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

(Mark One)

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

For the quarterly period ended March 28, 2014

Or

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

For the transition period from                      to

(Commission File Number) 000-30419

**ON SEMICONDUCTOR CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(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)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the 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 number of shares outstanding of the issuer's class of common stock as of the close of business on April 25, 2014:

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<u>Title of Each Class</u>	<u>Number of Shares</u>
Common Stock, par value \$0.01 per share	440,989,458

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ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
FORM 10-Q

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

**ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**FORM 10-Q**  
**GLOSSARY OF SELECTED ABBREVIATED TERMS\***

<u>Abbreviated Term</u>	<u>Defined Term</u>
2.625% Notes	2.625% Convertible Senior Subordinated Notes due 2026
2.625% Notes, Series B	2.625% Convertible Senior Subordinated Notes due 2026, Series B
Amended and Restated SIP	ON Semiconductor Corporation Amended and Restated Stock Incentive Plan
AMIS	AMIS Holdings, Inc.
ASU	Accounting Standards Update
ASC	Accounting Standards Codification
ASIC	Application Specific Integrated Circuit
Catalyst	Catalyst Semiconductor, Inc.
CMD	California Micro Devices Corporation
DSP	Digital signal processing
ESPP	ON Semiconductor Corporation 2000 Employee Stock Purchase Plan
FASB	Financial Accounting Standards Board
IP	Intellectual property
KSS	System Solutions Group back-end manufacturing facility in Hanyu, Japan
LSI	Large Scale Integration
PulseCore	PulseCore Holdings (Cayman) Inc.
SANYO Electric	SANYO Electric Co., Ltd.
SANYO Semiconductor	SANYO Semiconductor Co., Ltd.
SCI LLC	Semiconductor Components Industries, LLC
SDT	Sound Design Technologies Ltd.
SMBC	Sumitomo Mitsui Banking Corporation
WSTS	World Semiconductor Trade Statistics

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

## PART I: FINANCIAL INFORMATION

## Item 1. Financial Statements (unaudited)

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

	March 28, 2014	December 31, 2013
<b>Assets</b>		
Cash and cash equivalents	\$ 562.0	\$ 509.5
Short-term investments	55.0	116.2
Receivables, net	417.1	383.4
Inventories	613.9	611.8
Other current assets	89.3	89.3
Total current assets	1,737.3	1,710.2
Property, plant and equipment, net	1,081.4	1,074.2
Goodwill	184.6	184.6
Intangible assets, net	215.3	223.4
Other assets	68.1	64.6
Total assets	<u>\$ 3,286.7</u>	<u>\$ 3,257.0</u>
<b>Liabilities, Non-Controlling Interest and Stockholders' Equity</b>		
Accounts payable	\$ 276.7	\$ 276.8
Accrued expenses	222.1	220.3
Deferred income on sales to distributors	151.7	140.5
Current portion of long-term debt (see Note 6)	173.7	181.6
Total current liabilities	824.2	819.2
Long-term debt (see Note 6)	746.5	760.6
Other long-term liabilities	176.1	190.4
Total liabilities	1,746.8	1,770.2
Commitments and contingencies (See Note 9)		
ON Semiconductor Corporation stockholders' equity:		
Common stock (\$0.01 par value, 750,000,000 shares authorized, 518,975,425 and 515,888,942 shares issued, 440,647,392 and 440,250,288 shares outstanding, respectively)	5.2	5.2
Additional paid-in capital	3,228.9	3,210.8
Accumulated other comprehensive loss	(46.4)	(47.4)
Accumulated deficit	(1,083.7)	(1,142.1)
Less: treasury stock, at cost; 78,328,033 and 75,638,654 shares, respectively	(597.1)	(572.5)
Total ON Semiconductor Corporation stockholders' equity	1,506.9	1,454.0
Non-controlling interest in consolidated subsidiary	33.0	32.8
Total stockholders' equity	1,539.9	1,486.8
Total liabilities and equity	<u>\$ 3,286.7</u>	<u>\$ 3,257.0</u>

See accompanying notes to consolidated financial statements

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

	Quarter Ended	
	March 28, 2014	March 29, 2013
Revenues	\$ 706.5	\$ 661.0
Cost of revenues	455.7	456.5
Gross profit	250.8	204.5
Operating expenses:		
Research and development	78.1	88.4
Selling and marketing	44.4	39.8
General and administrative	41.0	36.2
Amortization of acquisition-related intangible assets	8.2	8.4
Restructuring, asset impairments and other, net	5.8	(6.0)
Total operating expenses	177.5	166.8
Operating income	73.3	37.7
Other income (expense), net:		
Interest expense	(8.1)	(10.1)
Interest income	0.2	0.3
Other	(0.6)	0.9
Loss on debt exchange	—	(3.1)
Other income (expense), net	(8.5)	(12.0)
Income before income taxes	64.8	25.7
Income tax provision	(6.2)	(2.4)
Net income	58.6	23.3
Less: Net income attributable to non-controlling interest	(0.2)	(0.7)
Net income attributable to ON Semiconductor Corporation	\$ 58.4	\$ 22.6
Comprehensive income (loss), net of tax:		
Net income	\$ 58.6	\$ 23.3
Foreign currency translation adjustments	(0.4)	(8.3)
Effects of cash flow hedges	1.4	(0.9)
Unrealized loss on available-for-sale securities	—	(0.1)
Other comprehensive income (loss)	1.0	(9.3)
Comprehensive income	59.6	14.0
Comprehensive income attributable to non-controlling interest	(0.2)	(0.7)
Comprehensive income attributable to ON Semiconductor Corporation	\$ 59.4	\$ 13.3
Net income per common share attributable to ON Semiconductor Corporation:		
Basic	\$ 0.13	\$ 0.05
Diluted	\$ 0.13	\$ 0.05
Weighted average common shares outstanding:		
Basic	440.4	449.5
Diluted	444.5	452.5

See accompanying notes to consolidated financial statements

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

	<u>Three Months Ended</u>	
	<u>March 28, 2014</u>	<u>March 29, 2013</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 58.6	\$ 23.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	52.4	51.3
Gain on sale or disposal of fixed assets	(0.3)	(7.4)
Loss on debt exchange	—	3.1
Amortization of debt issuance costs	0.3	0.3
Provision for excess inventories	6.8	15.9
Non-cash share-based compensation expense	8.5	5.8
Non-cash interest	1.6	3.1
Non-cash foreign currency translation gain	—	(21.0)
Other	1.8	0.7
Changes in assets and liabilities (exclusive of the impact of acquisitions):		
Receivables	(33.0)	(14.8)
Inventories	(8.8)	(5.3)
Other assets	(5.2)	37.3
Accounts payable	0.4	(9.0)
Accrued expenses	(6.1)	1.9
Deferred income on sales to distributors	11.2	(0.7)
Other long-term liabilities	(13.3)	0.7
Net cash provided by operating activities	<u>74.9</u>	<u>85.2</u>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(47.7)	(38.9)
Proceeds from sales of property, plant and equipment	0.2	8.0
Deposits utilized for purchases of property, plant and equipment	1.2	1.4
Proceeds from held-to-maturity securities	63.5	73.5
Purchases of held-to-maturity securities	(2.3)	(6.0)
Net cash provided by investing activities	<u>14.9</u>	<u>38.0</u>
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of stock options	9.6	3.8
Payments of tax withholding for restricted shares	(4.5)	(2.2)
Repurchase of common stock	(19.4)	—
Proceeds from debt issuance	—	26.2
Payment of capital lease obligations	(11.1)	(11.5)
Repayment of long-term debt	(12.9)	(81.5)
Net cash used in financing activities	<u>(38.3)</u>	<u>(65.2)</u>
Effect of exchange rate changes on cash and cash equivalents	1.0	(7.9)
Net increase in cash and cash equivalents	52.5	50.1
Cash and cash equivalents, beginning of period	509.5	486.9
Cash and cash equivalents, end of period	<u>\$ 562.0</u>	<u>\$ 537.0</u>

See accompanying notes to consolidated financial statements

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

**Note 1: Background and Basis of Presentation**

ON Semiconductor Corporation, together with its wholly-owned and majority-owned subsidiaries (“ON Semiconductor” or the “Company”), uses a thirteen-week fiscal quarter accounting period for each quarter, with the first three quarters ending on the last Friday in March, June and September, and the fourth quarter ending on December 31. The three months ended March 28, 2014 and March 29, 2013 each contained 87 days and 88 days, respectively.

The accompanying unaudited financial statements as of March 28, 2014 have been prepared in accordance with generally accepted accounting principles in the United States of America for unaudited interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States of America for audited financial statements. Additionally, the balance sheet as of December 31, 2013 was derived from audited financial statements, but also does not include all disclosures required by accounting principles generally accepted in the United States of America for audited financial statements. In the opinion of the Company’s management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto for the year ended December 31, 2013 included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (“2013 Form 10-K”). The results for the interim periods are not necessarily indicative of the results of operations that may be expected for the full year. The Company condensed certain prior year amounts in our consolidated financial statements to conform to the current year presentation.

