Williams (Telecopy No. (312) 385-7098);

(iv) if to the Swingline Lender, to it at JPMorgan Chase Bank, N.A., 10 South Dearborn Street, Chicago, Illinois 60603, Attention of April Yebd (Telecopy No. (888) 292-9533; Email: jpm.agency.servicing.4@jpmchase.com); and

(v) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent, Holdings or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by Holdings or the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Except as provided in Section 2.20 with respect to an Incremental Term Loan Amendment, neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by Holdings, the Borrower and the Required Lenders or by Holdings, the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender

without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender directly affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender directly affected thereby, (iv) change Section 2.18(b) or (d) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender (it being understood that, solely with the consent of the parties prescribed by Section 2.20 to be parties to an Incremental Term Loan Amendment, Incremental Term Loans may be included in the determination of Required Lenders on substantially the same basis as the Commitments and the Revolving Loans are included on the Effective Date), (vi) release Holdings or the Borrower from its obligations under Article X, or all or substantially all of the Subsidiary Guarantors from their obligations under the Subsidiary Guaranty, in each case without the written consent of each Lender or (vii) except as provided in clause (d) of this Section or in any Pledge Agreement, release all or substantially all of the Pledged Equity without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be.

(c) Notwithstanding the foregoing, this Agreement and any other Loan Document may be amended (or amended and restated) with the written consent of the Required Lenders, the Administrative Agent, Holdings and the Borrower to each relevant Loan Document (x) to add one or more credit facilities (in addition to the Incremental Term Loans pursuant to an Incremental Term Loan Amendment) to this Agreement and to permit extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Revolving Loans, Incremental Term Loans and the accrued interest and fees in respect thereof and (y) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders and Lenders.

(d) The Lenders hereby irrevocably authorize the Administrative Agent, at its option and in its sole discretion, to release any Liens granted to the Administrative Agent by the Loan Parties on any Pledged Equity (i) upon the termination of all the Commitments, payment and satisfaction in full in cash of all Obligations (other than Obligations not yet due and payable to the Lenders or any of their Affiliates under any Swap Agreement or any Banking Services Agreement), (ii) constituting property being sold or disposed of if Holdings certifies to the Administrative Agent that the sale or disposition is made in compliance with the terms of this Agreement (and the Administrative Agent may rely conclusively on any such certificate, without further inquiry), or (iii) as required to effect any sale or other disposition of such Pledged Equity in connection with any exercise of remedies of the Administrative Agent and the Lenders pursuant to Article VII. Any such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of the Loan Parties in respect of) all interests retained by the Loan Parties, including the proceeds of any sale, all of which shall continue to constitute part of the Pledged Equity.

(e) If, in connection with any proposed amendment, waiver or consent requiring the consent of "each Lender" or "each Lender directly affected thereby," the consent of the Required Lenders is obtained, but the consent of other necessary Lenders is not obtained (any such Lender whose consent is

necessary but not obtained being referred to herein as a “Non-Consenting Lender”), then Holdings may, at its sole cost and expense, elect to replace a Non-Consenting Lender as a Lender party to this Agreement, provided that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to Holdings and the Administrative Agent shall agree, as of such date, to purchase for cash the Loans and other Obligations due to the Non-Consenting Lender pursuant to an Assignment and Assumption and to become a Lender for all purposes under this Agreement and to assume all obligations of the Non-Consenting Lender to be terminated as of such date and to comply with the requirements of clause (b) of Section 9.04, (ii) the Borrower shall pay to such Non-Consenting Lender in same day funds on the day of such replacement (1) all interest, fees and other amounts then accrued but unpaid to such Non-Consenting Lender by the Borrower hereunder to and including the date of termination, including without limitation payments due to such Non-Consenting Lender under Sections 2.15 and 2.17, and (2) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 2.16 had the Loans of such Non-Consenting Lender been prepaid on such date rather than sold to the replacement Lender and (iii) the replacement Lender shall provide such consent or the appointment of such replacement Lender will result in the effectiveness of such amendment, waiver or consent.

(f) Notwithstanding anything to the contrary herein the Administrative Agent may, upon prior notice to the Lenders, with the consent of Holdings and the Borrower only, amend, modify or supplement this Agreement or any of the other Loan Documents to cure any ambiguity, omission, mistake, defect or inconsistency.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication and distribution (including, without limitation, via the internet or through a service such as Intralinks) of the credit facilities provided for herein, the preparation and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement and any other Loan Document, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify the Administrative Agent, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and reasonable and related out-of-pocket expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any

actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by Holdings, the Borrower or any of the Subsidiaries, or any Environmental Liability related in any way to Holdings, the Borrower or any of the Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by Holdings, the Borrower or any of the Subsidiaries, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from (i) the gross negligence or willful misconduct of such Indemnitee or (ii) a material breach in bad faith by such Indemnitee of its express contractual obligations under the Loan Documents pursuant to a claim made by the Borrower. This Section 9.03(b) shall not apply with respect to Taxes other than any Taxes that represent losses or damages arising from any non-Tax claim.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section (and without limiting its obligation to do so), each Lender severally agrees to pay to the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount (it being understood that the Borrower's failure to pay any such amount shall not relieve the Borrower of any default in the payment thereof); provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Issuing Bank or the Swingline Lender in its capacity as such.

(d) To the extent permitted by applicable law, neither Holdings nor the Borrower shall assert, and each hereby waives, any claim against any Indemnitee (i) for any damages arising from the use by others of information or other materials obtained through telecommunications, electronic or other information transmission systems (including the Internet), or (ii) on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than fifteen (15) days after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) neither Holdings nor the Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by Holdings or the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) Holdings (provided that Holdings shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof); provided, further, that no consent of Holdings shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent; and

(C) the Issuing Bank.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of Holdings and the Administrative Agent otherwise consent (such consent not to be unreasonably withheld or delayed), provided that no such consent of Holdings shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500, such fee to be paid by either the assigning Lender or the assignee Lender or shared between such Lenders; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about Holdings and its affiliates and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including Federal and state securities laws.

For the purposes of this Section 9.04(b), the term "Approved Fund" has the following meaning:

“Approved Fund” means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender’s rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of Holdings and the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the “Register”). The entries in the Register shall be conclusive, and Holdings, the Borrower, the Administrative Agent, the Issuing Bank and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by Holdings, the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee’s completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b), 2.18(e) or 9.03(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) Any Lender may, without the consent of Holdings or the Borrower, the Administrative Agent, the Issuing Bank or the Swingline Lender, sell participations to one or more banks or other entities (a “Participant”) in all or a portion of such Lender’s rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender’s obligations under this Agreement shall remain unchanged; (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; and (C) Holdings, the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall

continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Each of Holdings and the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 (subject to the requirements and limitations therein, including the requirements under Section 2.17(f) (it being understood that the documentation required under Section 2.17(f) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Sections 2.18 and 2.19 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Sections 2.15 or 2.17, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(d) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of Holdings and the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under this Agreement (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans, Letters of Credit or its other obligations under this Agreement) except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement or any other Loan Document is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect

regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any other Loan Document or any provision hereof or thereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final and in whatever currency denominated) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of Holdings, the Borrower or any Subsidiary Guarantor against any of and all of the Obligations held by such Lender, irrespective of whether or not such Lender shall have made any demand under the Loan Documents and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each of Holdings and the Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Loan Party or its properties in the courts of any jurisdiction.

(c) Each of Holdings and the Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies under this Agreement or any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to Holdings or the Borrower and their respective obligations, (g) with the consent of Holdings or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis from a source other than Holdings or the Borrower. For the purposes of this Section, "Information" means all information received from Holdings and the Borrower relating to Holdings, the Borrower or their business, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by Holdings or the Borrower, as the

case may be; provided that, in the case of information received from Holdings or the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. USA PATRIOT Act. Each Lender that is subject to the requirements of the Patriot Act hereby notifies each Loan Party that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies such Loan Party, which information includes the name and address of such Loan Party and other information that will allow such Lender to identify such Loan Party in accordance with the Act.

SECTION 9.14. Releases of Subsidiary Guarantors.

(a) A Subsidiary Guarantor shall automatically be released from its obligations under the Subsidiary Guaranty upon the consummation of any transaction permitted by this Agreement as a result of which such Subsidiary Guarantor ceases to be a Material Domestic Subsidiary or, in the case of a Qualifying Subsidiary, is released from its Guarantee of Permitted Convertible Notes and Permitted Unsecured Indebtedness, as applicable; provided that, if so required by this Agreement, the Required Lenders shall have consented to such transaction and the terms of such consent shall not have provided otherwise. In connection with any termination or release pursuant to this Section, the Administrative Agent shall (and is hereby irrevocably authorized by each Lender to) execute and deliver to any Loan Party, at such Loan Party's expense, all documents that such Loan Party shall reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Section shall be without recourse to or warranty by the Administrative Agent.

(b) Further, the Administrative Agent may (and is hereby irrevocably authorized by each Lender to), upon the request of Holdings, release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty if such Subsidiary Guarantor is no longer a Material Domestic Subsidiary or, in the case of a Qualifying Subsidiary, has been released from its Guarantee of Permitted Convertible Notes and Permitted Unsecured Indebtedness, as applicable.

(c) At such time as the principal and interest on the Loans, all LC Disbursements, the fees, expenses and other amounts payable under the Loan Documents and the other Obligations (other than obligations not yet due and payable under any Swap Agreement or any Banking Services Agreement, and other Obligations expressly stated to survive such payment and termination) shall have been paid in full, the Commitments shall have been terminated and no Letters of Credit shall be outstanding, the Subsidiary Guaranty and all obligations (other than those expressly stated to survive such termination) of each Subsidiary Guarantor thereunder shall automatically terminate, all without delivery of any instrument or performance of any act by any Person.

SECTION 9.15. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this

Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.16. No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), each of Holdings and the Borrower acknowledges and agrees that: (i) (A) the arranging and other services regarding this Agreement provided by the Lenders are arm's-length commercial transactions between Holdings, the Borrower and each of their Affiliates, on the one hand, and the Lenders and their Affiliates, on the other hand, (B) each of Holdings and the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) each of Holdings and the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) each of the Lenders and their Affiliates is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for Holdings, the Borrower or any of their Affiliates, or any other Person and (B) no Lender or any of its Affiliates has any obligation to Holdings, the Borrower or any of their Affiliates with respect to the transactions contemplated hereby except, in the case of a Lender, those obligations expressly set forth herein and in the other Loan Documents; and (iii) each of the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of Holdings, the Borrower and their Affiliates, and no Lender or any of its Affiliates has any obligation to disclose any of such interests to Holdings, the Borrower or their Affiliates. To the fullest extent permitted by law, each of Holdings and the Borrower hereby waives and releases any claims that it may have against each of the Lenders and their Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

ARTICLE X

Guaranty

In order to induce the Lenders to extend credit to the Borrower hereunder, the Borrower and Holdings (collectively, the "Guaranty Parties") hereby irrevocably and unconditionally guarantees, on a joint and several basis and as a primary obligor and not merely as a surety, the payment when and as due of the Obligations. Each Guaranty Party further agrees that the due and punctual payment of such Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee hereunder notwithstanding any such extension or renewal of any such Obligation.

Each Guaranty Party waives presentment to, demand of payment from and protest to any Guaranty Party of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of each Guaranty Party hereunder shall not be affected by (a) the failure of the Administrative Agent, the Issuing Bank or any Lender to assert any claim or demand or to enforce any right or remedy against any Guaranty Party under the provisions of this Agreement, any other Loan Document or otherwise; (b) any extension or renewal of any of the Obligations; (c) any rescission, waiver, amendment or modification of, or release from, any of the terms or provisions of this Agreement, or any other Loan Document or agreement; (d) any default, failure or delay, willful or otherwise, in the performance of any of the Obligations; (e) the failure of the Administrative Agent to take any steps to perfect and maintain any security interest in, or to preserve any rights to, any security or collateral for the Obligations, if any; (f) any change in the corporate, partnership

or other existence, structure or ownership of any Guaranty Party or any other guarantor of any of the Obligations; (g) the enforceability or validity of the Obligations or any part thereof or the genuineness, enforceability or validity of any agreement relating thereto or with respect to any collateral securing the Obligations or any part thereof, or any other invalidity or unenforceability relating to or against any Guaranty Party or any other guarantor of any of the Obligations, for any reason related to this Agreement, any Swap Agreement, any Banking Services Agreement, any other Loan Document, or any provision of applicable law, decree, order or regulation of any jurisdiction purporting to prohibit the payment by such Guaranty Party or any other guarantor of the Obligations, of any of the Obligations or otherwise affecting any term of any of the Obligations; or (h) any other act, omission or delay to do any other act which may or might in any manner or to any extent vary the risk of such Guaranty Party or otherwise operate as a discharge of a guarantor as a matter of law or equity or which would impair or eliminate any right of such Guaranty Party to subrogation.

Each Guaranty Party further agrees that its agreement hereunder constitutes a guarantee of payment when due (whether or not any bankruptcy or similar proceeding shall have stayed the accrual or collection of any of the Obligations or operated as a discharge thereof) and not merely of collection, and waives any right to require that any resort be had by the Administrative Agent, the Issuing Bank or any Lender to any balance of any deposit account or credit on the books of the Administrative Agent, the Issuing Bank or any Lender in favor of any Guaranty Party or any other Person.

The obligations of each Guaranty Party hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of any of the Obligations, any impossibility in the performance of any of the Obligations or otherwise.

Each Guaranty Party further agrees that its obligations hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by the Administrative Agent, the Issuing Bank or any Lender upon the bankruptcy or reorganization of any Guaranty Party or otherwise.