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America 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 following: (i) measurement of valuation allowances relating to trade receivables, inventories and deferred tax assets; (ii) estimates of future payouts for customer incentives, warranties, and restructuring activities; (iii) assumptions surrounding future pension obligations; (iv) fair values of stock options and of financial instruments (including derivative financial instruments); (v) evaluations of uncertain tax positions; and (vi) future cash flows used to assess and test for impairment of long-lived assets and, if applicable, goodwill. Actual results could differ from these estimates.

**Note 2: Recent Accounting Pronouncements**

***ASU No. 2013-11 - “Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists” (“ASU 2013-11”)***

In July 2013, the FASB issued ASU 2013-11, which applies to the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Pursuant to ASU 2013-11, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, with certain exceptions. The amendments contained in ASU 2013-11 do not require new recurring disclosures. The related amendments are effective for reporting periods beginning after December 15, 2013. The adoption of ASU 2013-11 did not have a material impact on the Company’s Consolidated Financial Statements.

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

**Note 3: Goodwill and Intangible Assets**
**Goodwill**

The following table summarizes goodwill by relevant operating segment as of March 28, 2014 and December 31, 2013 (in millions):

	Balance as of March 28, 2014			Balance as of December 31, 2013		
	Goodwill	Accumulated Impairment Losses	Carrying Value	Goodwill	Accumulated Impairment Losses	Carrying Value
<i>Operating Segment:</i>						
Application Products Group	\$ 547.4	\$ (410.2)	\$ 137.2	\$ 547.4	\$ (410.2)	\$ 137.2
Standard Products Group	76.0	(28.6)	47.4	76.0	(28.6)	47.4
	\$ 623.4	\$ (438.8)	\$ 184.6	\$ 623.4	\$ (438.8)	\$ 184.6

Goodwill is tested for impairment annually on the first day of the fourth quarter unless a triggering event would require an interim analysis. 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. While management did not identify any triggering events through March 28, 2014 that would require an interim impairment analysis, the Company's current projections include assumptions of current industry and market conditions, which could negatively change, and in turn, may adversely impact the fair value of the Company's goodwill, intangible assets and other long-lived assets. As a result, the carrying value of the reporting units containing the Company's goodwill may exceed their fair value in future impairment tests.

**Intangible Assets**

Intangible assets, net, were as follows as of March 28, 2014 and December 31, 2013 (in millions):

	March 28, 2014					
	Original Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Accumulated Impairment	Carrying Value	Useful Life (in Years)
Intellectual property	\$ 13.9	\$ (9.5)	\$ —	\$ (0.4)	\$ 4.0	5-12
Customer relationships	280.3	(109.0)	(27.3)	(23.0)	121.0	5-18
Patents	43.7	(19.5)	—	(13.7)	10.5	12
Developed technology	146.2	(70.5)	—	(2.4)	73.3	5-12
Trademarks	14.0	(6.4)	—	(1.1)	6.5	15
Total intangibles	\$498.1	\$ (214.9)	\$ (27.3)	\$ (40.6)	\$ 215.3	
	December 31, 2013					
	Original Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Accumulated Impairment Losses	Carrying Value	Useful Life (in Years)
Intellectual property	\$ 13.9	\$ (9.4)	\$ —	\$ (0.4)	\$ 4.1	5-12
Customer relationships	280.3	(105.5)	(27.4)	(23.0)	124.4	5-18
Patents	43.7	(19.0)	—	(13.7)	11.0	12
Developed technology	146.2	(66.7)	—	(2.4)	77.1	5-12
Trademarks	14.0	(6.1)	—	(1.1)	6.8	15
Total intangibles	\$498.1	\$ (206.7)	\$ (27.4)	\$ (40.6)	\$ 223.4	

Amortization expense for acquisition-related intangible assets amounted to \$8.2 million and \$8.4 million for the quarters ended March 28, 2014 and March 29, 2013, respectively. Amortization expense for intangible assets is expected to be as follows over the next five years and thereafter (in millions):



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

<u>Period</u>	<u>Estimated Amortization Expense</u>
Remainder of 2014	\$ 24.4
2015	31.7
2016	30.6
2017	27.7
2018	24.4
Thereafter	76.5
Total estimated amortization expense	<u>\$ 215.3</u>

**Note 4: Restructuring, Asset Impairments and Other, Net**

A summary description of the activity included in the “Restructuring, Asset Impairments and Other, Net” caption on the Company’s Consolidated Statements of Operations and Comprehensive Income for the quarter ended March 28, 2014 is as follows (in millions):

	<u>Restructuring</u>	<u>Other</u>	<u>Total</u>
<i>Quarter ended March 28, 2014</i>			
System Solutions Group Voluntary Retirement Program	\$ 5.0	\$(2.8)	\$2.2
KSS facility closure	3.6	—	3.6
Total	<u>\$ 8.6</u>	<u>\$(2.8)</u>	<u>\$5.8</u>

The following is a rollforward of the accrued restructuring charges from December 31, 2013 to March 28, 2014 (in millions):

	<u>Balance as of December 31, 2013</u>	<u>Charges</u>	<u>Usage</u>	<u>Balance as of March 28, 2014</u>
Estimated employee separation charges	\$ 25.2	\$ 8.3	\$(13.8)	\$ 19.7
Estimated costs to exit	1.0	0.3	(0.5)	0.8
Total	<u>\$ 26.2</u>	<u>\$ 8.6</u>	<u>\$(14.3)</u>	<u>\$ 20.5</u>

Activity related to the Company’s Restructuring, asset impairments and other, net for programs that had not been completed as of March 28, 2014, is as follows:

*System Solutions Group Voluntary Retirement Program*

During the fourth quarter of 2013, the Company initiated a voluntary retirement program for employees of certain of its System Solutions Group subsidiaries in Japan (the “Q4 2013 Voluntary Retirement Program”). Approximately 350 employees opted to retire under the Q4 2013 Voluntary Retirement Program of which 290 employees had retired by March 28, 2014. The remaining employees who accepted retirement packages are expected to retire by the end of 2014. For the quarter ended March 28, 2014, the Company recognized approximately \$5.0 million of employee separation charges related to the Q4 2013 Voluntary Retirement Program. The company expects to incur an additional \$1.6 million in employee separation charges related to this program through the end of 2014, offset by a pension curtailment benefit of approximately \$1.7 million.

As part of these restructuring activities, approximately 70 contractor positions were also identified for elimination, of which approximately 15 remain to be terminated by the end of 2014.

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

As a result of the System Solutions Group headcount reductions, the Company recognized a \$2.8 million pension curtailment benefit associated with the affected employees during the quarter ended March 28, 2014, which is recorded in Restructuring, asset impairments and other, net. See Note 5: “Balance Sheet Information” for additional information.

As of March 28, 2014, the accrued liability associated with employee separation charges was \$8.8 million for the Q4 2013 Voluntary Retirement Program.

*KSS Facility Closure*

On October 6, 2013, the Company announced a plan to close KSS by the end of the second quarter of 2014 (the “KSS Plan”). Pursuant to the KSS Plan, a majority of the production from KSS will be transferred to other of the Company’s manufacturing facilities. The KSS Plan includes the elimination of approximately 170 full time and 40 contract employees. During the quarter ended March 28, 2014, the Company recorded approximately \$3.3 million of employee separation charges and 0.3 million of exit costs related to the KSS Plan. The Company expects to record additional KSS Plan severance costs and related employee benefit plan expenses of approximately \$5.1 million along with other exit costs of approximately \$0.7 million to \$1.7 million, offset by a pension curtailment gain of approximately \$2.1 million through the end of 2014.

As of March 28, 2014, the accrued liability associated with employee separation charges was \$10.4 million for the KSS Plan.

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

**Note 5: Balance Sheet Information**

Certain significant amounts included in the Company's balance sheet as of March 28, 2014 and December 31, 2013 consist of the following (dollars in millions):

	March 28, 2014	December 31, 2013
<b>Receivables, net:</b>		
Accounts receivable	\$ 418.2	\$ 384.4
Less: Allowance for doubtful accounts	(1.1)	(1.0)
	<u>\$ 417.1</u>	<u>\$ 383.4</u>
<b>Inventories:</b>		
Raw materials	\$ 95.9	\$ 89.2
Work in process	326.4	319.6
Finished goods	191.6	203.0
	<u>\$ 613.9</u>	<u>\$ 611.8</u>
<b>Other current assets:</b>		
Prepaid expenses	\$ 28.0	\$ 24.8
Value added and other income tax receivables	30.8	31.7
Other	30.5	32.8
	<u>\$ 89.3</u>	<u>\$ 89.3</u>
<b>Property, plant and equipment, net (1):</b>		
Land	\$ 52.7	\$ 52.3
Buildings	476.5	467.7
Machinery and equipment	1,954.9	1,918.4
Total property, plant and equipment	2,484.1	2,438.4
Less: Accumulated depreciation	(1,402.7)	(1,364.2)
	<u>\$ 1,081.4</u>	<u>\$ 1,074.2</u>
<b>Accrued expenses:</b>		
Accrued payroll	\$ 89.9	\$ 91.3
Sales related reserves	54.9	54.2
Restructuring reserves	20.5	26.2
Accrued pension liability	10.4	10.4
Accrued interest	5.2	1.9
Other	41.2	36.3
	<u>\$ 222.1</u>	<u>\$ 220.3</u>

(1) Included in property, plant, and equipment are approximately \$9.1 million of fixed assets which are held-for-sale as of March 28, 2014.

**Warranty Reserves**

The activity related to the Company's warranty reserves for the three months ended March 28, 2014 and March 29, 2013, respectively, is as follows (in millions):

	<b>Three Months Ended</b>	
	March 28, 2014	March 29, 2013
Beginning Balance	\$ 6.0	\$ 10.2
Provision	0.4	1.2
Usage	(0.2)	(3.8)
Ending Balance	<u>\$ 6.2</u>	<u>\$ 7.6</u>

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

*Defined Benefit Plans*

The Company maintains defined benefit plans for certain of its foreign subsidiaries. The Company recognizes the aggregate amount of all overfunded plans as assets and the aggregate amount of all underfunded plans as liabilities in its financial statements. As of March 28, 2014, the total accrued pension liability for underfunded plans was \$117.4 million, of which the current portion of \$10.4 million was classified as accrued expenses. As of December 31, 2013, the total accrued pension liability for underfunded plans was \$128.9 million, of which the current portion of \$10.4 million was classified as accrued expenses. As of March 28, 2014 and December 31, 2013, the total pension asset for overfunded plans was \$0.6 million and \$0.6 million, respectively.

The Company recorded a pension curtailment gain of \$2.8 million included in Restructuring, asset impairments and other, net for the quarter ended March 28, 2014 related to the Q4 2013 Voluntary Retirement Program. See Note 4: "Restructuring, Asset Impairments and Other, Net" for additional information.

The components of the Company's net periodic pension expense for the quarters ended March 28, 2014 and March 29, 2013 are as follows (in millions):

	Quarter Ended	
	March 28, 2014	March 29, 2013
Service cost	\$ 2.5	\$ 3.7
Interest cost	1.5	2.0
Expected return on plan assets	(0.9)	(1.1)
Curtailment gain	(2.8)	(9.0)
Actuarial loss	—	13.6
Total net periodic pension cost	<u>\$ 0.3</u>	<u>\$ 9.2</u>

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

**Note 6: Long-Term Debt**

The Company's long-term debt consists of the following (dollars in millions):

	March 28, 2014	December 31, 2013
Senior Revolving Credit Facility due 2018, interest payable quarterly at 1.75% and 2.00% respectively	\$ 120.0	\$ 120.0
Loan with Japanese bank due 2014 through 2018, interest payable quarterly at 1.98% and 2.00%, respectively (1)	264.3	273.7
2.625% Notes, Series B (net of discount of \$20.1 million and \$21.7 million, respectively) (2)	336.8	335.2
Loan with Hong Kong bank, interest payable weekly at 1.90% and 1.91%, respectively	40.0	40.0
Loans with Philippine bank due 2014 through 2015, interest payable monthly and quarterly at an average rate of 2.16% and 2.16%, respectively	37.9	39.2
Loan with Chinese bank due 2014, interest payable quarterly at 3.34% and 3.34%, respectively	7.0	7.0
Loan with Singapore bank, interest payable weekly at 1.92% and 1.94%, respectively	15.0	15.0
Loan with British finance company, interest payable monthly at 1.55% and 1.57%, respectively	—	0.2
U.S. real estate mortgages payable monthly through 2016 at an average rate of 4.86%	27.7	28.1
U.S. equipment financing payable monthly through 2016 at 2.94%	8.3	9.5
Canada equipment financing payable monthly through 2017 at 3.81%	5.5	5.9
Canada revolving line of credit, interest payable quarterly at 1.84% and 1.84%, respectively	15.0	15.0
Capital lease obligations	42.7	53.4
Long-term debt, including current maturities	920.2	942.2
Less: Current maturities	(173.7)	(181.6)
Long-term debt	<u>\$ 746.5</u>	<u>\$ 760.6</u>

- (1) This loan represents SCI LLC's unsecured loan with SMBC, which is guaranteed by the Company.
- (2) Interest is payable on June 15 and December 15 of each year at 2.625% annually. The 2.625% Notes, 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.

Expected maturities relating to the Company's long-term debt as of March 28, 2014 are as follows (in millions):

<u>Period</u>	<u>Expected Maturities</u>
Remainder of 2014	\$ 157.7
2015	74.1
2016	425.0
2017	39.1
2018	243.5
Thereafter	0.9
Total	<u>\$ 940.3</u>

For purposes of the table above, the convertible debt is assumed to mature at the earliest put date.

For additional information with respect to the Company's long-term debt, see Note 8: "Long-Term Debt" of the notes to the Company's audited Consolidated Financial Statements included in Part IV, Item 15 of the 2013 Form 10-K.

**Debt Guarantees**

ON Semiconductor was the sole issuer of the 2.625% Notes, Series B. See Note 15: "Guarantor and Non-Guarantor Statements" for the condensed consolidated financial information for the issuers of the 2.625% Notes, Series B, the guarantor subsidiaries and the non-guarantor subsidiaries.

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**Note 7: Earnings Per Share and Equity****Earnings Per Share**

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

	Quarter Ended	
	March 28, 2014	March 29, 2013
Net income attributable to ON Semiconductor Corporation	\$ 58.4	\$ 22.6
Basic weighted average common shares outstanding	440.4	449.5
Add: Incremental shares for:		
Dilutive effect of share-based awards	4.1	3.0
Dilutive effect of Convertible Notes	—	—
Diluted weighted average common shares outstanding	<u>444.5</u>	<u>452.5</u>
Net income per common share attributable to ON Semiconductor Corporation:		
Basic	<u>\$ 0.13</u>	<u>\$ 0.05</u>
Diluted	<u>\$ 0.13</u>	<u>\$ 0.05</u>

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

The number of incremental shares from the assumed exercise of stock options and assumed issuance of shares relating to restricted stock units is calculated by applying the treasury stock method. Share-based awards whose impact is considered to be anti-dilutive under the treasury stock method were excluded from the diluted net income per share calculation. The excluded number of anti-dilutive share-based awards was approximately 7.7 million and 12.5 million for the quarters ended March 28, 2014 and March 29, 2013, respectively.

The dilutive impact related to the Company's convertible notes is determined in accordance with the net share settlement requirements prescribed by ASC Topic 260, *Earnings Per Share*. Under the net share settlement calculation, the Company's convertible notes are assumed to be convertible into cash up to the par value, with the excess of par value being convertible into common stock. A dilutive effect occurs when the stock price exceeds the conversion price for each of the convertible notes. 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.

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**Equity***Share Repurchase Program*

Information relating to the Company's share repurchase program is as follows (in millions, except per share data):

	<u>Quarter Ended</u> <u>March 28, 2014</u>
Number of repurchased shares (1)	2.2
Beginning accrued share repurchases (2)	\$ 0.6
Aggregate purchase price	20.1
Fees, commissions and other expenses	—
Less: ending accrued share repurchases (3)	(1.3)
Total cash used for share repurchases	\$ 19.4
Weighted-average purchase price per share	\$ 9.12
Available for future purchases at period end	\$ 123.3

- (1) None of these shares had been reissued or retired as of March 28, 2014, but may be reissued or retired by the Company at a later date.
- (2) Represents unpaid amounts recorded in accrued expenses on the Company's Consolidated Balance Sheet as of December 31, 2013.
- (3) Represents unpaid amounts recorded in accrued expenses on the Company's Consolidated Balance Sheet as of March 28, 2014.

*Shares for Restricted Stock Units Tax Withholding*

Treasury stock is recorded at cost and is presented as a reduction of stockholders' equity in the accompanying consolidated financial statements. Shares, with a fair market value equal to the applicable statutory minimum amount of the employee withholding taxes due, are withheld by the Company upon the vesting of restricted stock units to pay the applicable statutory minimum amount of employee withholding taxes and are considered common stock repurchases. The Company then pays the applicable statutory minimum amount of withholding taxes in cash. The amount remitted for the quarter ended March 28, 2014 was \$4.5 million, for which the Company withheld approximately 0.5 million shares of common stock that were underlying the restricted stock units that vested. None of these shares had been reissued or retired as of March 28, 2014; however, these shares may be reissued or retired by the Company at a later date.

*Non-Controlling Interest*

The Company's entity which operates assembly and test operations in Leshan, China is owned by a joint venture company, Leshan-Phoenix Semiconductor Company Limited ("Leshan"). The Company owns a majority of the outstanding equity interests in Leshan and its investment in Leshan has been consolidated in the Company's financial statements.

At December 31, 2013, the non-controlling interest balance was \$32.8 million. This balance was increased to \$33.0 million at March 28, 2014 due to the non-controlling interest's \$0.2 million share of the earnings for the quarter ended March 28, 2014.

At December 31, 2012, the non-controlling interest balance was \$29.6 million. This balance increased to \$30.3 million at March 29, 2013 due to the non-controlling interest's \$0.7 million share of the earnings for the quarter ended March 29, 2013.