In furtherance of the foregoing and not in limitation of any other right which the Administrative Agent, the Issuing Bank or any Lender may have at law or in equity against any Guaranty Party by virtue hereof, upon the failure of any other Guaranty Party to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guaranty Party hereby promises to and will, upon receipt of written demand by the Administrative Agent, the Issuing Bank or any Lender, forthwith pay, or cause to be paid, to the Administrative Agent, the Issuing Bank or any Lender in cash an amount equal to the unpaid principal amount of the Obligations then due, together with accrued and unpaid interest thereon. Each Guaranty Party further agrees that if payment in respect of any Obligation shall be due in a currency other than Dollars and/or at a place of payment other than New York, Chicago or any other Eurocurrency Payment Office and if, by reason of any Change in Law, disruption of currency or foreign exchange markets, war or civil disturbance or other event, payment of such Obligation in such currency or at such place of payment shall be impossible or, in the reasonable judgment of the Administrative Agent, the Issuing Bank or any Lender, disadvantageous to the Administrative Agent, the Issuing Bank or any Lender in any material respect, then, at the election of the Administrative Agent, such Guaranty Party shall make payment of such Obligation in Dollars (based upon the applicable Equivalent Amount in effect on the date of payment) and/or in New York, Chicago or such other Eurocurrency Payment Office as is designated by the Administrative Agent and, as a separate and independent obligation, shall indemnify the Administrative Agent, the Issuing Bank and any Lender

against any losses or reasonable out-of-pocket expenses that it shall sustain as a result of such alternative payment.

Upon payment by any Guaranty Party of any sums as provided above, all rights of such Guaranty Party against any Guaranty Party arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full in cash of all the Obligations owed by such Guaranty Party to the Administrative Agent, the Issuing Bank and the Lenders.

Nothing shall discharge or satisfy the liability of any Guaranty Party hereunder except the full performance and payment in cash of the Obligations (other than obligations not yet due and payable under any Swap Agreement or any Banking Services Agreement).

[Signature Pages Follow]

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

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, as
the Borrower

By /s/ DONALD COLVIN
Name: Donald Colvin
Title: Executive Vice President and Chief Financial Officer

ON SEMICONDUCTOR CORPORATION,
as Holdings

By /s/ DONALD COLVIN
Name: Donald Colvin
Title: Executive Vice President and Chief Financial Officer

Signature Page to Credit Agreement
Semiconductor Components Industries, LLC and ON Semiconductor Corporation

JPMORGAN CHASE BANK, N.A., individually as a Lender, as the Swingline Lender, as the Issuing Bank and as Administrative Agent

By /s/ GREGORY T. MARTIN

Name: Gregory T. Martin

Title: Vice President

Signature Page to Credit Agreement
Semiconductor Components Industries, LLC and ON Semiconductor Corporation

BANK OF AMERICA, N.A., individually as a Lender and as a
Co-Syndication Agent

By /s/ JEFFREY MILLS

Name: Jeffrey Mills

Title: AVP

Signature Page to Credit Agreement
Semiconductor Components Industries, LLC and ON Semiconductor Corporation

THE ROYAL BANK OF SCOTLAND plc, individually as a
Lender and as a Co-Syndication Agent

By /s/ PATRICIA BOUSSAROQUE

Name: Patricia Boussaroque

Title: Vice President

Signature Page to Credit Agreement
Semiconductor Components Industries, LLC and ON Semiconductor Corporation

NATIONAL BANK OF ARIZONA, as a Lender

By /s/ ABRAN VILLEGAS

Name: Abran Villegas

Title: Vice President

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Semiconductor Components Industries, LLC and ON Semiconductor Corporation

SUMITOMO MITSUI BANKING CORPORATION, NEW
YORK, as a Lender

By /s/ SHUJI YABE

Name: Shuji Yabe

Title: Manager Director

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Semiconductor Components Industries, LLC and ON Semiconductor Corporation

BOKE, NA d/b/a BANK OF ARIZONA, as a Lender

By /s/ CHRISTINE A. NOWACZYK

Name: Christine A. Nowaczyk

Title: Senior Vice President

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Semiconductor Components Industries, LLC and ON Semiconductor Corporation

By /s/ STEVEN F. LARSEN

Name: Steven F. Larsen

Title: Vice President

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Semiconductor Components Industries, LLC and ON Semiconductor Corporation

BANK OF MONTREAL, as a Lender

By /s/ ISABELLA BATTISTA

Name: Isabella Battista

Title: Vice President

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DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender

By /s/ VINCENT D' AMORE

Name: Vincent D' Amore

Title Director

DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender

By /s/ EVELYN THIERRY

Name: Evelyn Thierry

Title Director

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Semiconductor Components Industries, LLC and ON Semiconductor Corporation

MORGAN STANLEY BANK, N.A., as a Lender

By /s/ MICHAEL KING

Name: Michael King

Title Authorized Signatory

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USB LOAN FINANCE LLC, as a Lender

By /s/ IRJA R. OTSA

Name: Irja R. Otsa

Title Associate Director

By /s/ JOSELIN FERNANDES

Name: Joselin Fernandes

Title Associate Director

Signature Page to Credit Agreement
Semiconductor Components Industries, LLC and ON Semiconductor Corporation

SCHEDULE 2.01

COMMITMENTS

<u>LENDER</u>	<u>COMMITMENT</u>
JPMORGAN CHASE BANK, N.A.	\$50,000,000
BANK OF AMERICA, N.A.	\$50,000,000
THE ROYAL BANK OF SCOTLAND PLC	\$50,000,000
NATIONAL BANK OF ARIZONA	\$27,500,000
SUMITOMO MITSUI BANKING CORPORATION, NEW YORK	\$27,500,000
BOKEF, NA	\$22,500,000
HSBC BANK USA, NATIONAL ASSOCIATION	\$22,500,000
BANK OF MONTREAL	\$20,000,000
DEUTSCHE BANK AG NEW YORK BRANCH	\$20,000,000
MORGAN STANLEY BANK, N.A.	\$20,000,000
UBS LOAN FINANCE LLC	\$15,000,000
AGGREGATE COMMITMENT	\$325,000,000

SCHEDULE 2.02

MANDATORY COST

1. The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
2. On the first day of each Interest Period (or as soon as possible thereafter) the Administrative Agent shall calculate, as a percentage rate, a rate (the "Associated Costs Rate") for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Administrative Agent as a weighted average of the Lenders' Associated Costs Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.
3. The Associated Costs Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to the Administrative Agent. This percentage will be certified by that Lender in its notice to the Administrative Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office.
4. The Associated Costs Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the Administrative Agent as follows:

- (a) in relation to a Loan in Pounds Sterling:

$$\frac{AB + C(B-D) + E \times 0.01}{100 - (A + C)} \quad \frac{AB + C(B-D) + E \times 0.01}{100 - (A + C)} \quad \text{per cent. per annum.}$$

- (b) in relation to a Loan in any currency other than Pounds Sterling:

$$\frac{E \times 0.01}{300} \quad \frac{AB + C(B-D) + E \times 0.01}{100 - (A + C)} \quad \text{per cent. per annum.}$$

$$\frac{E \times 0.01}{300}$$

Where:

- A. is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which that Lender is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.
- B. is the percentage rate of interest (excluding the Applicable Rate and the Mandatory Cost and, if the Loan is an Unpaid Sum, the additional rate of interest specified in Section 2.13(c)) payable for the relevant Interest Period on the Loan.
- C. is the percentage (if any) of Eligible Liabilities which that Lender is required from time to time to maintain as interest bearing Special Deposits with the Bank of England.

- D. is the percentage rate per annum payable by the Bank of England to the Administrative Agent on interest bearing Special Deposits.
- E. is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Administrative Agent as being the average of the most recent rates of charge supplied by the Reference Banks to the Administrative Agent pursuant to paragraph 7 below and expressed in pounds per £1,000,000.
5. For the purposes of this Schedule:
- (a) “**Eligible Liabilities**” and “**Special Deposits**” have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;
 - (b) “**Facility Office**” means the office or offices notified by a Lender to the Administrative Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.
 - (c) “**Fees Rules**” means the rules on periodic fees contained in the Financial Services Authority Fees Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
 - (d) “**Fee Tariffs**” means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate);
 - (e) “**Participating Member State**” means any member state of the European Union that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to economic and monetary union.
 - (f) “**Reference Banks**” means, in relation to Mandatory Cost, the principal London offices of JPMorgan Chase Bank, N.A.
 - (g) “**Tariff Base**” has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.
 - (h) “**Unpaid Sum**” means any sum due and payable but unpaid by the Borrower under the Loan Documents.
6. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (i.e. 5 per cent. will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.
7. If requested by the Administrative Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Administrative Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that

Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.

8. Each Lender shall supply any information required by the Administrative Agent for the purpose of calculating its Associated Costs Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:
 - (a) the jurisdiction of its Facility Office; and
 - (b) any other information that the Administrative Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Administrative Agent of any change to the information provided by it pursuant to this paragraph.

9. The percentages of each Lender for the purpose of A and C above and the rates of charge of each Reference Bank for the purpose of E above shall be determined by the Administrative Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above and on the assumption that, unless a Lender notifies the Administrative Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a Facility Office in the same jurisdiction as its Facility Office.
10. The Administrative Agent shall have no liability to any person if such determination results in an Associated Costs Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.
11. The Administrative Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Associated Costs Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 7 and 8 above.
12. Any determination by the Administrative Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Associated Costs Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all parties hereto.
13. The Administrative Agent may from time to time, after consultation with the Borrower and the relevant Lenders, determine and notify to all parties hereto any amendments which are required to be made to this Schedule 2.02 in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties hereto.

EXHIBIT A

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
[and is an Affiliate/Approved Fund of [identify Lender]¹]
3. Borrower(s): Semiconductor Components Industries, LLC
4. Administrative Agent: JPMorgan Chase Bank, N.A., as the administrative agent under the Credit Agreement
5. Credit Agreement: The Credit Agreement dated as of December 23, 2011 among Semiconductor Components Industries, LLC, ON Semiconductor Corporation, the Lenders parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other agents parties thereto

¹ Select as applicable.

6. Assigned Interest:

Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/ Loans Assigned	Percentage Assigned of Commitment/Loans ²
\$ _____	\$ _____	% _____
\$ _____	\$ _____	% _____
\$ _____	\$ _____	% _____

Effective Date: _____, 20 _____ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By _____
Title: _____

ASSIGNEE

[NAME OF ASSIGNEE]

By _____
Title: _____

Consented to and Accepted:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent and Issuing Bank

By _____
Title: _____

[Consented to:]³

ON SEMICONDUCTOR CORPORATION

By _____
Title: _____

² Set forth, so at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

³ To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of Holdings, the Borrower, any of the Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by Holdings, the Borrower, any of the Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Non-U.S. Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and

EXHIBIT B

OPINION OF COUNSEL FOR THE LOAN PARTIES

[Attached]

EXHIBIT C

FORM OF INCREASING LENDER SUPPLEMENT

INCREASING LENDER SUPPLEMENT, dated _____, 20__ (this "Supplement"), by and among each of the signatories hereto, to the Credit Agreement, dated as of December 23, 2011 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Semiconductor Components Industries, LLC (the "Borrower"), ON Semiconductor Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H

WHEREAS, pursuant to Section 2.20 of the Credit Agreement, the Borrower has the right, subject to the terms and conditions thereof, to effectuate from time to time an increase in the Aggregate Commitment and/or one or more tranches of Incremental Term Loans under the Credit Agreement by requesting one or more Lenders to increase the amount of its Commitment and/or to participate in such a tranche;

WHEREAS, the Borrower has given notice to the Administrative Agent of its intention to [increase the Aggregate Commitment] [and] [enter into a tranche of Incremental Term Loans] pursuant to such Section 2.20; and

WHEREAS, pursuant to Section 2.20 of the Credit Agreement, the undersigned Increasing Lender now desires to [increase the amount of its Commitment] [and] [participate in a tranche of Incremental Term Loans] under the Credit Agreement by executing and delivering to the Borrower and the Administrative Agent this Supplement;

NOW, THEREFORE, each of the parties hereto hereby agrees as follows:

1. The undersigned Increasing Lender agrees, subject to the terms and conditions of the Credit Agreement, that on the date of this Supplement it shall [have its Commitment increased by \$[____]], thereby making the aggregate amount of its total Commitments equal to \$[____]] [and] [participate in a tranche of Incremental Term Loans with a commitment amount equal to \$[____] with respect thereto].

2. The Borrower hereby represents and warrants that no Default or Event of Default has occurred and is continuing on and as of the date hereof.

3. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

4. This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

5. This Supplement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document.

IN WITNESS WHEREOF, each of the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF INCREASING LENDER]

By: _____
Name: _____
Title: _____

Accepted and agreed to as of the date first written above:

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC

By: _____
Name: _____
Title: _____

Acknowledged as of the date first written above:

JPMORGAN CHASE BANK, N.A.
as Administrative Agent

By: _____
Name: _____
Title: _____

EXHIBIT D

FORM OF AUGMENTING LENDER SUPPLEMENT

AUGMENTING LENDER SUPPLEMENT, dated _____, 20__ (this "Supplement"), to the Credit Agreement, dated as of December 23, 2011 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Semiconductor Components Industries, LLC (the "Borrower"), ON Semiconductor Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H

WHEREAS, the Credit Agreement provides in Section 2.20 thereof that any bank, financial institution or other entity may [extend Commitments] [and] [participate in tranches of Incremental Term Loans] under the Credit Agreement subject to the approval of the Borrower and the Administrative Agent, by executing and delivering to the Borrower and the Administrative Agent a supplement to the Credit Agreement in substantially the form of this Supplement; and

WHEREAS, the undersigned Augmenting Lender was not an original party to the Credit Agreement but now desires to become a party thereto;

NOW, THEREFORE, each of the parties hereto hereby agrees as follows:

1. The undersigned Augmenting Lender agrees to be bound by the provisions of the Credit Agreement and agrees that it shall, on the date of this Supplement, become a Lender for all purposes of the Credit Agreement to the same extent as if originally a party thereto, with a [Commitment with respect to Revolving Loans of \$[_____]] [and] [a commitment with respect to Incremental Term Loans of \$[_____]].