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**Note 8: Share-Based Compensation**

Total share-based compensation expense related to the Company's employee stock options, restricted stock units and ESPP for the quarters ended March 28, 2014 and March 29, 2013 was comprised as follows (in millions):

	Quarter Ended	
	March 28, 2014	March 29, 2013
Cost of revenues	\$ 1.4	\$ 1.1
Research and development	1.8	1.4
Selling and marketing	1.5	1.1
General and administrative	3.8	2.2
Share-based compensation expense before income taxes	<u>\$ 8.5</u>	<u>\$ 5.8</u>
Related income tax benefits <sup>(1)</sup>	—	—
Share-based compensation expense, net of taxes	<u>\$ 8.5</u>	<u>\$ 5.8</u>

<sup>(1)</sup> A majority of the Company's share-based compensation relates to its domestic subsidiaries; therefore, no related deferred income tax benefits are recorded due to historical net operating losses at those subsidiaries.

At March 28, 2014, total estimated unrecognized share-based compensation expense, net of estimated forfeitures, related to non-vested stock options granted prior to that date was \$4.8 million. At March 28, 2014, total estimated unrecognized share-based compensation expense, net of estimated forfeitures, related to non-vested restricted stock units with time-based service conditions and performance-based vesting criteria granted prior to that date was \$65.8 million. The total intrinsic value of stock options exercised during the quarter ended March 28, 2014 was \$3.3 million. The Company recorded cash received from the exercise of stock options of \$9.6 million during the quarter ended March 28, 2014. The Company recorded no related income tax benefits during the quarter ended March 28, 2014.

**Share-Based Compensation Information**

Share-based compensation expense recognized in the Consolidated Statement of Operations and Comprehensive Income 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 11.0% and 11.0% in the quarters ended March 28, 2014 and March 29, 2013, respectively. Pre-vesting forfeitures for restricted stock units were estimated to be approximately 5.0% and 4.0% in the quarters ended March 28, 2014 and March 29, 2013, respectively.

**Shares Available**

As of December 31, 2013, there was an aggregate of 37.4 million shares of common stock available for grant under the Company's Amended and Restated SIP and 4.3 million shares available for issuance under the ESPP. As of March 28, 2014, there was an aggregate of 37.1 million shares of common stock available for grant under the Amended and Restated SIP and 4.3 million shares available for issuance under the ESPP.



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**Stock Options**

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

	Quarter Ended March 28, 2014			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (In-The-Money)
Outstanding at December 31, 2013	14.0	\$ 7.89		
Granted	—	—		
Exercised	(1.4)	6.66		
Canceled	(0.2)	9.14		
Outstanding at March 28, 2014	<u>12.4</u>	<u>\$ 8.01</u>	<u>3.38</u>	<u>\$ 19.3</u>
Exercisable at March 28, 2014	<u>10.1</u>	<u>\$ 8.16</u>	<u>3.03</u>	<u>\$ 15.0</u>

Additional information about stock options outstanding at March 28, 2014 with exercise prices less than or above \$9.19 per share, the effective closing price of the Company's common stock at March 28, 2014, 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 \$9.19	6.2	\$ 6.75	2.2	\$ 7.25	8.4	\$ 6.88
Above \$9.19	3.9	\$ 10.37	0.1	\$ 10.64	4.0	\$ 10.37
Total outstanding	<u>10.1</u>	<u>\$ 8.16</u>	<u>2.3</u>	<u>\$ 7.40</u>	<u>12.4</u>	<u>\$ 8.01</u>

**Restricted Stock Units**

Restricted stock units vest over one to three years with service-based requirements or performance-based requirements and are payable in shares of the Company's common stock upon vesting. The following table presents a summary of the status of the Company's restricted stock units granted to certain officers and employees of the Company as of March 28, 2014, and changes during the quarter ended March 28, 2014 (number of shares in millions):

	Quarter Ended March 28, 2014	
	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested shares underlying restricted stock units at December 31, 2013	10.8	\$ 8.52
Granted	3.4	9.33
Released	(1.7)	8.34
Forfeited	(3.1)	10.17
Non-vested shares underlying restricted stock units at March 28, 2014	<u>9.4</u>	<u>\$ 8.31</u>

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**Note 9: Commitments and Contingencies****Leases**

The following is a schedule by year of future minimum lease obligations under non-cancelable operating leases as of March 28, 2014 (in millions):

Remainder of 2014	\$14.4
2015	14.7
2016	11.4
2017	9.0
2018	7.0
Thereafter	32.7
<b>Total</b>	<b><u>\$89.2</u></b>

**Environmental Contingencies**

The Company's headquarters in Phoenix, Arizona is located on property that is a "Superfund" site, which is a property listed on the National Priorities List and subject to clean-up activities under the Comprehensive Environmental Response, Compensation, and Liability Act. Motorola and Freescale have been involved in the clean-up of on-site solvent contaminated soil and groundwater and off-site contaminated groundwater pursuant to consent decrees with the State of Arizona. As part of the Company's August 4, 1999 recapitalization (the "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.

As part of the Recapitalization, the Company was granted various manufacturing facilities, one of which was located in the Czech Republic. In regards to this site, the Company has ongoing remediation projects to respond to releases of hazardous substances that occurred prior to the Recapitalization 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 have not been, and are not expected to be, material.

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

The Company's former 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 has worked with local authorities to implement a remediation plan and expects remaining remediation costs to be covered by insurance. Based on information available, any costs to the Company in connection with this matter have not been, and are not expected to be, material.

**Financing Contingencies**

In the normal course of business, the Company provides standby letters of credit or other guarantee instruments to certain parties initiated by either the Company or its subsidiaries, as required for transactions such as, but not limited to, purchase commitments, agreements to mitigate collection risk, leases, utilities or customs guarantees. The Company's senior revolving

**ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
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credit facility includes \$40.0 million of availability for the issuance of letters of credit. A \$0.2 million letter of credit was outstanding under the senior revolving credit facility as of March 28, 2014. The Company also had outstanding guarantees and letters of credit outside of its senior revolving credit facility totaling \$6.2 million as of March 28, 2014.

As part of securing financing in the normal course of business, the Company issued guarantees related to its receivables financing, certain capital lease obligations, equipment financing, lines of credit and real estate mortgages, which totaled approximately \$69.7 million as of March 28, 2014. The Company is also a guarantor of SCI LLC's unsecured loan with SMBC, which had a balance of \$264.3 million as of March 28, 2014. See Note 6: "Long-Term Debt" for further information on this loan.

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

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

The Company and its subsidiaries provide for indemnification of directors, officers and other persons in accordance with limited liability 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.

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 previous 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.

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**Note 10: Fair Value Measurements**

**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 March 28, 2014 and December 31, 2013 (in millions):

Description	Balance as of March 28, 2014	Quoted Prices in Active Markets (Level 1)	Balance as of December 31, 2013	Quoted Prices in Active Markets (Level 1)
<b>Assets:</b>				
Cash and cash equivalents:				
Demand and time deposits	\$ 438.9	\$ 438.9	\$ 447.5	\$ 447.5
Money market funds	123.1	123.1	62.0	62.0
<b>Other Current Assets:</b>				
Foreign currency exchange contracts	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Foreign currency exchange contracts	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>

Short-term investments have an original maturity to the Company between three months and one year, are classified as held-to-maturity and are carried at amortized cost as the Company has the intent and the ability to hold these securities until maturity. Short-term investments classified as held-to-maturity as of March 28, 2014 and December 31, 2013 were as follows (in millions):

Short-term investments held-to-maturity	Balance at March 28, 2014		Balance at December 31, 2013	
	Carried at Amortized Cost	Fair Value	Carried at Amortized Cost	Fair Value
Commercial paper	\$ 11.5	\$ 11.5	\$ 15.5	\$ 15.5
Corporate bonds	43.5	43.5	93.7	93.7
Government agencies	—	—	7.0	7.0
	<u>\$ 55.0</u>	<u>\$ 55.0</u>	<u>\$ 116.2</u>	<u>\$ 116.2</u>

The Company's financial assets are valued using market prices on active markets (Level 1). The Company's short-term investments balance of \$55.0 million as of March 28, 2014 is classified as held-to-maturity and is carried at amortized cost. There was no unrealized gain or loss on these short-term investments as of March 28, 2014.

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

**Fair Value of Long-Term Debt, Including Current Portion**

The carrying amounts and fair values of the Company's long-term borrowings (excluding capital lease obligations, real estate mortgages and equipment financing) as of March 28, 2014 and December 31, 2013 are as follows (in millions):

Long-term debt, including current portion	March 28, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Convertible Notes	\$ 336.8	\$ 431.9	\$ 335.2	\$ 392.6
Long-term debt	\$ 499.2	\$ 500.1	\$ 510.2	\$ 511.4

The fair value of the Company's Convertible Notes was estimated based on market prices in active markets (Level 1). The fair value of other long-term debt was estimated based on discounting the remaining principal and interest payments using current market rates for similar debt (Level 2) as of March 28, 2014 and December 31, 2013.