2. The undersigned Augmenting Lender (a) represents and warrants that it is legally authorized to enter into this Supplement; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and has reviewed such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Supplement; (c) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

3. The undersigned's address for notices for the purposes of the Credit Agreement is as follows:

[_____]

4. The Borrower hereby represents and warrants that no Default or Event of Default has occurred and is continuing on and as of the date hereof.

5. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

6. This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

7. This Supplement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF AUGMENTING LENDER]

By: _____
Name: _____
Title: _____

Accepted and agreed to as of the date first written above:

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC

By: _____
Name: _____
Title: _____

Acknowledged as of the date first written above:

JPMORGAN CHASE BANK, N.A.
as Administrative Agent

By: _____
Name: _____
Title: _____

EXHIBIT E

LIST OF CLOSING DOCUMENTS

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC
ON SEMICONDUCTOR CORPORATION

CREDIT FACILITIES

December 23, 2011

LIST OF CLOSING DOCUMENTS¹

A. LOAN DOCUMENTS

1. Credit Agreement (the "Credit Agreement") by and among Semiconductor Components Industries, LLC, a Delaware limited liability company (the "Borrower"), ON Semiconductor Corporation ("Holdings"), the institutions from time to time parties thereto as Lenders (the "Lenders") and JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent for itself and the other Lenders (the "Administrative Agent"), evidencing a revolving credit facility to the Borrower from the Lenders in an initial aggregate principal amount of \$325,000,000.

SCHEDULES

- Schedule 2.01 — Commitments
Schedule 2.02 — Mandatory Cost

EXHIBITS

- Exhibit A — Form of Assignment and Assumption
Exhibit B — Form of Opinion of Loan Parties' Counsel
Exhibit C — Form of Increasing Lender Supplement
Exhibit D — Form of Augmenting Lender Supplement
Exhibit E — List of Closing Documents
Exhibit F — Form of Subsidiary Guaranty
Exhibit G-1 — Form of U.S. Tax Certificate (Non-U.S. Lenders That Are Not Partnerships)
Exhibit G-2 — Form of U.S. Tax Certificate (Non-U.S. Lenders That Are Partnerships)
Exhibit G-3 — Form of U.S. Tax Certificate (Non-U.S. Participants That Are Not Partnerships)
Exhibit G-4 — Form of U.S. Tax Certificate (Non-U.S. Participants That Are Partnerships)
Exhibit H — Form of Compliance Certificate
Exhibit I — Form of Borrowing Request

¹ Each capitalized term used herein and not defined herein shall have the meaning assigned to such term in the above-defined Credit Agreement. Items appearing in **bold** and *italics* shall be prepared and/or provided by the Borrower and/or Borrower's counsel.

Exhibit J — Form of Interest Election Request
Exhibit K — Form of Promissory Note

2. Notes executed by the Borrower in favor of each of the Lenders, if any, which has requested a note pursuant to Section 2.10(e) of the Credit Agreement.
3. Guaranty executed by the initial Subsidiary Guarantors (collectively with the Borrower and Holdings, the “Loan Parties”) in favor of the Administrative Agent.
4. Pledge Agreement executed by the applicable initial Loan Parties (collectively, the “Pledgors”), *together with pledged stock certificates, stock powers executed in blank, pledge instructions and acknowledgments, as appropriate.*
5. *The Disclosure Letter executed by the Borrower and delivered to the Administrative Agent for the benefit of the Lenders.*

B. CORPORATE DOCUMENTS

6. *Certificate of the Secretary or an Assistant Secretary of each Loan Party certifying (i) that there have been no changes in the Certificate of Incorporation or other charter document of such Loan Party, as attached thereto and as certified as of a recent date by the Secretary of State (or analogous governmental entity) of the jurisdiction of its organization, since the date of the certification thereof by such governmental entity, (ii) the By-Laws or other applicable organizational document, as attached thereto, of such Loan Party as in effect on the date of such certification, (iii) resolutions of the Board of Directors or other governing body of such Loan Party authorizing the execution, delivery and performance of each Loan Document to which it is a party, and (iv) the names and true signatures of the incumbent officers of each Loan Party authorized to sign the Loan Documents to which it is a party, and (in the case of the Borrower) authorized to request a Borrowing or the issuance of a Letter of Credit under the Credit Agreement.*
7. *Good Standing Certificate for each Loan Party from the Secretary of State of the jurisdiction of its organization.*

C. OPINIONS

8. *Opinion of Snell & Wilmer L.L.P., counsel for the Loan Parties.*

D. CLOSING CERTIFICATE

9. *A Certificate signed by the President, a Vice President or a Financial Officer of Holdings certifying the following: (i) all of the representations and warranties of Holdings and the Borrower set forth in the Credit Agreement are true and correct and (ii) no Default or Event of Default has occurred and is then continuing.*

E. UCC DOCUMENTS

10. UCC financing statements naming each Pledgor as debtor and the Administrative Agent as secured party as filed with the appropriate offices in applicable jurisdictions.

F. POST-CLOSING DOCUMENTS

11. Foreign pledge agreements and related instruments.
12. *Corporate documents in respect of foreign pledges.*
13. *Foreign pledge opinions.*

EXHIBIT F

FORM OF SUBSIDIARY GUARANTY

GUARANTY

THIS GUARANTY (this "Guaranty") is made as of [____], 2011, by and among each of the undersigned (the "Initial Guarantors") and along with any additional Subsidiaries of Holdings which become parties to this Guaranty by executing a supplement hereto in the form attached as Annex I, the "Guarantors") in favor of the Administrative Agent, for the ratable benefit of the Holders of Guaranteed Obligations (as defined below), under the Credit Agreement referred to below.

WITNESSETH

WHEREAS, Semiconductor Components Industries, LLC, a Delaware limited liability company (the "Borrower"), ON Semiconductor Corporation ("Holdings"), the institutions from time to time parties thereto as lenders (the "Lenders"), and JPMorgan Chase Bank, N.A., in its capacity as administrative agent (the "Administrative Agent"), have entered into a certain Credit Agreement dated as of December 23, 2011 (as the same may be amended, modified, supplemented and/or restated, and as in effect from time to time, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit and other financial accommodations to be made by the Lenders to the Borrower;

WHEREAS, it is a condition precedent to the extensions of credit by the Lenders under the Credit Agreement that each of the Guarantors (constituting all of the Subsidiaries of Holdings required to execute this Guaranty pursuant to the Credit Agreement) execute and deliver this Guaranty, whereby each of the Guarantors shall guarantee the payment when due of all Obligations; and

WHEREAS, in consideration of the direct and indirect financial and other support that Holdings and the Borrower have provided, and such direct and indirect financial and other support as Holdings and the Borrower may in the future provide, to the Guarantors, and in order to induce the Lenders and the Administrative Agent to enter into the Credit Agreement, each of the Guarantors is willing to guarantee the Obligations of Holdings and the Borrower;

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein have, as used herein, the respective meanings provided for therein.

SECTION 2. Representations, Warranties and Covenants. Each of the Guarantors represents and warrants (which representations and warranties shall be deemed to have been renewed at the time of any Credit Event) that:

(A) It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

(B) It (to the extent applicable) has the requisite power and authority and legal right to execute and deliver this Guaranty and to perform its obligations hereunder. This Guaranty has been duly executed and delivered by such Guarantor and constitutes a legal, valid and binding obligation of such Guarantor, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(C) The transactions herein (i) do not require any consent or approval of, registration or filing with, or any other action by or before, any Governmental Authority, except such as have been obtained or made and are in full force and effect and except where the failure to obtain such consent or approval or make such registration or filing, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, (ii) will not violate (x) in any material respect any order of any Governmental Authority or any applicable law or regulation or (y) the charter, by-laws or other organizational documents of such Guarantor, (c) will not violate or result in a default under any material indenture, agreement or other instrument binding upon such Guarantor or any of its assets, or give rise to a right thereunder to require any payment to be made by such Guarantor (other than to the extent solely arising as a result of the failure by the Administrative Agent and the Lenders to exercise their applicable rights thereunder) and (d) will not result in the creation or imposition of any Lien on any asset of such Guarantor, except Liens created under the Credit Agreement and the Pledge Agreements.

In addition to the foregoing, each of the Guarantors covenants that, so long as any Lender has any Commitment outstanding under the Credit Agreement or any amount payable under the Credit Agreement or any other Guaranteed Obligations shall remain unpaid, it will, and, if necessary, will enable Holdings and the Borrower to, fully comply with those covenants and agreements of Holdings or the Borrower applicable to such Guarantor set forth in the Credit Agreement.

SECTION 3. The Guaranty. Each of the Guarantors hereby unconditionally guarantees, jointly with the other Guarantors and severally, the full and punctual payment and performance when due (whether at stated maturity, upon acceleration or otherwise) of the Obligations, including, without limitation, (i) the principal of and interest on each Loan made to the Borrower pursuant to the Credit Agreement, (ii) any obligations of Holdings or the Borrower to reimburse LC Disbursements ("Reimbursement Obligations"), (iii) all obligations of Holdings or the Borrower owing to any Lender or any affiliate of any Lender under any Swap Agreement or Banking Services Agreement, (iv) all other amounts payable by Holdings, the Borrower or any of the Subsidiaries under the Credit Agreement, any Swap Agreement, any Banking Services Agreement and the other Loan Documents and (v) the punctual and faithful performance, keeping, observance, and fulfillment by Holdings and the Borrower of all of the respective agreements, conditions, covenants, and obligations of Holdings and the Borrower contained in the Loan Documents (all of the foregoing being referred to collectively as the "Guaranteed Obligations" and the holders from time to time of the Guaranteed Obligations being referred to collectively as the "Holders of Guaranteed Obligations"). Upon (x) the failure by Holdings or any of its Affiliates, as applicable, to pay punctually any such amount or perform such obligation, and (y) such failure continuing beyond any applicable grace or notice and cure period, each of the Guarantors agrees that it shall forthwith on demand pay such amount or perform such obligation at the place and in the manner specified in the Credit Agreement, any Swap Agreement, any Banking Services Agreement or the relevant Loan Document, as the case may be. Each of the Guarantors hereby agrees that this Guaranty is an absolute, irrevocable and unconditional guaranty of payment and is not a guaranty of collection.

SECTION 4. Guaranty Unconditional. The obligations of each of the Guarantors hereunder shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(A) any extension, renewal, settlement, indulgence, compromise, waiver or release of or with respect to the Guaranteed Obligations or any part thereof or any agreement relating thereto, or with respect to any obligation of any other guarantor of any of the Guaranteed Obligations, whether (in any such case) by operation of law or otherwise, or any failure or omission to enforce any right, power or remedy with respect to the Guaranteed Obligations or any part thereof or any agreement relating thereto, or with respect to any obligation of any other guarantor of any of the Guaranteed Obligations;

(B) any modification or amendment of or supplement to the Credit Agreement, any Swap Agreement, any Banking Services Agreement or any other Loan Document, including, without limitation, any such amendment which may increase the amount of, or the interest rates applicable to, any of the Obligations guaranteed hereby;

(C) any release, surrender, compromise, settlement, waiver, subordination or modification, with or without consideration, of any collateral securing the Guaranteed Obligations or any part thereof, any other guaranties with respect to the Guaranteed Obligations or any part thereof, or any other obligation of any person or entity with respect to the Guaranteed Obligations or any part thereof, or any nonperfection or invalidity of any direct or indirect security for the Guaranteed Obligations;

(D) any change in the corporate, partnership or other existence, structure or ownership of Holdings, the Borrower or any other guarantor of any of the Guaranteed Obligations, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting Holdings, the Borrower or any other guarantor of the Guaranteed Obligations, or any of their respective assets or any resulting release or discharge of any obligation of Holdings, the Borrower or any other guarantor of any of the Guaranteed Obligations;

(E) the existence of any claim, setoff or other rights which the Guarantors may have at any time against Holdings, the Borrower, any other guarantor of any of the Guaranteed Obligations, the Administrative Agent, any Holder of Guaranteed Obligations or any other Person, whether in connection herewith or in connection with any unrelated transactions; provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(F) the enforceability or validity of the Guaranteed Obligations or any part thereof or the genuineness, enforceability or validity of any agreement relating thereto or with respect to any collateral securing the Guaranteed Obligations or any part thereof, or any other invalidity or unenforceability relating to or against Holdings, the Borrower or any other guarantor of any of the Guaranteed Obligations, for any reason related to the Credit Agreement, any Swap Agreement, any Banking Services Agreement, any other Loan Document, or any provision of applicable law, decree, order or regulation of any jurisdiction purporting to prohibit the payment by Holdings, the Borrower or any other guarantor of the Guaranteed Obligations, of any of the Guaranteed Obligations or otherwise affecting any term of any of the Guaranteed Obligations;

(G) the failure of the Administrative Agent to take any steps to perfect and maintain any security interest in, or to preserve any rights to, any security or collateral for the Guaranteed Obligations, if any;

(H) the election by, or on behalf of, any one or more of the Holders of Guaranteed Obligations, in any proceeding instituted under Chapter 11 of Title 11 of the United States Code (11 U.S.C. 101 et seq.) (the "Bankruptcy Code"), of the application of Section 1111(b)(2) of the Bankruptcy Code;

(I) any borrowing or grant of a security interest by Holdings or the Borrower, as debtor-in-possession, under Section 364 of the Bankruptcy Code;

(J) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of the claims of the Holders of Guaranteed Obligations or the Administrative Agent for repayment of all or any part of the Guaranteed Obligations;

(K) the failure of any other guarantor to sign or become party to this Guaranty or any amendment, change, or reaffirmation hereof; or

(L) any other act or omission to act or delay of any kind by Holdings, the Borrower, any other guarantor of the Guaranteed Obligations, the Administrative Agent, any Holder of Guaranteed Obligations or any other Person or any other circumstance whatsoever which might, but for the provisions of this Section 4, constitute a legal or equitable discharge of any Guarantor's obligations hereunder except as provided in Section 5.