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**Note 11: 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 associated with transactions currently on its balance sheet.

As of March 28, 2014 and December 31, 2013, the Company had outstanding foreign exchange contracts with notional amounts of \$116.6 million and \$101.7 million, respectively. Such contracts were obtained through financial institutions and were scheduled to mature within one to 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 underlying assets, liabilities and transactions to which they are related. The following schedule shows the Company's net foreign exchange positions in U.S. dollars as of March 28, 2014 and December 31, 2013 (in millions):

	March 28, 2014		December 31, 2013	
	Buy (Sell)	Notional Amount	Buy (Sell)	Notional Amount
Euro	\$ (36.3)	\$ 36.3	\$ (30.5)	\$ 30.5
Japanese Yen	(9.2)	9.2	(6.7)	6.7
Malaysian Ringgit	37.8	37.8	35.8	35.8
Philippine Peso	15.6	15.6	11.7	11.7
Other Currencies	11.6	17.7	10.6	17.0
	<u>\$ 19.5</u>	<u>\$ 116.6</u>	<u>\$ 20.9</u>	<u>\$ 101.7</u>

The Company is exposed to credit-related losses if counterparties to its foreign exchange contracts fail to perform their obligations. As of March 28, 2014, the counterparties to the Company's foreign exchange contracts are highly rated financial institutions 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 the quarter ended March 28, 2014, the realized and unrealized foreign currency transaction loss was \$0.7 million. For the quarter ended March 29, 2013, the realized and unrealized foreign currency transaction gain was \$0.7 million.

**Cash Flow Hedges**

The Company is exposed to global market risks associated with fluctuations in interest rates and foreign currency exchange rates. The Company addresses these risks through controlled management that includes the use of derivative financial instruments to economically hedge or reduce these exposures. The Company does not enter into derivative financial instruments for trading or speculative purposes.

The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual cash flows resulting from transactions in foreign currencies will be adversely affected by changes in exchange rates. The Company enters into forward contracts that are designated as foreign-currency cash flow hedges of selected forecasted payments denominated in currencies other than U.S. dollars. All the contracts mature within 12 months and upon maturity, the amount recorded in accumulated other comprehensive income is reclassified into earnings. The Company documents all relationships between designated hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions.

All derivatives are recognized on the balance sheet at their fair value and classified based on the instrument's maturity date. The total notional amount of outstanding derivatives designated as cash flow hedges as of March 28, 2014 was approximately \$47.8 million, which is primarily comprised of cash flow hedges for Malaysian Ringgit/U.S. dollar and Philippine Peso/U.S. dollar currency pairs.

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For the quarter ended March 28, 2014, the Company recorded a net loss of \$1.3 million associated with cash flow hedges recognized as a component of cost of revenues. As of March 28, 2014, the Company had a \$0.4 million liability balance for contracts designated as cash flow hedging instruments that were classified as other liabilities. As of December 31, 2013, the Company had a \$1.8 million liability balance for contracts designated as cash flow hedging instruments which were classified as other liabilities.

**Note 12: Changes in Accumulated Other Comprehensive Loss**

Amounts comprising the Company's accumulated other comprehensive loss and reclassifications for the quarter ended March 28, 2014 are as follows (net of tax of \$0, in millions):

	Foreign Currency Translation Adjustments	Effects of Cash Flow Hedges	Unrealized Gains and Losses on Available-for-Sale Securities	Total
Balance as of December 31, 2013	\$ (46.0)	\$ (1.8)	\$ 0.4	\$ (47.4)
Other comprehensive income (loss) prior to reclassifications	(0.4)	2.7	—	2.3
Amounts reclassified from accumulated other comprehensive loss	—	(1.3)	—	(1.3)
Net current period other comprehensive gain	(0.4)	1.4	—	1.0
Balance as of March 28, 2014	<u>\$ (46.4)</u>	<u>\$ (0.4)</u>	<u>\$ 0.4</u>	<u>\$ (46.4)</u>

Amounts which were reclassified from accumulated other comprehensive loss to the Company's Consolidated Statements of Operations and Comprehensive Income during the quarter ended March 28, 2014 were as follows (net of tax of \$0, in millions):

	Amounts Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item Where Net Income is Presented
Effects of cash flow hedges	\$ (1.3)	Cost of revenues

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**Note 13: Supplemental Disclosures**
**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):

	For the Quarter Ended	
	March 28, 2014	March 29, 2013
Non-cash financing activities:		
Capital expenditures in accounts payable	\$ 54.8	\$ 53.2
Equipment acquired or refinanced through capital leases	\$ 0.4	\$ 0.4
Cash (received) paid for:		
Interest income	\$ (0.2)	\$ (0.3)
Interest expense	\$ 2.8	\$ 2.0
Income taxes	\$ 5.3	\$ 2.5

**Note 14: Segment Information**

As of March 28, 2014, the Company was organized into three operating segments, which also represented its three reporting segments: Application Products Group, Standard Products Group and System Solutions Group. Each of the Company's major product lines has been examined and each product line has been assigned to a segment 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 and allocation of resources.

Revenues, gross profit and operating income for the Company's reportable segments for the quarters ended March 28, 2014 and March 29, 2013 are as follows (in millions):

	Application Products Group	Standard Products Group	System Solutions Group	Total
For the quarter ended March 28, 2014:				
Revenues from external customers	\$ 279.5	\$ 292.9	\$ 134.1	\$ 706.5
Segment gross profit	\$ 126.1	\$ 106.2	\$ 25.0	\$ 257.3
Segment operating income (loss)	\$ 37.8	\$ 60.2	\$ (8.7)	\$ 89.3
For the quarter ended March 29, 2013:				
Revenues from external customers	\$ 245.0	\$ 265.2	\$ 150.8	\$ 661.0
Segment gross profit	\$ 106.9	\$ 94.5	\$ 8.6	\$ 210.0
Segment operating income (loss)	\$ 27.5	\$ 57.6	\$ (45.7)	\$ 39.4

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

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):

	Quarter Ended	
	March 28, 2014	March 29, 2013
Gross profit for reportable segments	\$ 257.3	\$ 210.0
Unallocated amounts:		
Other unallocated manufacturing costs	(6.5)	(5.5)
Gross profit	\$ 250.8	\$ 204.5
Operating income for reportable segments	\$ 89.3	39.4
Unallocated amounts:		
Restructuring and other charges	(5.8)	6.0
Other unallocated manufacturing costs	(6.5)	(5.5)
Other unallocated operating expenses	(3.7)	(2.2)
Operating income	\$ 73.3	\$ 37.7

The Company's consolidated assets are not specifically assigned to its individual reporting segments. Rather, assets used in operations are generally shared across the Company's reporting segments. See Note 5: "Balance Sheet Information" for additional information.

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.

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

	Quarter Ended	
	March 28, 2014	March 29, 2013
United States	\$ 112.0	\$ 98.9
Japan	65.3	71.7
China	202.7	199.4
Singapore	180.4	166.4
United Kingdom	117.2	97.7
Other	28.9	26.9
	\$ 706.5	\$ 661.0

For the quarters ended March 28, 2014 and March 29, 2013, there were no individual customers which accounted for more than 10% of the Company's total revenues.

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

	March 28, 2014	December 31, 2013
United States	\$ 254.3	\$ 255.3
Czech Republic	111.3	111.1
Malaysia	218.9	213.9
Philippines	173.2	173.8
Other	323.7	320.1
	\$1,081.4	\$ 1,074.2



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

**Note 15: Guarantor and Non-Guarantor Statements**

ON Semiconductor is the sole issuer of the 2.625% Notes, Series B. ON Semiconductor's 100% owned domestic subsidiaries, except those domestic subsidiaries acquired through the acquisitions of AMIS, Catalyst, PulseCore, CMD, SDT, and SANYO Semiconductor (collectively, the "Guarantor Subsidiaries"), fully and unconditionally guarantee, subject to customary releases, on a joint and several basis ON Semiconductor's obligations under the 2.625% Notes, Series B. 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 2.625% Notes, Series B. The repayment of the unsecured 2.625% Notes, Series B is subordinated to the senior indebtedness of ON Semiconductor and the Guarantor Subsidiaries on the terms described in the indenture for the 2.625% Notes, Series B.