SECTION 5. Discharge Only Upon Payment In Full: Reinstatement In Certain Circumstances. Each of the Guarantors' obligations hereunder shall remain in full force and effect until such time as (i) the principal and interest on the Loans, all LC Disbursements, the fees, expenses and other amounts payable under the Loan Documents and the other Obligations (other than obligations not yet due and payable under any Swap Agreement or any Banking Services Agreement, and other Obligations expressly stated to survive such payment and termination) shall have been paid in full, the Commitments shall have been terminated and no Letters of Credit shall be outstanding or (ii) the consummation of any transaction permitted by the Credit Agreement as a result of which such Guarantor ceases to be a Material Domestic Subsidiary or, in the case of a Qualifying Subsidiary, is released from its Guarantee of Permitted Convertible Notes and Permitted Unsecured Indebtedness, as applicable. If at any time any payment of the principal of or interest on any Loan, any Reimbursement Obligation or any other amount payable by Holdings, the Borrower or any other party under the Credit Agreement, any Swap Agreement, any Banking Services Agreement or any other Loan Document is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of Holdings or the Borrower or otherwise, each of the Guarantors' obligations hereunder with respect to such payment shall be reinstated as though such payment had been due but not made at such time. The parties hereto acknowledge and agree that each of the Guaranteed Obligations shall be due and payable in the same currency as such Guaranteed Obligation is denominated, but if currency control or exchange regulations are imposed in the country which issues such currency with the result that such currency (the "Original Currency") no longer exists or the relevant Guarantor is not able to make payment in such Original Currency, then all payments to be made by such Guarantor hereunder in such currency shall instead be made when due in Dollars in an amount equal to the Dollar Amount (as of the date of payment) of such payment due, it being the intention of the parties hereto that each Guarantor takes all risks of the imposition of any such currency control or exchange regulations.

SECTION 6. General Waivers; Additional Waivers.

(A) General Waivers. Each of the Guarantors irrevocably waives acceptance hereof, presentment, demand or action on delinquency, protest, the benefit of any statutes of limitations and, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against Holdings, the Borrower, any other guarantor of the Guaranteed Obligations, or any other Person.

(B) Additional Waivers. Notwithstanding anything herein to the contrary, each of the Guarantors hereby absolutely, unconditionally, knowingly, and expressly waives:

(i) any right it may have to revoke this Guaranty as to future indebtedness or notice of acceptance hereof;

(ii) (a) notice of acceptance hereof; (b) notice of any loans or other financial accommodations made or extended under the Loan Documents or the creation or existence of any Guaranteed Obligations; (c) notice of the amount of the Guaranteed Obligations, subject, however, to each Guarantor's right to make inquiry of Administrative Agent and Holders of Guaranteed Obligations to ascertain the amount of the Guaranteed Obligations at any reasonable time; (d) notice of any adverse change in the financial condition of Holdings or the Borrower or of any other fact that might increase such Guarantor's risk hereunder; (e) notice of presentment for payment, demand, protest, and notice thereof as to any instruments among the Loan Documents; (f) notice of any Default or Event of Default; and (g) all other notices (except if such notice is specifically required to be given to such Guarantor hereunder or under the Loan Documents) and demands to which each Guarantor might otherwise be entitled;

(iii) its right, if any, to require the Administrative Agent and the other Holders of Guaranteed Obligations to institute suit against, or to exhaust any rights and remedies which the Administrative Agent and the other Holders of Guaranteed Obligations has or may have against, the other Guarantors or any third party, or against any collateral provided by the other Guarantors, or any third party; and each Guarantor further waives any defense arising by reason of any disability or other defense (other than the defense that the Guaranteed Obligations shall have been fully and finally performed and indefeasibly paid) of the other Guarantors or by reason of the cessation from any cause whatsoever of the liability of the other Guarantors in respect thereof;

(iv) (a) any rights to assert against the Administrative Agent and the other Holders of Guaranteed Obligations any defense (legal or equitable), set-off, counterclaim, or claim which such Guarantor may now or at any time hereafter have against the other Guarantors or any other party liable to the Administrative Agent and the other Holders of Guaranteed Obligations; (b) any defense, set-off, counterclaim, or claim, of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity, or enforceability of the Guaranteed Obligations or any security therefor; (c) any defense such Guarantor has to performance hereunder, and any right such Guarantor has to be exonerated, arising by reason of: the impairment or suspension of the Administrative Agent's and the other Holders of Guaranteed Obligations' rights or remedies against the other Guarantors; the alteration by the Administrative Agent and the other Holders of Guaranteed Obligations of the Guaranteed Obligations; any discharge of the other Guarantors' obligations to the Administrative Agent and the other Holders of Guaranteed Obligations by operation of law as a result of the Administrative Agent's and the other Holders of Guaranteed Obligations' intervention or omission; or the acceptance by the

Administrative Agent and the other Holders of Guaranteed Obligations of anything in partial satisfaction of the Guaranteed Obligations; and (d) the benefit of any statute of limitations affecting such Guarantor's liability hereunder or the enforcement thereof, and any act which shall defer or delay the operation of any statute of limitations applicable to the Guaranteed Obligations shall similarly operate to defer or delay the operation of such statute of limitations applicable to such Guarantor's liability hereunder; and

(v) any defense arising by reason of or deriving from (a) any claim or defense based upon an election of remedies by the Administrative Agent and the other Holders of Guaranteed Obligations; or (b) any election by the Administrative Agent and the other Holders of Guaranteed Obligations under Section 1111(b) of Title 11 of the United States Code entitled "Bankruptcy", as now and hereafter in effect (or any successor statute), to limit the amount of, or any collateral securing, its claim against the Guarantors.

SECTION 7. Subordination of Subrogation; Subordination of Intercompany Indebtedness.

(A) Subordination of Subrogation. Until the Guaranteed Obligations have been fully and finally performed and indefeasibly paid in full in cash, the Guarantors (i) shall have no right of subrogation with respect to such Guaranteed Obligations, (ii) waive any right to enforce any remedy which the Holders of Guaranteed Obligations, the Issuing Bank or the Administrative Agent now have or may hereafter have against Holdings, the Borrower, any endorser or any guarantor of all or any part of the Guaranteed Obligations or any other Person, and (iii) waive any benefit of, and any right to participate in, any security or collateral given to the Holders of Guaranteed Obligations, the Issuing Bank and the Administrative Agent to secure the payment or performance of all or any part of the Guaranteed Obligations or any other liability of Holdings or the Borrower to the Holders of Guaranteed Obligations or the Issuing Bank. Should any Guarantor have the right, notwithstanding the foregoing, to exercise its subrogation rights, each Guarantor hereby expressly and irrevocably (A) subordinates any and all rights at law or in equity to subrogation, reimbursement, exoneration, contribution, indemnification or set off that such Guarantor may have to the indefeasible payment in full in cash of the Guaranteed Obligations and (B) waives any and all defenses available to a surety, guarantor or accommodation co-obligor until the Guaranteed Obligations are indefeasibly paid in full in cash. Each Guarantor acknowledges and agrees that this subordination is intended to benefit the Administrative Agent and the other Holders of Guaranteed Obligations and shall not limit or otherwise affect such Guarantor's liability hereunder or the enforceability of this Guaranty, and that the Administrative Agent, the other Holders of Guaranteed Obligations and their respective successors and assigns are intended third party beneficiaries of the waivers and agreements set forth in this Section 7(A).

(B) Subordination of Intercompany Indebtedness. Each Guarantor agrees that any and all claims of such Guarantor against Holdings, the Borrower or any other Guarantor hereunder (each an "Obligor") with respect to any "Intercompany Indebtedness" (as hereinafter defined), any endorser, obligor or any other guarantor of all or any part of the Guaranteed Obligations, or against any of its properties shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Guaranteed Obligations; provided that, as long as no Event of Default has occurred and is continuing, such Guarantor may receive payments of principal and interest from any Obligor with respect to Intercompany Indebtedness. Notwithstanding any right of any Guarantor to ask, demand, sue for, take or receive any payment from any Obligor, all rights, liens and security interests of such Guarantor, whether now or hereafter arising and howsoever existing, in any assets of any other Obligor shall be and are subordinated to the rights

of the Holders of Guaranteed Obligations and the Administrative Agent in those assets. No Guarantor shall have any right to possession of any such asset or to foreclose upon any such asset, whether by judicial action or otherwise, unless and until all of the Guaranteed Obligations shall have been fully paid and satisfied (in cash) and all financing arrangements pursuant to any Loan Document, any Swap Agreement or any Banking Services Agreement have been terminated. If all or any part of the assets of any Obligor, or the proceeds thereof, are subject to any distribution, division or application to the creditors of such Obligor, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of any such Obligor is dissolved or if substantially all of the assets of any such Obligor are sold, then, and in any such event (such events being herein referred to as an “Insolvency Event”), any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any indebtedness of any Obligor to any Guarantor (“Intercompany Indebtedness”) shall be paid or delivered directly to the Administrative Agent for application on any of the Guaranteed Obligations, due or to become due, until such Guaranteed Obligations shall have first been fully paid and satisfied (in cash). Should any payment, distribution, security or instrument or proceeds thereof be received by the applicable Guarantor upon or with respect to the Intercompany Indebtedness after any Insolvency Event and prior to the satisfaction of all of the Guaranteed Obligations and the termination of all financing arrangements pursuant to any Loan Document among Holdings, the Borrower and the Holders of Guaranteed Obligations, such Guarantor shall receive and hold the same in trust, as trustee, for the benefit of the Holders of Guaranteed Obligations and shall forthwith deliver the same to the Administrative Agent, for the benefit of the Holders of Guaranteed Obligations, in precisely the form received (except for the endorsement or assignment of the Guarantor where necessary), for application to any of the Guaranteed Obligations, due or not due, and, until so delivered, the same shall be held in trust by the Guarantor as the property of the Holders of Guaranteed Obligations. If any such Guarantor fails to make any such endorsement or assignment to the Administrative Agent, the Administrative Agent or any of its officers or employees is irrevocably authorized to make the same. Each Guarantor agrees that until the Guaranteed Obligations (other than the contingent indemnity obligations) have been paid in full (in cash) and satisfied and all financing arrangements pursuant to any Loan Document among Holdings, the Borrower and the Holders of Guaranteed Obligations have been terminated, no Guarantor will assign or transfer to any Person (other than the Administrative Agent) any claim any such Guarantor has or may have against any Obligor.

SECTION 8. Contribution with Respect to Guaranteed Obligations.

(A) To the extent that any Guarantor shall make a payment under this Guaranty (a “Guarantor Payment”) which, taking into account all other Guarantor Payments then previously or concurrently made by any other Guarantor, exceeds the amount which otherwise would have been paid by or attributable to such Guarantor if each Guarantor had paid the aggregate Guaranteed Obligations satisfied by such Guarantor Payment in the same proportion as such Guarantor’s “Allocable Amount” (as defined below) (as determined immediately prior to such Guarantor Payment) bore to the aggregate Allocable Amounts of each of the Guarantors as determined immediately prior to the making of such Guarantor Payment, then, following indefeasible payment in full in cash of the Guaranteed Obligations and termination of the Credit Agreement, the Swap Agreements and the Banking Services Agreements, such Guarantor shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Guarantor for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Guarantor Payment.

(B) As of any date of determination, the “Allocable Amount” of any Guarantor shall be equal to the excess of the fair saleable value of the property of such Guarantor over the total liabilities of such Guarantor (including the maximum amount reasonably expected to become due in respect of contingent liabilities, calculated, without duplication, assuming each other Guarantor that is also liable for such contingent liability pays its ratable share thereof), giving effect to all payments made by other Guarantors as of such date in a manner to maximize the amount of such contributions.

(C) This Section 8 is intended only to define the relative rights of the Guarantors, and nothing set forth in this Section 8 is intended to or shall impair the obligations of the Guarantors, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Guaranty.

(D) The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Guarantor or Guarantors to which such contribution and indemnification is owing.

(E) The rights of the indemnifying Guarantors against other Guarantors under this Section 8 shall be exercisable upon the full and indefeasible payment of the Guaranteed Obligations in cash and the termination of the Credit Agreement, the Swap Agreements and the Banking Services Agreements.

SECTION 9. Limitation of Guaranty. Notwithstanding any other provision of this Guaranty, the amount guaranteed by each Guarantor hereunder shall be limited to the extent, if any, required so that its obligations hereunder shall not be subject to avoidance under Section 548 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law. In determining the limitations, if any, on the amount of any Guarantor’s obligations hereunder pursuant to the preceding sentence, it is the intention of the parties hereto that any rights of subrogation, indemnification or contribution which such Guarantor may have under this Guaranty, any other agreement or applicable law shall be taken into account.