Condensed consolidating financial information for the issuer of the 2.625% Notes, Series B, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries is as follows (in millions):

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

**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF MARCH 28, 2014**  
(in millions)

	Issuer	Guarantor		Non-Guarantor Subsidiaries	Eliminations	Total
	ON Semiconductor Corporation	SCI LLC	Other Subsidiaries			
Cash and cash equivalents	\$ —	\$ 314.1	\$ —	\$ 247.9	\$ —	\$ 562.0
Short-term investments	—	55.0	—	—	—	55.0
Receivables, net	—	58.8	—	358.3	—	417.1
Inventories	—	46.4	—	565.4	2.1	613.9
Short-term intercompany receivables	—	—	4.1	46.5	(50.6)	—
Other current assets	—	19.9	—	69.4	—	89.3
<b>Total current assets</b>	<b>—</b>	<b>494.2</b>	<b>4.1</b>	<b>1,287.5</b>	<b>(48.5)</b>	<b>1,737.3</b>
Property, plant and equipment, net	—	251.2	3.1	828.8	(1.7)	1,081.4
Goodwill	—	111.6	37.3	35.7	—	184.6
Intangible assets, net	—	109.3	—	126.8	(20.8)	215.3
Long-term intercompany receivables	—	—	—	1.5	(1.5)	—
Other assets	1,847.8	1,756.5	136.7	841.3	(4,514.2)	68.1
<b>Total assets</b>	<b>\$ 1,847.8</b>	<b>\$ 2,722.8</b>	<b>\$ 181.2</b>	<b>\$ 3,121.6</b>	<b>\$ (4,586.7)</b>	<b>\$ 3,286.7</b>
Accounts payable	\$ —	\$ 35.9	\$ 0.2	\$ 240.6	\$ —	\$ 276.7
Accrued expenses	4.0	46.0	0.3	171.8	—	222.1
Deferred income on sales to distributors	—	36.6	—	115.1	—	151.7
Current portion of long-term debt	—	71.8	—	101.9	—	173.7
Short-term intercompany payables	—	50.6	—	—	(50.6)	—
<b>Total current liabilities</b>	<b>4.0</b>	<b>240.9</b>	<b>0.5</b>	<b>629.4</b>	<b>(50.6)</b>	<b>824.2</b>
Long-term debt	336.9	382.7	—	26.9	—	746.5
Other long-term liabilities	—	38.4	0.1	137.6	—	176.1
Long-term intercompany payables	—	1.5	—	—	(1.5)	—
<b>Total liabilities</b>	<b>340.9</b>	<b>663.5</b>	<b>0.6</b>	<b>793.9</b>	<b>(52.1)</b>	<b>1,746.8</b>
Common stock	5.2	24.6	50.9	173.9	(249.4)	5.2
Additional paid-in capital	3,228.9	2,365.8	259.8	1,402.6	(4,028.2)	3,228.9
Accumulated other comprehensive loss	(46.4)	(48.0)	—	(39.1)	87.1	(46.4)
Accumulated deficit	(1,083.7)	(283.1)	(130.1)	790.3	(377.1)	(1,083.7)
Less: treasury stock, at cost	(597.1)	—	—	—	—	(597.1)
Total ON Semiconductor Corporation stockholders' equity	1,506.9	2,059.3	180.6	2,327.7	(4,567.6)	1,506.9
Non-controlling interest in consolidated subsidiary	—	—	—	—	33.0	33.0
<b>Total equity</b>	<b>1,506.9</b>	<b>2,059.3</b>	<b>180.6</b>	<b>2,327.7</b>	<b>(4,534.6)</b>	<b>1,539.9</b>
<b>Total liabilities and equity</b>	<b>\$ 1,847.8</b>	<b>\$ 2,722.8</b>	<b>\$ 181.2</b>	<b>\$ 3,121.6</b>	<b>\$ (4,586.7)</b>	<b>\$ 3,286.7</b>

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

**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF DECEMBER 31, 2013**  
(in millions)

	Issuer	Guarantor		Non-Guarantor Subsidiaries	Eliminations	Total
	ON Semiconductor Corporation	SCI LLC	Other Subsidiaries			
Cash and cash equivalents	\$ —	\$ 267.9	\$ —	\$ 241.6	\$ —	\$ 509.5
Short-term investments	—	116.2	—	—	—	116.2
Receivables, net	—	49.8	—	333.6	—	383.4
Inventories	—	46.7	—	562.1	3.0	611.8
Short-term intercompany receivables	—	—	4.1	7.6	(11.7)	—
Other current assets	—	17.8	—	71.5	—	89.3
<b>Total current assets</b>	<b>—</b>	<b>498.4</b>	<b>4.1</b>	<b>1,216.4</b>	<b>(8.7)</b>	<b>1,710.2</b>
Property, plant and equipment, net	—	252.3	3.1	820.6	(1.8)	1,074.2
Goodwill	—	111.5	37.3	35.8	—	184.6
Intangible assets, net	—	113.0	—	132.2	(21.8)	223.4
Long-term intercompany receivables	—	—	—	3.3	(3.3)	—
Other assets	1,790.2	1,600.6	136.1	837.3	(4,299.6)	64.6
<b>Total assets</b>	<b>\$ 1,790.2</b>	<b>\$2,575.8</b>	<b>\$ 180.6</b>	<b>\$ 3,045.6</b>	<b>\$ (4,335.2)</b>	<b>\$ 3,257.0</b>
Accounts payable	\$ —	\$ 39.1	0.5	237.2	—	\$ 276.8
Accrued expenses	1.0	50.8	0.2	168.3	—	220.3
Deferred income on sales to distributors	—	32.3	—	108.2	—	140.5
Current portion of long-term debt	—	79.3	—	102.3	—	181.6
Short-term intercompany payables	—	11.7	—	—	(11.7)	—
<b>Total current liabilities</b>	<b>1.0</b>	<b>213.2</b>	<b>0.7</b>	<b>616.0</b>	<b>(11.7)</b>	<b>819.2</b>
Long-term debt	335.2	396.1	—	29.3	—	760.6
Other long-term liabilities	—	42.2	0.1	148.1	—	190.4
Long-term intercompany payables	—	3.3	—	—	(3.3)	—
<b>Total liabilities</b>	<b>336.2</b>	<b>654.8</b>	<b>0.8</b>	<b>793.4</b>	<b>(15.0)</b>	<b>1,770.2</b>
Common stock	5.2	0.3	50.9	201.6	(252.8)	5.2
Additional paid-in capital	3,210.8	2,335.1	259.8	1,402.6	(3,997.5)	3,210.8
Accumulated other comprehensive loss	(47.4)	(49.2)	—	(38.6)	87.8	(47.4)
Accumulated deficit	(1,142.1)	(365.2)	(130.9)	686.6	(190.5)	(1,142.1)
Less: treasury stock, at cost	(572.5)	—	—	—	—	(572.5)
<b>Total ON Semiconductor Corporation stockholders' equity</b>	<b>1,454.0</b>	<b>1,921.0</b>	<b>179.8</b>	<b>2,252.2</b>	<b>(4,353.0)</b>	<b>1,454.0</b>
Non-controlling interest in consolidated subsidiary	—	—	—	—	32.8	32.8
<b>Total equity</b>	<b>1,454.0</b>	<b>1,921.0</b>	<b>179.8</b>	<b>2,252.2</b>	<b>(4,320.2)</b>	<b>1,486.8</b>
<b>Total liabilities and equity</b>	<b>\$ 1,790.2</b>	<b>\$2,575.8</b>	<b>\$ 180.6</b>	<b>\$ 3,045.6</b>	<b>\$ (4,335.2)</b>	<b>\$ 3,257.0</b>

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

**CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED MARCH 28, 2014**  
**(in millions)**

	Issuer	Guarantor		Non-	Eliminations	Total
	ON Semiconductor Corporation	SCI LLC	Other Subsidiaries			
Revenues	\$ —	\$ 170.0	\$ 3.9	\$ 974.1	\$ (441.5)	\$ 706.5
Cost of revenues	—	139.4	0.2	756.7	(440.6)	455.7
Gross profit	—	30.6	3.7	217.4	(0.9)	250.8
Operating expenses:						
Research and development	—	12.2	3.0	62.9	—	78.1
Selling and marketing	—	19.3	0.2	24.9	—	44.4
General and administrative	—	13.2	0.3	27.5	—	41.0
Amortization of acquisition related intangible assets	—	3.7	—	5.5	(1.0)	8.2
Restructuring, asset impairments and other, net	—	0.4	—	5.4	—	5.8
Total operating expenses	—	48.8	3.5	126.2	(1.0)	177.5
Operating income (loss)	—	(18.2)	0.2	91.2	0.1	73.3
Other income (expense), net:						
Interest expense	(4.0)	(3.5)	—	(0.6)	—	(8.1)
Interest income	—	0.1	—	0.1	—	0.2
Other	—	(0.6)	—	—	—	(0.6)
Equity in earnings	62.4	98.6	0.6	—	(161.6)	—
Other income (expense), net	58.4	94.6	0.6	(0.5)	(161.6)	(8.5)
Income before income taxes	58.4	76.4	0.8	90.7	(161.5)	64.8
Income tax provision	—	5.7	—	(11.9)	—	(6.2)
Net income	58.4	82.1	0.8	78.8	(161.5)	58.6
Net income attributable to non-controlling interest	—	—	—	—	(0.2)	(0.2)
Net income attributable to ON Semiconductor Corporation	<u>\$ 58.4</u>	<u>\$ 82.1</u>	<u>\$ 0.8</u>	<u>\$ 78.8</u>	<u>\$ (161.7)</u>	<u>\$ 58.4</u>
Comprehensive income attributable to ON Semiconductor Corporation	<u>\$ 59.4</u>	<u>\$ 83.3</u>	<u>\$ 0.8</u>	<u>\$ 78.4</u>	<u>\$ (162.5)</u>	<u>\$ 59.4</u>