SECTION 10. Stay of Acceleration. If acceleration of the time for payment of any amount payable by Holdings or the Borrower under the Credit Agreement, any Swap Agreement, any Banking Services Agreement or any other Loan Document is stayed upon the insolvency, bankruptcy or reorganization of Holdings or the Borrower, all such amounts otherwise subject to acceleration under the terms of the Credit Agreement, any Swap Agreement, any Banking Services Agreement or any other Loan Document shall nonetheless be payable by each of the Guarantors hereunder forthwith on demand by the Administrative Agent.

SECTION 11. Notices. All notices, requests and other communications to any party hereunder shall be given in the manner prescribed in Article IX of the Credit Agreement with respect to the Administrative Agent at its notice address therein and with respect to any Guarantor, in care of Holdings at the address of Holdings set forth in the Credit Agreement or such other address or telecopy number as such party may hereafter specify for such purpose by notice to the Administrative Agent in accordance with the provisions of such Article IX.

SECTION 12. No Waivers. No failure or delay by the Administrative Agent or any other Holder of Guaranteed Obligations in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided

in this Guaranty, the Credit Agreement, any Swap Agreement, any Banking Services Agreement and the other Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 13. Successors and Assigns. This Guaranty is for the benefit of the Administrative Agent and the other Holders of Guaranteed Obligations and their respective successors and permitted assigns; provided, that no Guarantor shall have any right to assign its rights or obligations hereunder without the consent of all of the Lenders, and any such assignment in violation of this Section 13 shall be null and void; and in the event of an assignment of any amounts payable under the Credit Agreement, any Swap Agreement, any Banking Services Agreement or the other Loan Documents in accordance with the respective terms thereof, the rights hereunder, to the extent applicable to the indebtedness so assigned, may be transferred with such indebtedness. This Guaranty shall be binding upon each of the Guarantors and their respective successors and assigns.

SECTION 14. Changes in Writing. Other than in connection with the addition of additional Subsidiaries, which become parties hereto by executing a supplement hereto in the form attached as Annex I, neither this Guaranty nor any provision hereof may be changed, waived, discharged or terminated orally, but only in writing signed by each of the Guarantors and the Administrative Agent.

SECTION 15. GOVERNING LAW. THIS GUARANTY SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

SECTION 16. JURISDICTION; CONSENT TO SERVICE OF PROCESS; WAIVER OF JURY TRIAL.

(A) JURISDICTION. EACH GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS GUARANTY OR ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, THE ISSUING BANK OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT AGAINST ANY LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION. EACH GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN THIS PARAGRAPH. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW,

THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(B) CONSENT TO SERVICE OF PROCESS. EACH PARTY TO THIS GUARANTY IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 9.01 OF THE CREDIT AGREEMENT. NOTHING IN THIS GUARANTY OR ANY OTHER LOAN DOCUMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS GUARANTY TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(C) WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 17. No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Guaranty. In the event an ambiguity or question of intent or interpretation arises, this Guaranty shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Guaranty.

SECTION 18. Taxes, Expenses of Enforcement, Etc.

(A) Taxes.

(i) Each payment by any Guarantor hereunder or under any promissory note or application for a Letter of Credit shall be made without withholding for any Taxes, unless such withholding is required by any law. If any Guarantor determines, in its sole discretion exercised in good faith, that it is so required to withhold Taxes, then such Guarantor may so withhold and shall timely pay the full amount of withheld Taxes to the relevant Governmental Authority in accordance with applicable law. If such Taxes are Indemnified Taxes, then the amount payable by the Guarantor shall be increased as necessary so that, net of such withholding (including such withholding applicable to additional amounts payable under this Section), the applicable Recipient receives the amount it would have received had no such withholding been made.

(ii) In addition, such Guarantor shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(iii) As soon as practicable after any payment of Indemnified Taxes by any Guarantor to a Governmental Authority, such Guarantor shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment,

a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(iv) The Guarantors shall jointly and severally indemnify each Recipient for any Indemnified Taxes that are paid or payable by such Recipient in connection with any Loan Document (including amounts payable under this Section 18(A)) and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The indemnity under this Section 18(A) shall be paid within ten (10) days after the Recipient delivers to any Guarantor a certificate stating the amount of any Indemnified Taxes so payable by such Recipient. Such certificate shall be conclusive of the amount so payable absent manifest error. Such Recipient shall deliver a copy of such certificate to the Administrative Agent. In the case of any Lender making a claim under this Section 18(A) on behalf of any of its beneficial owners, an indemnity payment under this Section 18(A) shall be due only to the extent that such Lender is able to establish that, with respect to the applicable Indemnified Taxes, such beneficial owners supplied to the applicable Persons such properly completed and executed documentation necessary to claim any applicable exemption from, or reduction of, such Indemnified Taxes.

(v) By accepting the benefits hereof, each Lender agrees that it will comply with Section 2.17(f) of the Credit Agreement.

(B) Expenses of Enforcement, Etc. The Guarantors agree to reimburse the Administrative Agent and the other Holders of Guaranteed Obligations for any reasonable costs and out-of-pocket expenses (including attorneys' fees) paid or incurred by the Administrative Agent or any other Holder of Guaranteed Obligations in connection with the collection and enforcement of amounts due under the Loan Documents, including without limitation this Guaranty.

SECTION 19. Setoff. At any time after all or any part of the Guaranteed Obligations have become due and payable (by acceleration or otherwise), each Holder of Guaranteed Obligations (including the Administrative Agent) may, without notice to any Guarantor and regardless of the acceptance of any security or collateral for the payment hereof, appropriate and apply in accordance with the terms of the Credit Agreement toward the payment of all or any part of the Guaranteed Obligations (i) any indebtedness due or to become due from such Holder of Guaranteed Obligations or the Administrative Agent to any Guarantor, and (ii) any moneys, credits or other property belonging to any Guarantor, at any time held by or coming into the possession of such Holder of Guaranteed Obligations (including the Administrative Agent) or any of their respective affiliates.

SECTION 20. Financial Information. Each Guarantor hereby assumes responsibility for keeping itself informed of the financial condition of Holdings or the Borrower and any and all endorsers and/or other Guarantors of all or any part of the Guaranteed Obligations, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations, or any part thereof, that diligent inquiry would reveal, and each Guarantor hereby agrees that none of the Holders of Guaranteed Obligations (including the Administrative Agent) shall have any duty to advise such Guarantor of information known to any of them regarding such condition or any such circumstances. In the event any Holder of Guaranteed Obligations (including the Administrative Agent), in its sole discretion, undertakes at any time or from time to time to provide any such information to a Guarantor, such Holder of Guaranteed Obligations (including the Administrative Agent) shall be under no obligation (i) to undertake any investigation not a part of its regular business routine, (ii) to disclose any information which such Holder of Guaranteed Obligations (including the Administrative Agent), pursuant to accepted or

reasonable commercial finance or banking practices, wishes to maintain confidential or (iii) to make any other or future disclosures of such information or any other information to such Guarantor.

SECTION 21. Severability. Wherever possible, each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

SECTION 22. Merger. This Guaranty represents the final agreement of each of the Guarantors with respect to the matters contained herein and may not be contradicted by evidence of prior or contemporaneous agreements, or subsequent oral agreements, between the Guarantor and any Holder of Guaranteed Obligations (including the Administrative Agent).

SECTION 23. Headings. Section headings in this Guaranty are for convenience of reference only and shall not govern the interpretation of any provision of this Guaranty.

SECTION 24. Judgment Currency. If for the purposes of obtaining judgment in any court it is necessary to convert a sum due from any Guarantor hereunder in the currency expressed to be payable herein (the "specified currency") into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the specified currency with such other currency at the Administrative Agent's main New York City office on the Business Day preceding that on which final, non-appealable judgment is given. The obligations of each Guarantor in respect of any sum due hereunder shall, notwithstanding any judgment in a currency other than the specified currency, be discharged only to the extent that on the Business Day following receipt by any Holder of Guaranteed Obligations (including the Administrative Agent), as the case may be, of any sum adjudged to be so due in such other currency such Holder of Guaranteed Obligations (including the Administrative Agent), as the case may be, may in accordance with normal, reasonable banking procedures purchase the specified currency with such other currency. If the amount of the specified currency so purchased is less than the sum originally due to such Holder of Guaranteed Obligations (including the Administrative Agent), as the case may be, in the specified currency, each Guarantor agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify such Holder of Guaranteed Obligations (including the Administrative Agent), as the case may be, against such loss, and if the amount of the specified currency so purchased exceeds (a) the sum originally due to any Holder of Guaranteed Obligations (including the Administrative Agent), as the case may be, in the specified currency and (b) amounts shared with other Holders of Guaranteed Obligations as a result of allocations of such excess as a disproportionate payment to such other Holder of Guaranteed Obligations under Section 2.18 of the Credit Agreement, such Holder of Guaranteed Obligations (including the Administrative Agent), as the case may be, agrees, by accepting the benefits hereof, to remit such excess to such Guarantor.

SECTION 25. Termination of Guaranty. The obligations of any Guarantor under this Guaranty shall automatically terminate in accordance with Section 9.14 of the Credit Agreement.

Remainder of Page Intentionally Blank.

IN WITNESS WHEREOF, each of the Initial Guarantors has caused this Guaranty to be duly executed by its authorized officer as of the day and year first above written.

[GUARANTORS]

By: _____
Name: _____
Title: _____

Acknowledged and Agreed
as of the date first written above:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: _____
Name:
Title:

ANNEX I TO GUARANTY

Reference is hereby made to the Guaranty (the "Guaranty") made as of [], 2011, by and among [GUARANTORS TO COME] (the "Initial Guarantors") and along with any additional Subsidiaries of Holdings, which become parties thereto and together with the undersigned, the "Guarantors") in favor of the Administrative Agent, for the ratable benefit of the Holders of Guaranteed Obligations, under the Credit Agreement. Capitalized terms used herein and not defined herein shall have the meanings given to them in the Guaranty. By its execution below, the undersigned [NAME OF NEW GUARANTOR], a [corporation] [partnership] [limited liability company] (the "New Guarantor"), agrees to become, and does hereby become, a Guarantor under the Guaranty and agrees to be bound by such Guaranty as if originally a party thereto. By its execution below, the undersigned represents and warrants as to itself that all of the representations and warranties contained in Section 2 of the Guaranty are true and correct in all respects as of the date hereof.

IN WITNESS WHEREOF, New Guarantor has executed and delivered this Annex I counterpart to the Guaranty as of this day of , 20 .

[NAME OF NEW GUARANTOR]

By: _____
Its:

EXHIBIT G-1

FORM OF U.S. TAX CERTIFICATE

(For Non-U.S. Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of December 23, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Semiconductor Components Industries, LLC (the "Borrower"), ON Semiconductor Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent").

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code and (v) the interest payments in question are not effectively connected with the undersigned's conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[___]

FORM OF U.S. TAX CERTIFICATE

(For Non-U.S. Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of December 23, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Semiconductor Components Industries, LLC (the "Borrower"), ON Semiconductor Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent").

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement, neither the undersigned nor any of its partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned's or its partners/members' conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of its partners/members claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____
Name:
Title:

Date: _____, 20[__]

EXHIBIT G-3

FORM OF U.S. TAX CERTIFICATE

(For Non-U.S. Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of December 23, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Semiconductor Components Industries, LLC (the "Borrower"), ON Semiconductor Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent").

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code, and (v) the interest payments in question are not effectively connected with the undersigned's conduct of a U.S. trade or business.

The undersigned has furnished its participating Lender with a certificate of its non- U.S. person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]

EXHIBIT G-4

FORM OF U.S. TAX CERTIFICATE

(For Non-U.S. Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of December 23, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Semiconductor Components Industries, LLC (the "Borrower"), ON Semiconductor Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent").

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned's or its partners/members' conduct of a U.S. trade or business.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of its partners/members claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, 20[__]

EXHIBIT H

FORM OF COMPLIANCE CERTIFICATE

COMPLIANCE CERTIFICATE

To: The Lenders parties to the
Credit Agreement Described Below

This Compliance Certificate is furnished pursuant to that certain Credit Agreement dated as of December 23, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Semiconductor Components Industries, LLC (the "Borrower"), ON Semiconductor Corporation ("Holdings"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent"). Unless otherwise defined herein, capitalized terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of Holdings;

2. I have reviewed the terms of the Credit Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Holdings, the Borrower and the Subsidiaries during the accounting period covered by the attached financial statements [**for quarterly or monthly financial statements add:** and such financial statements present fairly in all material respects the financial condition and results of operations of Holdings, the Borrower and the Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes];

3. The examinations described in paragraph 2 did not disclose, except as set forth below, and I have no knowledge of (i) the existence of any Default which occurred and is continuing or (ii) any change in GAAP or in the application thereof that has occurred since the date of the audited financial statements referred to in Section 3.04 of the Credit Agreement;

4. Schedule I attached hereto sets forth financial data and computations evidencing Holdings' and the Borrower's compliance with certain covenants of the Credit Agreement, all of which data and computations are true, complete and correct; and

5. Schedule II hereto sets forth the computations necessary to determine the Applicable Rate commencing on the Business Day this certificate is delivered.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the (i) nature of the condition or event, the period during which it has existed and the action which Holdings has taken, is taking, or proposes to take with respect to each such condition or event or (ii) the change in GAAP or the application thereof and the effect of such change on the attached financial statements:

The foregoing certifications, together with the computations set forth in Schedule I and Schedule II hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this day of , .

ON SEMICONDUCTOR CORPORATION

By: _____
Name: _____
Title: _____

Compliance as of _____, with
Provisions of _____ and _____ of
the Credit Agreement

Applicable Rate Calculation

EXHIBIT I

FORM OF BORROWING REQUEST

JPMorgan Chase Bank, N.A.,
as Administrative Agent
for the Lenders referred to below

[_____]

[_____]

Attention: [_____]

Fax: [_____]

Re: Semiconductor Components Industries, LLC

[Date]

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of December 23, 2011 (as the same may be amended, restated, supplemented or otherwise modified from time to time), among Semiconductor Components Industries, LLC, a Delaware limited liability company (the "Borrower"), ON Semiconductor Corporation, a Delaware corporation, the financial institutions party thereto from time to time as Lenders (the "Lenders"), and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent") for the Lenders. The Borrower hereby gives you notice pursuant to Section 2.03 of the Credit Agreement that it requests a Revolving Borrowing under the Credit Agreement, and in that connection the Borrower specifies the following information with respect to such Revolving Borrowing requested hereby:

1. Aggregate principal amount of Borrowing:¹ _____
2. Date of Borrowing (which shall be a Business Day): _____
3. Type of Borrowing (ABR or Eurocurrency): _____
4. Interest Period and the last day thereof (if a Eurocurrency Borrowing):² _____
5. Agreed Currency: _____
6. Location and number of Borrower's account with the Administrative Agent or any other account agreed upon by the Administrative Agent and the Borrower to which proceeds of Borrowing are to be disbursed: _____

The Borrower hereby represents and warrants that the conditions to lending specified in Section[s] [4.01 and] ³ 4.02 of the Credit Agreement are satisfied as of the date hereof.

¹ Not less than applicable amounts specified in Section 2.02(c).

² Which must comply with the definition of "Interest Period" and end not later than the Maturity Date.

³ To be included only upon Effective Date.

Very truly yours,

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, as
Borrower

By: _____
Name:
Title:

FORM OF INTEREST ELECTION REQUEST

JPMorgan Chase Bank, N.A.,
as Administrative Agent
for the Lenders referred to below

[_____]

[_____]

Attention: [_____]

Fax: [_____]

Re: Semiconductor Components Industries, LLC

[Date]

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of December 23, 2011 (as the same may be amended, restated, supplemented or otherwise modified from time to time), among Semiconductor Components Industries, LLC, a Delaware limited liability company (the "Borrower"), ON Semiconductor Corporation, a Delaware corporation, the financial institutions party thereto from time to time as Lenders (the "Lenders"), and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent") for the Lenders. The Borrower hereby gives you notice pursuant to Section 2.08 of the Credit Agreement that it requests to [convert][continue] an existing Revolving Borrowing under the Credit Agreement, and in that connection the Borrower specifies the following information with respect to such conversion requested hereby:

1. List date, Type, principal amount, Agreed Currency and Interest Period (if applicable) of existing Borrowing: _____
2. Aggregate principal amount of resulting Borrowing: _____
3. Effective date of interest election (which shall be a Business Day): _____
4. Type of Borrowing (ABR or Eurocurrency): _____
5. Interest Period and the last day thereof (if a Eurocurrency Borrowing):¹ _____
6. Agreed Currency: _____

¹ Which must comply with the definition of "Interest Period" and end not later than the Maturity Date.

Very truly yours,

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, as
Borrower

By: _____
Name:
Title:

EXHIBIT K

FORM OF PROMISSORY NOTE

Dated: [____], 2011

FOR VALUE RECEIVED, the undersigned, Semiconductor Components Industries, LLC, a Delaware limited liability company (the "Borrower"), HEREBY UNCONDITIONALLY PROMISES TO PAY to the order of [LENDER] (the "Lender") the aggregate unpaid Dollar Amount of all Loans made by the Lender to the Borrower pursuant to the "Credit Agreement" (as defined below) on the Maturity Date or on such earlier date as may be required by the terms of the Credit Agreement. Capitalized terms used herein and not otherwise defined herein are as defined in the Credit Agreement.

The undersigned Borrower promises to pay interest on the unpaid principal amount of each Loan made to it from the date of such Loan until such principal amount is paid in full at a rate or rates per annum determined in accordance with the terms of the Credit Agreement. Interest hereunder is due and payable at such times and on such dates as set forth in the Credit Agreement.

At the time of each Loan, and upon each payment or prepayment of principal of each Loan, the Lender shall make a notation either on the schedule attached hereto and made a part hereof, or in such Lender's own books and records, in each case specifying the amount of such Loan, the respective Interest Period thereof (in the case of Eurocurrency Loans) or the amount of principal paid or prepaid with respect to such Loan, as applicable; provided that the failure of the Lender to make any such recordation or notation shall not affect the Secured Obligations of the undersigned Borrower hereunder or under the Credit Agreement.

This Note is one of the notes referred to in, and is entitled to the benefits of, that certain Credit Agreement dated as of December 23, 2011 by and among the Borrower, ON Semiconductor Corporation, a Delaware corporation, the financial institutions from time to time parties thereto as Lenders and JPMorgan Chase Bank, N.A., as Administrative Agent (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). The Credit Agreement, among other things, (i) provides for the making of Loans by the Lender to the undersigned Borrower from time to time in an aggregate principal amount not to exceed at any time outstanding the Dollar Amount of such Lender's Commitment, the indebtedness of the undersigned Borrower resulting from each such Loan to it being evidenced by this Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments of the principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

This Note is secured by the Pledge Agreements. Reference is hereby made to the Pledge Agreements for a description of the collateral thereby mortgaged, warranted, bargained, sold, released, conveyed, assigned, transferred, pledged and hypothecated, the nature and extent of the security for this Note, the rights of the holder of this Note, the Administrative Agent in respect of such security and otherwise.

Demand, presentment, protest and notice of nonpayment and protest are hereby waived by the Borrower. Whenever in this Note reference is made to the Administrative Agent, the Lender or the Borrower, such reference shall be deemed to include, as applicable, a reference to their respective successors and assigns. The provisions of this Note shall be binding upon and shall inure to the benefit of said successors and assigns. The Borrower's successors and assigns shall include, without limitation, a receiver, trustee or debtor in possession of or for the Borrower.

This Note shall be construed in accordance with and governed by the law of the State of New York.

[Signature Page Follows]

By: _____
Name:
Title:

Note

SCHEDULE OF LOANS AND PAYMENTS OR PREPAYMENTS

<u>Date</u>	<u>Amount of Loan</u>	<u>Type of Loan Currency</u>	<u>Interest Period/Rate</u>	<u>Amount of Principal Paid or Prepaid</u>	<u>Unpaid Principal Balance</u>	<u>Notation Made By</u>
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EMPLOYMENT AGREEMENT

AGREEMENT, dated as of October 20, 2006 (the "Agreement"), between Semiconductor Components Industries, LLC (the "Company"), with offices at 5005 East McDowell Road, Phoenix, Arizona 85008, and William Schromm (the "Executive").

1. Employment, Duties and Agreements.

(a) The Company hereby agrees to employ the Executive as its Senior Vice President and the Executive hereby accepts such position and agrees to serve the Company in such capacity during the employment period described in Section 3 hereof (the "Employment Period"). The Executive shall report to the Office of the Chief Executive Officer (the "Office of the CEO") of the Company and shall have such duties and responsibilities as the Office of the CEO may reasonably determine from time to time as are consistent with the Executive's position as Senior Vice President. During the Employment Period, the Executive shall be subject to, and shall act in accordance with, all reasonable instructions and directions of the Office of the CEO and all applicable policies and rules of the Company.

(b) During the Employment Period, excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive shall devote his full working time, energy and attention to the performance of his duties and responsibilities hereunder and shall faithfully and diligently endeavor to promote the business and best interests of the Company.

(c) During the Employment Period, the Executive may not, without the prior written consent of the Company, directly or indirectly, operate, participate in the management, operations or control of, or act as an executive, officer, consultant, agent or representative of, any type of business or service (other than as an executive of the Company), provided that it shall not be a violation of the foregoing for the Executive to manage his personal, financial and legal affairs so long as such activities do not interfere with the performance of his duties and responsibilities to the Company as provided hereunder.

2. Compensation.

(a) As compensation for the agreements made by the Executive herein and the performance by the Executive of his obligations hereunder, during the Employment Period, the Company shall pay the Executive, pursuant to the Company's normal and customary payroll procedures, a base salary at the rate of \$260,000 per annum (the "Base Salary"). The Board of Directors of the Company and/or its Compensation Committee (both or either herein may be referred to as the "Board") shall review the Executive's Base Salary from time to time.

(b) In addition to the Base Salary, during the Employment Period, the Executive shall be eligible to participate in the bonus program established and approved by the Board (the "Program") and, pursuant to the Program, the Executive may earn a bonus (the "Bonus") on an annual or other performance period basis (a "Performance Cycle") of up to 50% of Base Salary earned during the applicable Performance Cycle or an additional amount as approved by the Board under the Program and in each case based on certain performance criteria; provided that the Executive is actively employed by the Company on the date the Bonuses are paid under the Program, except as provided in Section 5(a) herein. The Bonus may be paid annually or more frequently depending upon the Performance Cycle, as determined by the Board and pursuant to the Program. The Bonus will be specified by the Board, and the Bonus will be reviewed at least annually by the Board.

(c) During the Employment Period: (i) except as specifically provided herein, the Executive shall be entitled to participate in all savings and retirement plans, practices, policies and programs of the Company which are made available generally to other senior executive officers of the Company, and (ii) except as specifically provided herein, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in, and shall receive all benefits under, all welfare benefit plans, practices, policies and programs provided by the Company which are made available generally to other senior executive officers of the Company (for the avoidance of doubt, such plans, practices, policies or programs shall not include any plan, practice, policy or program which provides benefits in the nature of severance or continuation pay).

(d) During the Employment Period, the Company shall provide the Executive with a car allowance of \$1,200 per month.

(e) During the Employment Period, the Company shall reimburse the Executive up to \$10,000 annually for financial planning expenses.

(f) During the Employment Period, the Executive shall be entitled to at least four (4) weeks of paid vacation time for each calendar year in accordance with the Company's normal and customary policies and procedures now in force or as such policies and procedures may be modified with respect to senior executive officers of the Company.

(g) During the Employment Period, the Company shall reimburse the Executive for all reasonable business expenses upon the presentation of statements of such expenses in accordance with the Company's normal and customary policies and procedures now in force or as such policies and procedures may be modified with respect to senior executive officers of the Company.

3. Employment Period.

The Company shall employ Executive on the terms and subject to the conditions of this Agreement commencing as of the date of the execution of this Agreement (the "Effective Date"). Executive shall be considered an "at-will" employee, which means that Executive's employment may be terminated by the Company or by the Executive at any time for any reason or no reason at all. The period during which Executive is employed by the Company pursuant to this Agreement shall be referred to as the "Employment Period." The Executive's employment hereunder may be terminated during the Employment Period upon the earliest to occur of the following events (at which time the Employment Period shall be terminated):

(a) *Death.* The Executive's employment hereunder shall terminate upon his death.

(b) *Disability.* The Company shall be entitled to terminate the Executive's employment hereunder for "Disability" if, as a result of the Executive's incapacity due to physical or mental illness or injury, the Executive shall have been unable to perform his duties hereunder for a period of ninety (90) consecutive days, and within thirty (30) days after Notice of Termination (as defined in Section 4 below) for Disability is given following such 90-day period the Executive shall not have returned to the performance of his duties on a full-time basis.

(c) *Cause.* The Company may terminate the Executive's employment hereunder for Cause. For purposes of this Agreement, the term "Cause" shall mean: (i) a material breach by the Executive of this Agreement; (ii) the failure by the Executive to reasonably and substantially perform his duties hereunder (other than as a result of physical or mental illness or injury); (iii) the Executive's willful misconduct or gross negligence which is materially injurious to the Company; or (iv) the commission by the Executive of a felony or other serious crime involving moral turpitude. In the case of clauses (i) and (ii) above, the

Company shall provide notice to the Executive indicating in reasonable detail the events or circumstances that it believes constitute Cause hereunder and, if such breach or failure is reasonably susceptible to cure, provide the Executive with a reasonable period of time (not to exceed thirty (30) days) to cure such breach or failure. If, subsequent to the Executive's termination of employment hereunder for other than Cause, it is determined in good faith by the Board that the Executive's employment could have been terminated for Cause (except for a termination under (ii) of the above definition of Cause), the Executive's employment shall, at the election of the Board, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred.

(d) *Without Cause.* The Company may terminate the Executive's employment hereunder during the Employment Period without Cause.

(e) *Voluntarily.* The Executive may voluntarily terminate his employment hereunder (other than for Good Reason), provided that the Executive provides the Company with notice of his intent to terminate his employment at least three months in advance of the Date of Termination (as defined in Section 4 below).

(f) *For Good Reason.* The Executive may terminate his employment hereunder for Good Reason and any such termination shall be deemed a termination by the Company without Cause. For purposes of this Agreement, "Good Reason" shall mean (i) a material breach of this Agreement by the Company, (ii) reducing the Executive's salary while at the same time not proportionately reducing the salaries of the other executive officers of the Company, or (iii) a material and continued diminution of the Executive's duties and responsibilities hereunder; provided that in either (i), (ii), or (iii) above, the Executive shall notify the Company within thirty (30) days after the event or events which the Executive believes constitute Good Reason hereunder and shall describe in such notice in reasonable detail such event or events and provide the Company a thirty (30) day period after delivery of such notice to cure such breach or diminution.