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

**CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED MARCH 29, 2013**  
(in millions)

	Issuer	Guarantor		Non-	Eliminations	Total
	ON Semiconductor Corporation	SCI LLC	Other Subsidiaries			
Revenues	\$ —	\$ 178.1	\$ 3.2	\$ 947.8	\$ (468.1)	\$661.0
Cost of revenues	—	112.3	0.2	819.2	(475.2)	456.5
Gross profit	—	65.8	3.0	128.6	7.1	204.5
Operating expenses:						
Research and development	—	41.6	2.5	44.3	—	88.4
Selling and marketing	—	16.7	0.1	23.0	—	39.8
General and administrative	—	5.1	0.2	30.9	—	36.2
Amortization of acquisition related intangible assets	—	3.8	—	5.6	(1.0)	8.4
Restructuring, asset impairments and other, net	—	1.0	—	(7.0)	—	(6.0)
Total operating expenses	—	68.2	2.8	96.8	(1.0)	166.8
Operating income (loss)	—	(2.4)	0.2	31.8	8.1	37.7
Other income (expense), net:						
Interest expense	(6.1)	(2.4)	—	(1.6)	—	(10.1)
Interest income	—	0.2	—	0.1	—	0.3
Other	—	7.8	—	(6.9)	—	0.9
Loss on debt exchange	(3.1)	—	—	—	—	(3.1)
Equity in earnings	31.8	24.9	1.6	(0.1)	(58.2)	—
Other income (expense), net	22.6	30.5	1.6	(8.5)	(58.2)	(12.0)
Income before income taxes	22.6	28.1	1.8	23.3	(50.1)	25.7
Income tax provision	—	2.2	—	(4.6)	—	(2.4)
Net income	22.6	30.3	1.8	18.7	(50.1)	23.3
Net income attributable to non-controlling interest	—	—	—	—	(0.7)	(0.7)
Net income attributable to ON Semiconductor Corporation	<u>\$ 22.6</u>	<u>\$ 30.3</u>	<u>\$ 1.8</u>	<u>\$ 18.7</u>	<u>\$ (50.8)</u>	<u>\$ 22.6</u>
Comprehensive income attributable to ON Semiconductor Corporation	<u>\$ 13.3</u>	<u>\$ 19.8</u>	<u>\$ 1.8</u>	<u>\$ 10.1</u>	<u>\$ (31.7)</u>	<u>\$ 13.3</u>

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

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE QUARTER ENDED MARCH 28, 2014**  
**(in millions)**

	Issuer	Guarantor Subsidiaries		Non- Guarantor Subsidiaries	Eliminations	Total
	ON Semiconductor Corporation	SCI LLC	Other Subsidiaries			
Net cash provided by operating activities	\$ —	\$ 27.3	\$ 0.5	\$ 47.1	\$ —	\$ 74.9
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(14.9)	(0.5)	(32.3)	—	(47.7)
Proceeds from sales of property, plant and equipment	—	0.6	—	(0.4)	—	0.2
Deposits utilized for purchases of property, plant and equipment	—	—	—	1.2	—	1.2
Proceeds from held-to-maturity securities	—	63.5	—	—	—	63.5
Purchases of held-to-maturity securities	—	(2.3)	—	—	—	(2.3)
Contribution from subsidiaries	14.3	—	—	—	(14.3)	—
Net cash provided by (used in) investing activities	<u>14.3</u>	<u>46.9</u>	<u>(0.5)</u>	<u>(31.5)</u>	<u>(14.3)</u>	<u>14.9</u>
Cash flows from financing activities:						
Intercompany loans	—	(147.9)	—	147.9	—	—
Intercompany loan repayments to guarantor	—	146.1	—	(146.1)	—	—
Payments to parent	—	(14.3)	—	—	14.3	—
Proceeds from exercise of stock options	9.6	—	—	—	—	9.6
Payments of tax withholding for restricted shares	(4.5)	—	—	—	—	(4.5)
Repurchase of common stock	(19.4)	—	—	—	—	(19.4)
Payment of capital leases obligations	—	(10.3)	—	(0.8)	—	(11.1)
Repayment of long-term debt	—	(1.6)	—	(11.3)	—	(12.9)
Net cash used in financing activities	<u>(14.3)</u>	<u>(28.0)</u>	<u>—</u>	<u>(10.3)</u>	<u>14.3</u>	<u>(38.3)</u>
Effect of exchange rate changes on cash and cash equivalents	—	—	—	1.0	—	1.0
Net increase in cash and cash equivalents	—	46.2	—	6.3	—	52.5
Cash and cash equivalents, beginning of period	—	267.9	—	241.6	—	509.5
Cash and cash equivalents, end of period	<u>\$ —</u>	<u>\$ 314.1</u>	<u>\$ —</u>	<u>\$ 247.9</u>	<u>\$ —</u>	<u>\$ 562.0</u>

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

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE QUARTER ENDED MARCH 29, 2013**  
**(in millions)**

	Issuers	Guarantor Subsidiaries		Non- Guarantor Subsidiaries	Eliminations	Total
	ON Semiconductor Corporation	SCI LLC	Other Subsidiaries			
Net cash provided by operating activities	\$ —	\$ (10.0)	\$ —	\$ 95.2	\$ —	\$ 85.2
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(3.9)	—	(35.0)	—	(38.9)
Proceeds from sales of property, plant and equipment	—	0.1	—	7.9	—	8.0
Deposits utilized for purchases of property, plant and equipment	—	—	—	1.4	—	1.4
Proceeds from held-to maturity securities	—	73.5	—	—	—	73.5
Purchase of held-to-maturity securities	—	(6.0)	—	—	—	(6.0)
Contribution from subsidiaries	75.9	—	—	—	(75.9)	—
Net cash provided by (used in) investing activities	<u>75.9</u>	<u>63.7</u>	<u>—</u>	<u>(25.7)</u>	<u>(75.9)</u>	<u>38.0</u>
Cash flows from financing activities:						
Intercompany loans	—	(213.3)	—	213.3	—	—
Intercompany loan repayments to guarantor	—	378.4	—	(378.4)	—	—
Payments to parent	—	(75.9)	—	—	75.9	—
Proceeds from exercise of stock options	3.8	—	—	—	—	3.8
Payments of tax withholding for restricted shares	(2.2)	—	—	—	—	(2.2)
Proceeds from debt issuance	—	—	—	26.2	—	26.2
Payment of capital leases obligations	—	(10.3)	—	(1.2)	—	(11.5)
Repayment of long-term debt	(77.5)	(1.4)	—	(2.6)	—	(81.5)
Net cash (used in) provided by financing activities	<u>(75.9)</u>	<u>77.5</u>	<u>—</u>	<u>(142.7)</u>	<u>75.9</u>	<u>(65.2)</u>
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(7.9)	—	(7.9)
Net increase (decrease) in cash and cash equivalents	—	131.2	—	(81.1)	—	50.1
Cash and cash equivalents, beginning of period	—	212.1	—	274.8	—	486.9
Cash and cash equivalents, end of period	<u>\$ —</u>	<u>\$ 343.3</u>	<u>\$ —</u>	<u>\$ 193.7</u>	<u>\$ —</u>	<u>\$ 537.0</u>

See also Note 9: "Commitments and Contingencies—Financing Contingencies" for further discussion of the Company's guarantees.

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

**Note 16: Subsequent Events**

***Acquisition of Truesense Imaging, Inc.***

On April 2, 2014, the Company entered into a stock purchase agreement (the “Stock Purchase Agreement”) with Sensor Holding Corporation (“Sensor”), the stockholders of Sensor, Sensor Intermediate Holding Corporation (“Sensor Intermediate”), and the subsidiaries of Sensor Intermediate, including Truesense Imaging, Inc. (“Truesense”), pursuant to which, upon the satisfaction of certain conditions, the Company would acquire all of the shares of Sensor for an estimated purchase price of approximately \$92.0 million, subject to customary closing adjustments. The acquisition closed on April 30, 2014, for a total purchase price of approximately \$95.0 million, after closing adjustments for cash and working capital amounts. Truesense is a leading provider of high-performance image sensor devices addressing a wide range of industrial end-markets, including machine vision, surveillance, traffic monitoring, medical and scientific imaging and photography.



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

You should read the following discussion in conjunction with our audited historical consolidated financial statements, which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (“2013 Form 10-K”), filed with the Securities and Exchange Commission (the “Commission”) on February 21, 2014, and our unaudited consolidated financial statements for the fiscal quarter ended March 28, 2014, included elsewhere in this Form 10-Q. Management’s Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risk, uncertainties, and other factors. Actual results could differ materially because of the factors discussed below or elsewhere in this Form 10-Q. See Part II, Item 1A. “Risk Factors” of this Form 10-Q and Part I, Item 1A. “Risk Factors” of our 2013 Form 10-K.