4. Termination Procedure.

(a) *Notice of Termination.* Any termination of the Executive's employment by the Company or by the Executive during the Employment Period (other than a termination on account of the death of Executive) shall be communicated by written "Notice of Termination" to the other party hereto in accordance with Section 11(a).

(b) *Date of Termination.* "Date of Termination" shall mean (i) if the Executive's employment is terminated by his death, the date of his death, (ii) if the Executive's employment is terminated pursuant to Section 3(b), thirty (30) days after Notice of Termination, provided that the Executive shall not have returned to the performance of his duties hereunder on a full-time basis within such thirty (30) day period, (iii) if the Executive voluntarily terminates his employment, the date specified in the notice given pursuant to Section 3(e) herein which shall not be less than three months after the Notice of Termination is delivered to the Company, (iv) if the Executive terminates his employment for Good Reason pursuant to Section 3(f) herein, thirty (30) days after Notice of Termination, and (v) if the Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days, or any alternative time period agreed upon by the parties, after the giving of such notice) set forth in such Notice of Termination.

5. Termination Payments.

(a) *Without Cause.* In the event of the termination of the Executive's employment during the Employment Period by the Company without Cause (including a deemed termination without Cause as

provided in Section 3(f) herein), the Executive shall be entitled to: (i) any accrued but unused vacation, (ii) Base Salary through the Date of Termination (to the extent not theretofore paid), (iii) the continuation of Base Salary for twelve (12) months following the Date of Termination, which shall be paid in accordance with the Company's ordinary payroll practices in effect from time to time, provided, however, that the first six (6) months of Base Salary shall be paid in a lump sum as soon as practicable after the six (6) month anniversary of the Date of Termination, and the remaining six (6) months of payments shall be paid in accordance with the Company's ordinary payroll practices as prescribed above, (iv) any earned but not paid Bonus for the Performance Cycle immediately preceding the Date of Termination, which shall be paid when such Bonuses are paid to other active employees, and (v) a pro-rata portion of the Bonus, if any, for the Performance Cycle in which the Date of Termination occurs (based on the achievement of the applicable performance criteria and related to the applicable Performance Cycle as described in Section 2(b)), which shall be paid when such Bonuses are paid to other active employees, provided, however that with respect to (iv) and (v) herein, such payments shall be paid on the later of (A) the date the Bonuses are paid under the Program, or (B) as soon as practicable after the six (6) month anniversary of the Date of Termination. In addition, in the event of a termination by the Company without Cause: (1) if the Executive elects to continue the Company's group health plans pursuant to his rights under COBRA, the Company shall pay the Executive's COBRA continuation premiums until the earlier of (x) the date the Executive receives group health benefits from another employer or (y) the one-year anniversary of the Date of Termination; and (2) the Company will provide the Executive with outplacement services from vendors designated by the Company for a period of six (6) months following the Date of Termination, not to exceed \$5,000. Notwithstanding the foregoing, the payments and benefits provided in this Section 5 are subject to and conditioned upon the Executive executing a general release and waiver (in the form reasonably acceptable to the Company), waiving all claims the Executive may have against the Company, its successors, assigns, affiliates, executives, officers and directors, and such payments are subject to and conditioned upon the Executive's compliance with the Restrictive Covenants provided in Sections 7 and 8 hereof. Except as provided in this Section 5(a), the Company shall have no additional obligations under this Agreement.

(b) *Cause, Disability, Death or Voluntarily other than for Good Reason.* If the Executive's employment is terminated during the Employment Period by (i) the Company for Cause, (ii) voluntarily by the Executive other than for Good Reason, or (iii) as a result of the Executive's death or Disability, the Company shall pay the Executive or the Executive's estate, as the case may be, within thirty (30) days following the Date of Termination the Executive's accrued but unused vacation and his Base Salary through the Date of Termination (to the extent not theretofore paid). Except as provided in this Section 5(b), the Company shall have no additional obligations under this Agreement.

(c) *Change in Control.* In the event the Company terminates the Executive's employment without Cause (including a deemed termination without Cause as provided in Section 3(f) herein) within two (2) years following a Change in Control (as defined herein), then, in addition to all other benefits provided to the Executive under Section 5(a) of this Agreement, notwithstanding any provision in any applicable option grant agreement between the Company and the Executive: (i) any outstanding but unvested options granted on or prior to the Effective Date shall vest upon the Date of Termination; and (ii) all options (both vested and unvested) granted on or prior to the Effective Date will remain fully exercisable until the first to occur of (1) the one-year anniversary of the Date of Termination, and (2) the tenth anniversary of the grant date of such option, provided, however, that if the Company determines in good faith that the extension of the option's exercise period results in the options being considered deferred compensation subject to Section 409A of the Internal Revenue Code (the "Code"), such extension shall not take effect. For purposes of this Agreement, a "Change in Control" shall have the meaning set forth in the ON Semiconductor Corporation 2000 Stock Incentive Plan for "Change of Control."

6. Legal Fees.

In the event of any contest or dispute between the Company and the Executive with respect to this Agreement or the Executive's employment hereunder, each of the parties shall be responsible for their respective legal fees and expenses.

7. Non-Solicitation.

During the Employment Period and for one (1) year thereafter, the Executive hereby agrees not to, directly or indirectly, solicit or hire or assist any other person or entity in soliciting or hiring any employee of ON Semiconductor Corporation (the "Parent"), the Company or any of their subsidiaries to perform services for any entity (other than the Parent, the Company or their subsidiaries), or attempt to induce any such employee to leave the employment of the Parent, the Company or their subsidiaries.

8. Confidentiality; Non-Compete; Non-Disclosure; Non-Disparagement.

(a) During the Employment Period and thereafter, the Executive shall hold in strict confidence any proprietary or Confidential Information related to the Parent, the Company and their affiliates. For purposes of this Agreement, the term "Confidential Information" shall mean all information of the Parent, the Company or any of their affiliates (in whatever form) which is not generally known to the public, including without limitation any inventions, processes, methods of distribution, customer lists or customers' or trade secrets.

(b) The Executive and the Company agree that the Company would likely suffer significant harm from the Executive's competing with the Company during the Employment Period and for some period of time thereafter. Accordingly, the Executive agrees that he will not, during the Employment Period and for a period of one year following the termination of his employment with the Company, directly or indirectly, become employed by, engage in business with, serve as an agent or consultant to, become a partner, member, principal, stockholder or other owner (other than a holder of less than 1% of the outstanding voting shares of any publicly held company) of, or otherwise perform services for (whether or not for compensation) any Competitive Business. For purposes of this Section 8(b), the term "Competitive Business" shall mean any individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or government agency or political subdivision thereof that is engaged in, or otherwise competes or has a reasonable potential for competing with the Business (as defined herein), anywhere in which the Company or its affiliates engage in or intend to engage in the Business or where the Company or its affiliates' customers are located. For purposes of this Agreement, the "Business" shall mean the design, marketing and sale of power semiconductors or other products offered by the Company or its affiliates for use in electronic products, appliances and automobiles, and such other businesses as the Company may engage in from time to time.

(c) Upon the termination of the Employment Period, the Executive shall not take, without the prior written consent of the Company, any drawing, blueprint, specification or other document (in whatever form) of the Parent, the Company or their affiliates, which is of a confidential nature relating to the Parent, the Company or their affiliates, or, without limitation, relating to any of their methods of distribution, or any description of any formulas or secret processes and will return any such information (in whatever form) then in his possession.

(d) The Executive shall not defame or disparage the Parent, the Company, their affiliates and their officers, directors, members or executives. The Executive hereby agrees to cooperate with the Company in refuting any defamatory or disparaging remarks by any third party made in respect of the Parent, the Company, their affiliates or their directors, members, officers or executives.

9. Injunctive Relief.

It is impossible to measure in money the damages that will accrue to the Company in the event that the Executive breaches any of the restrictive covenants provided in Sections 7 and 8 hereof. In the event that the Executive breaches any such restrictive covenant, the Company shall be entitled to an injunction restraining the Executive from violating such restrictive covenant (without posting any bond or other security). If the Company shall institute any action or proceeding to enforce any such restrictive covenant, the Executive hereby waives the claim or defense that the Company has an adequate remedy at law and agrees not to assert in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. The foregoing shall not prejudice the Company's right to require the Executive to account for and pay over to the Company, and the Executive hereby agrees to account for and pay over, the compensation, profits, monies, accruals or other benefits derived or received by the Executive as a result of any transaction constituting a breach of any of the restrictive covenants provided in Sections 7 or 8 hereof.

10. Representations.

(a) The parties hereto hereby represent that they each have the authority to enter into this Agreement, and the Executive hereby represents to the Company that the execution of, and performance of duties under, this Agreement shall not constitute a breach of or otherwise violate any other agreement to which the Executive is a party.

(b) The Executive hereby represents to the Company that he will not utilize or disclose any confidential information obtained by the Executive in connection with his former employment with respect to this duties and responsibilities hereunder.

11. Miscellaneous.

(a) Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and shall be deemed to be given when delivered personally or four days after it is mailed by registered or certified mail, postage prepaid, return receipt requested or one day after it is sent by a reputable overnight courier service and, in each case, addressed as follows (or if it is sent through any other method agreed upon by the parties):

If to the Company:

Semiconductor Components Industries, LLC
5005 East McDowell Road
Phoenix, Arizona 85008
Attention: General Counsel

with a copy to:

Robert J. Raymond
Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, NY 10006

If to the Executive, to the address for the Executive on file with the Company at the time of the notice

or to such other address as any party hereto may designate by notice to the others.

(b) This Agreement shall constitute the entire agreement among the parties hereto with respect to the Executive's employment hereunder, and supersedes and is in full substitution for any and all prior understandings or agreements with respect to the Executive's employment (it being understood that, except as otherwise expressly stated in this Agreement, stock options granted to the Executive shall be governed by the relevant plan and any other related grant or award agreement and any other related documents).

(c) This Agreement may be amended only by an instrument in writing signed by the parties hereto, and any provision hereof may be waived only by an instrument in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of any party hereto at any time to require the performance by any other party hereto of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by any party hereto of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

(d) The parties hereto acknowledge and agree that each party has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both parties hereto and not in favor or against either party.

(e) (i) This Agreement is binding on and is for the benefit of the parties hereto and their respective successors, assigns, heirs, executors, administrators and other legal representatives. Neither this Agreement nor any right or obligation hereunder may be assigned by the Executive.

(ii) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in the Agreement, the "Company" shall mean both the Company as defined above and any such successor that assumes this Agreement, by operation of law or otherwise.

(f) Any provision of this Agreement (or portion thereof) which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Section, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable. No waiver of any provision or violation of this Agreement by Company shall be implied by Company's forbearance or failure to take action.

(g) The Company may withhold from any amounts payable to the Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation, (it being understood, that the Executive shall be responsible for payment of all taxes in respect of the payments and benefits provided herein).

(h) The payments and other consideration to the Executive under this Agreement shall be made without right of offset.

(i) This Agreement is intended to constitute an enforceable contract for the payment of compensation, severance and certain other benefits. The Agreement is not intended to constitute a “nonqualified deferred compensation plan” within the meaning of Section 409A of the Code. Notwithstanding the foregoing, in the event this Agreement or any benefit paid to Executive hereunder is deemed to be subject to Section 409A of the Code, the Executive consents to the Company adopting such conforming amendments as the Company deems necessary, in its sole discretion, to comply with Section 409A of the Code, without reducing the amounts of any benefits due to the Executive hereunder.

(j) This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona without reference to its principles of conflicts of law.

(k) This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

(l) The headings in this Agreement are inserted for convenience of reference only and shall not be a part of or control or affect the meaning of any provision hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Semiconductor Components Industries, LLC

/s/ Keith Jackson

Name: Keith Jackson

Title: Chief Executive Officer

/s/ William Schromm

William Schromm

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

WHEREAS, Semiconductor Components Industries, LLC ("Company") and William Schromm ("Executive") entered into an Employment Agreement dated as of October 20, 2006 ("Agreement");

WHEREAS, all defined terms used herein shall have the meanings set forth in the Agreement unless specifically defined herein;

WHEREAS, the Agreement includes provisions pertaining to Section 409A of the Internal Revenue Code of 1986, as amended ("Internal Revenue Code") which relates to non-qualified deferred compensation arrangements;

WHEREAS, one of the Internal Revenue Code Section 409A provisions in the Agreement requires that certain separation from service payments to the Executive be delayed for six months;

WHEREAS, subsequent to the Executive entering into the Agreement with the Company the final regulations under Internal Revenue Code Section 409A were issued and such final regulations clarified various aspects regarding this tax matter;

WHEREAS, now that the final regulations under Internal Revenue Code Section 409A have been issued and as a result of these final regulations, the Company and Executive wish to amend the Agreement to, among other things, permit a distribution following the Executive's separation from service (i.e., without a six month delay in payment) as permitted pursuant to the "separation pay exception" set forth in Treasury Regulation Section 1.409A-1(b)(9) and to clarify certain other matters with respect to Internal Revenue Code Section 409A; and

WHEREAS, the Board of Directors of ON Semiconductor Corporation and its Compensation Committee have both reviewed and considered this matter and this Amendment No. 1 to the Agreement ("Amendment").

NOW, THEREFORE, for mutual consideration the receipt of which is hereby acknowledged, the Agreement is hereby amended as follows:

1. Section 5(a) of the Agreement related to "Termination Payments" and "Without Cause" is hereby amended by replacing the first sentence thereof with the following language, in order to, among other things, provide for the "separation pay exception" to Internal Revenue Code Section 409A:

"(a) *Without Cause*. In the event of the termination of the Executive's employment during the Employment Period by the Company without Cause (including a deemed termination without Cause as provided for in Section 3(f) (i.e., "Good Reason")), the Executive shall be entitled to: (i) any accrued but unused vacation, (ii) Base Salary through the Date of Termination (to the extent not theretofore paid), (iii) the continuation of Base Salary (as in effect immediately prior to the termination) for twelve (12) months

following the Date of Termination which, subject to the restriction set forth below, shall be paid in accordance with the Company's ordinary payroll practices in effect from time to time, (iv) any earned but not paid Bonus for the Performance Cycle immediately preceding the Date of Termination, and (v) a pro-rata portion of the Bonus, if any, for the Performance Cycle in which the Date of Termination occurs (based on the achievement of the applicable performance criteria and related to the applicable Performance Cycle as described in Section 2(b)). Notwithstanding the foregoing, the amount of payment set forth in (iii) above during the six-month period following the Date of Termination shall not exceed the severance pay exception limitation amount set forth in Treasury Regulation Section 1.409A-1(b)(9)(iii)(A) (any amount subject to the separation pay exception limitation shall be paid in a lump sum on the six-month anniversary of the Date of Termination). If the Company determines in good faith that the separation pay exception set forth in Treasury Regulation Section 1.409A-1(b)(9)(iii)(A) does not apply as of the Date of Termination, the amount set forth in (iii) above shall be paid (a) in an initial lump sum equal to six months' base salary (net of applicable taxes and withholdings) on the six-month anniversary of the Date of Termination and (b) thereafter in installments in accordance with the Company's ordinary payroll practices. The amounts set forth in (i) and (ii) above, shall be paid in accordance with applicable law on the Date of Termination. The amounts set forth in (iv) and (v) above shall be paid as soon as is reasonably practicable after the close of the accounting books and records of the Company for the relevant Performance Cycle at the same time bonuses are paid to other active employees, but in no event will payment be made for any Performance Cycle ending on December 31 before January 1 or after March 15 of the year following the year in which the Performance Cycle ends. If payment by such date is administratively impracticable, payment may be made at a later date as permitted under Treasury Regulation Section 1.409A-1(b)(4)(ii)."

2. Section 5(c) of the Agreement related to "Termination Payments" and "Change in Control" is hereby amended by replacing the first sentence thereof with the following language, in order to delete a proviso at the end of the first sentence related to Internal Revenue Code Section 409A which is no longer applicable:

"(c) Change in Control. If within twenty-four (24) months following a Change in Control (as defined herein), (i) the Company terminates the Executive's employment without Cause or (ii) the Executive terminates employment with the Company for Good Reason, then, in addition to all the other benefits provided to the Executive under Section 5(a) of this Agreement, notwithstanding any provision in any applicable option grant agreement between the Company and the Executive: (A) any outstanding but unvested options granted on or prior to the Effective Date shall vest upon the Date of Termination; and (B) all options (both vested and unvested) granted on or prior to the Effective Date will remain fully exercisable until the first to occur of (1) the one-year anniversary of the Date of Termination, and (2) the tenth anniversary of the grant date of such option."

3. Section 11(i) of the Agreement related to "Miscellaneous" and Internal Revenue Code Section 409A shall be amended and restated in its entirety as follows:

“(i) Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Executive’s termination of employment which constitutes a “deferral of compensation” within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Internal Revenue Code (“Section 409A Regulations”) shall be paid unless and until the Executive has incurred a “separation from service” within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Executive is a “specified employee” within the meaning of the Section 409A Regulations as of the date of the Executive’s separation from service, no amount that constitutes a deferral of compensation that is payable on account of the Executive’s separation from service shall be paid to the Executive before the date (“Delayed Payment Date”) which is the first day of the seventh month after the date of the Executive’s separation from service or, if earlier, the date of the Executive’s death following such separation from service. All such amounts that would, but for this subsection, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

(ii) The Company intends that income provided to Executive pursuant to this Agreement will not be subject to taxation under Section 409A of the Internal Revenue Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Internal Revenue Code and the Section 409A Regulations. However, the Company does not guarantee any particular tax effect for income provided to Executive pursuant to this Agreement. In any event, except for the Company’s responsibility to withhold applicable income and employment taxes from compensation paid or provided to the Executive, the Company shall not be responsible for the payment of any applicable taxes on compensation paid or provided to the Executive pursuant to this Agreement.”

4. The provisions of this Amendment shall be effective as of the date written below (“Effective Date”), provided however, that the Agreement shall be operated in good faith compliance with Internal Revenue Code Section 409A for periods beginning January 1, 2005 through the Effective Date.

5. This Amendment shall amend only the provisions of the Agreement as set forth herein. Those provisions of the Agreement not expressly amended shall be considered in full force and effect.

IN WITNESS WHEREOF, the Company and Executive have caused this Amendment to be executed as of this 29th day of April, 2008.

COMPANY

Semiconductor Components Industries, LLC

/s/ Colleen McKeown

Name: Colleen McKeown

Title: Senior Vice President, Human Resources

EXECUTIVE

William Schromm, in that person's individual capacity

By: /s/ William Schromm

ON SEMICONDUCTOR CORPORATION

List of Subsidiaries as of February 22, 2012 (1)

SCG (China) Holding Corporation {Delaware}
 Leshan-Phoenix Semiconductor Company Limited [JV] {China (PRC)}

SCG (Czech) Holding Corporation {Delaware}

SCG (Malaysia SMP) Holding Corporation {Delaware}

Semiconductor Components Industries, LLC {Delaware}
 Semiconductor Components Industries Puerto Rico, Inc. {Delaware}

AMI Acquisition, LLC {Delaware}

AMIS Foreign Holdings, Inc. {Delaware}
 AMI Semiconductor Canada Company {Canada}
 ON Semiconductor Technology Korea Limited {Korea}

Semiconductor Components Industries of Rhode Island, Inc. {Rhode Island}
 Semiconductor Components Industries International of Rhode Island, Inc. {Rhode Island}

SCG International Development, LLC {Delaware}

ON Semiconductor Canada Holding Corporation {Canada}
 Sound Design Technologies Ltd. {Canada}

ON Semiconductor Slovakia a.s. {Slovak Republic}

SCG Malaysia Holdings Sdn. Bhd. {Malaysia}
 SCG Industries Malaysia Sdn. Bhd. {Malaysia}

ON Semiconductor Technology Japan Ltd. {Japan}

ON Semiconductor Japan Ltd. {Japan}

ON Semiconductor Design (Shanghai) Limited {China (PRC)}

SCG Asia Capital Pte. Ltd. {Malaysia}

SCG Czech Design Center s.r.o. {Czech Republic}
 ON Semiconductor Czech Republic, s.r.o., legal successor {Czech Republic}

ON Semiconductor Hong Kong Design Limited {Hong Kong, China}

ON Semiconductor Technology Hong Kong Limited {Hong Kong, China}

AMI Semiconductor GmbH {Germany}

ON Semiconductor Philippines, Inc. {Philippines}

ON Semiconductor Trading Ltd. {Bermuda}
 ON Semiconductor Limited {United Kingdom}
 ON Semiconductor Germany GmbH {Germany}
 ON Semiconductor France SAS {France}
 ON Semiconductor Italy S.r.l. {Italy}
 ON Semiconductor Canada Trading Corporation {Canada}

SCG Korea Limited {Korea}

ON Semiconductor SAS {France}

ON Semiconductor Netherlands BV {Netherlands}
 ON Semiconductor Belgium BVBA {Belgium}
 ON Semiconductor Leasing BVBA {Belgium}

ON Design Czech s.r.o. {Czech Republic}

ON Semiconductor Switzerland S.A. {Switzerland}

Semiconductor Components Industries Singapore Pte. Ltd. {Singapore}

SCG Hong Kong SAR Limited {Hong Kong, China}
 ON Semiconductor Trading (Shanghai) Limited {China (PRC)}

ON Semiconductor (Shenzhen) Limited {China (PRC)}

ON Electronics Private Limited {India}

PulseCore Semiconductor Corporation {Delaware}

ON Semiconductor Technology India Private Limited {India}

ON Semiconductor Image Sensor BVBA {Belgium}
ON Semiconductor Ireland Research and Design Limited {Ireland}
ON Semiconductor Romania SRL {Romania}
ON Semiconductor (Thailand) Co. Ltd. {Thailand}
SANYO Semiconductor Co., Ltd. {Japan}
 SANYO Semiconductor U.S.A., LLC {Delaware}
 Kanto SANYO Semiconductor Co., Ltd. {Japan}
 SANYO Semiconductor (Shekou) Co., Ltd. {China (PRC)}
 SANYO Semiconductor (Vietnam) Co., Ltd. {Vietnam}
 SANYO Semiconductor Manufacturing Co., Ltd. {Japan}
 SANYO LSI Design · System Soft Co., Ltd. {Japan}
 SANYO Semicon Device Co., Ltd. {Japan}
 SANYO Semiconductor Manufacturing Philippines Corporation {Philippines}
 SANYO Semiconductor (H.K.) Co., Ltd. {Hong Kong, China}
 SANYO Semiconductor Taipei Co., Ltd. {Taiwan}
 SANYO Electronic Device Sales (HK) Limited {Hong Kong, China}
 SANYO Semiconductor (S) Pte. Ltd. {Singapore}
 SANYO Semiconductor (Thailand) Co., Ltd. {Thailand}
 SANYO LSI Technology India Private Limited {India}

“{ }” Denotes jurisdiction

(1) All ON Semiconductor Corporation subsidiaries generally do business under the name “ON Semiconductor” or such other similar name as they transition to “ON Semiconductor.”

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-166958, No. 333-164733, No. 333-161545, No. 333-159381, No. 333-154514, No. 333-149848, No. 333-118814, No. 333-107896, No. 333-107895, No. 333-71336, No. 333-37638 and No. 333-34130) of ON Semiconductor Corporation of our report dated February 22, 2012 relating to the financial statements, the financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Phoenix, Arizona
February 22, 2012

POWER OF ATTORNEY
(Keith D. Jackson)

I hereby appoint Donald A. Colvin, George H. Cave and William J. Nelson, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me on behalf of the registrant, ON Semiconductor Corporation, and/or as a Director and/or Chief Executive Officer (i.e., as principal executive officer) of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K Annual Report for 2011, and any amendments.

Dated: February 22, 2012

/s/ KEITH D. JACKSON

Keith D. Jackson

POWER OF ATTORNEY
(Donald A. Colvin)

I hereby appoint William J. Nelson, Keith D. Jackson and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me on behalf of the registrant, ON Semiconductor Corporation, and/or as a Chief Financial Officer (i.e., as both principal financial officer and principal accounting officer) of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K Annual Report for 2011, and any amendments.

Dated: February 22, 2012

/s/ DONALD A. COLVIN

Donald A. Colvin

POWER OF ATTORNEY
(J. Daniel McCranie)

I hereby appoint Donald A. Colvin, Keith D. Jackson and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as Chairman of the Board of Directors of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K Annual Report for 2011, and any amendments.

Dated: February 22, 2012

/s/ J. DANIEL McCRANIE

J. Daniel McCranie

POWER OF ATTORNEY
(Atsushi Abe)

I hereby appoint Donald A. Colvin, Keith D. Jackson and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K Annual Report for 2011, and any amendments.

Dated: February 22, 2012

/s/ ATSUSHI ABE

Atsushi Abe

POWER OF ATTORNEY
(Curtis J. Crawford)

I hereby appoint Donald A. Colvin, Keith D. Jackson and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K Annual Report for 2011, and any amendments.

Dated: February 22, 2012

/s/ CURTIS J. CRAWFORD

Curtis J. Crawford

**POWER OF ATTORNEY
(Emmanuel T. Hernandez)**

I hereby appoint Donald A. Colvin, Keith D. Jackson and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K Annual Report for 2011, and any amendments.

Dated: February 22, 2012

/s/ EMMANUEL T. HERNANDEZ

Emmanuel T. Hernandez

POWER OF ATTORNEY
(Phillip D. Hester)

I hereby appoint Donald A. Colvin, Keith D. Jackson and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K Annual Report for 2011, and any amendments.

Dated: February 22, 2012

/s/ PHILLIP D. HESTER

Phillip D. Hester

POWER OF ATTORNEY
(Daryl Ostrander)

I hereby appoint Donald A. Colvin, Keith D. Jackson and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K Annual Report for 2011, and any amendments.

Dated: February 22, 2012

/s/ DARYL OSTRANDER

Daryl Ostrander

POWER OF ATTORNEY
(Robert H. Smith)

I hereby appoint Donald A. Colvin, Keith D. Jackson and George H. Cave, and each of them, my attorneys-in-fact, each with full power of substitution, to sign for me as a Director of ON Semiconductor Corporation and file with the Securities and Exchange Commission the Corporation's Form 10-K Annual Report for 2011, and any amendments.

Dated: February 22, 2012

/s/ ROBERT H. SMITH

Robert H. Smith

CERTIFICATIONS

I, Keith D. Jackson, certify that:

1. I have reviewed this annual report on Form 10-K 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 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: February 22, 2012

/s/ KEITH D. JACKSON

Keith D. Jackson
Chief Executive Officer

CERTIFICATIONS

I, Donald A. Colvin, certify that:

1. I have reviewed this annual report on Form 10-K 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 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: February 22, 2012

/s/ DONALD A. COLVIN

Donald A. Colvin
Chief Financial Officer

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 (“Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (“Form 10-K”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 22, 2012

/s/ KEITH D. JACKSON

Keith D. Jackson
President and Chief Executive Officer

Dated: February 22, 2012

/s/ DONALD A. COLVIN

Donald A. Colvin
Executive Vice President and
Chief Financial Officer