**Company Highlights for the Quarter Ended March 28, 2014**

- Total revenues of approximately \$706.5 million
- Gross margin of approximately 35.5%
- Net income of \$0.13 per diluted share
- Cash, cash equivalents and short-term investments of approximately \$617.0 million
- Completed the repurchase of approximately 2.2 million shares of common stock pursuant to our previously announced share repurchase program

**Executive Overview**

This Executive Overview presents summary information regarding our industry, markets, business and operating trends only. For further information regarding the events summarized herein, see Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in its entirety.

**Industry Overview**

We participate in unit and revenue surveys and use data summarized by the WSTS group to evaluate overall semiconductor market trends and to track our progress against the market in the areas we provide semiconductor components. The most recently published estimates from WSTS project a compound annual growth rate in our serviceable addressable market of approximately 4% during 2014 through 2016. These are not our projections and may not be indicative of actual results. We, like many of our competitors, view this information as helpful third party projections and estimates.

**Business Overview**

ON Semiconductor Corporation and its subsidiaries (“we,” “us,” “our,” “ON Semiconductor,” or the “Company”) is driving innovation in energy efficient electronics. Our extensive portfolio of power and signal management, logic, discrete and custom devices helps customers efficiently solve their design challenges in advanced electronic systems and products. Our power management and motor driver semiconductor components control, convert, protect and monitor the supply of power to the different elements within a wide variety of electronic devices. Our custom ASICs use analog, DSP, mixed-signal and advanced logic capabilities to act as the brain behind many of our automotive, medical, military/aerospace, consumer and industrial customers’ products. Our data management semiconductor components provide high-performance clock management and data flow management for precision computing, communications and industrial systems. Our image sensors, optical image stabilization and auto focus devices provide advanced imaging solutions for optical systems. Our standard semiconductor components serve as “building blocks” within virtually all types of electronic devices. These various products fall into the logic, analog, discrete, image sensors and memory categories used by the WSTS group.

Subsequent to March 28, 2014, we completed the purchase of Truesense Imaging, Inc. (“Truesense”), whereby Truesense became our wholly-owned subsidiary. The aggregate purchase price of this transaction was approximately \$95.0 million after closing adjustments for cash and working capital amounts. See Note 16: “Subsequent Events” of the notes to our unaudited consolidated financial statement located elsewhere in this Form 10-Q for additional information.

We serve a broad base of end-user markets, including automotive, communications, computing, consumer electronics, medical, industrial, smart grid and military/aerospace. Our devices are found in a wide variety of end-products including automotive electronics, smartphones, media tablets, wearable electronics, computers, servers, industrial building and home automation systems, consumer white goods, LED lighting, power supplies, networking and telecom equipment, medical diagnostics, imaging and hearing health, and sensor networks.

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Our portfolio of devices enables us to offer advanced ICs and the “building block” components that deliver system level functionality and design solutions. Our extensive product portfolio consisted of approximately 46,000 products as of March 28, 2014 and we shipped approximately 10.9 billion units in the first three months of 2014, as compared to 9.9 billion units in the first three months of 2013. We offer micro packages, which provide increased performance characteristics while reducing the critical board space inside today’s ever shrinking electronic devices and power modules, delivering improved energy efficiency and reliability for a wide variety of high power applications. We believe that our ability to offer a broad range of products, combined with our global manufacturing and logistics network, provides our customers with single source purchasing on a cost-effective and timely basis.

### **Segments**

As of March 28, 2014, we were organized into three operating segments, which also represented our three reporting segments: Application Products Group, Standard Products Group, and System Solutions Group. Each of our major product lines has been assigned to a segment 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 associated with our operating segments, and may move product families or individual devices from one operating segment to another.

### **Business and 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. While there have been recent indications of improving conditions, our business environment continues to experience significant uncertainty and volatility. We have historically reviewed, and will continue to review, our cost structure, capital investments and other expenditures to align our spending and capacity with our current sales and manufacturing projections.

### **Outlook**

#### ***ON Semiconductor Second Quarter 2014 Outlook***

Based upon product booking trends, backlog levels, and estimated turns levels, we estimate that our revenues will be approximately \$738 million to \$768 million in the second quarter of 2014. Backlog levels for the second quarter of 2014 represent approximately 80% to 85% of our anticipated second quarter 2014 revenues. We estimate average selling prices for the second quarter of 2014 will be down approximately 1% when compared to the first quarter of 2014. For the second quarter of 2014, we estimate that gross margin as a percentage of revenues will be approximately 34.7% to 36.6%. Our guidance for the second quarter of 2014 includes the contribution from our acquisition of Truesense, which closed on April 30, 2014. See Note 16: “Subsequent Events” of the notes to our unaudited consolidated financial statements located elsewhere in this Form 10-Q for additional information.

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**Results of Operations**

**Quarter Ended March 28, 2014 Compared to the Quarter Ended March 29, 2013**

The following table summarizes certain information relating to our operating results that has been derived from our unaudited consolidated financial statements for the quarters ended March 28, 2014 and March 29, 2013 (in millions):

	Quarter Ended		Dollar Change
	March 28, 2014	March 29, 2013	
Revenues	\$ 706.5	\$ 661.0	\$ 45.5
Cost of revenues	455.7	456.5	(0.8)
Gross profit	250.8	204.5	46.3
Operating expenses:			
Research and development	78.1	88.4	(10.3)
Selling and marketing	44.4	39.8	4.6
General and administrative	41.0	36.2	4.8
Amortization of acquisition-related intangible assets	8.2	8.4	(0.2)
Restructuring, asset impairments and other, net	5.8	(6.0)	11.8
Total operating expenses	177.5	166.8	10.7
Operating income	73.3	37.7	35.6
Other income (expense), net:			
Interest expense	(8.1)	(10.1)	2.0
Interest income	0.2	0.3	(0.1)
Other	(0.6)	0.9	(1.5)
Loss on debt exchange	—	(3.1)	3.1
Other income (expense), net	(8.5)	(12.0)	3.5
Income before income taxes	64.8	25.7	39.1
Income tax provision	(6.2)	(2.4)	(3.8)
Net income	58.6	23.3	35.3
Less: Net income attributable to non-controlling interest	(0.2)	(0.7)	0.5
Net income attributable to ON Semiconductor Corporation	\$ 58.4	\$ 22.6	\$ 35.8

**Revenues**

Revenues were \$706.5 million and \$661.0 million for the quarters ended March 28, 2014 and March 29, 2013, respectively. The increase in revenues for the quarter ended March 28, 2014 compared to the quarter ended March 29, 2013 was attributed to our Application Products Group and Standard Products Group, both of which experienced increases in revenue as a result of an improved demand environment, partially offset by decreased revenue from our System Solutions Group due to a weakened Yen and the continued impact of a softening of the consumer end-markets.

As compared to the quarter ended March 29, 2013, we experienced a decline in average selling prices of approximately 5%, offset by favorable changes in volume and mix, which resulted in a net increase in revenue of approximately 7% for the quarter ended March 28, 2014.

Our revenues by reportable segment for the quarters ended March 28, 2014 and March 29, 2013 were as follows (dollars in millions):

	Quarter Ended March 28, 2014	As a % of Total Revenue <sup>(1)</sup>	Quarter Ended March 29, 2013	As a % of Total Revenue <sup>(1)</sup>
Application Products Group	\$ 279.5	39.6%	\$ 245.0	37.1%
Standard Products Group	292.9	41.5%	265.2	40.1%
System Solutions Group	134.1	19.0%	150.8	22.8%
Total revenues	\$ 706.5		\$ 661.0	

<sup>(1)</sup> Certain amounts may not total due to rounding of individual amounts.

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Revenues from the Application Products Group increased by \$34.5 million, or approximately 14%, from the first quarter of 2013 to the first quarter of 2014. This increase is primarily attributable to a \$18.0 million, or approximately 14%, increase in revenues from our ASIC products, combined with an increase in revenues from our analog products of \$13.2 million, or approximately 15%, as a result of an improved demand environment.

Revenues from the Standard Products Group increased by \$27.7 million, or approximately 10%, from the first quarter of 2013 to the first quarter of 2014. This increase is primarily attributable to a \$18.9 million, or approximately 18%, increase in revenue from our discrete products, combined with an increase in revenues from our analog products of \$4.5 million, or approximately 6%, as a result of an improved demand environment.

Revenues from the System Solutions Group decreased by \$16.7 million, or approximately 11%, from the first quarter of 2013 to the first quarter of 2014. This decrease is primarily attributable to a \$15.7 million, or approximately 15% decrease in revenue from our LSI products along with decreases from a softening of the consumer end-markets and the impact of a weakening Yen.

Revenues by geographic location for the quarters ended March 28, 2014 and March 29, 2013 were as follows (dollars in millions):

	Quarter Ended March 28, 2014	As a % of Total Revenue <sup>(1)</sup>	Quarter Ended March 29, 2013	As a % of Total Revenue <sup>(1)</sup>
United States	\$ 112.0	15.9%	\$ 98.9	15.0%
Japan	65.3	9.2%	71.7	10.8%
China	202.7	28.7%	199.4	30.2%
Singapore	180.4	25.5%	166.4	25.2%
United Kingdom	117.2	16.6%	97.7	14.8%
Other	28.9	4.1%	26.9	4.1%
Total	<u>\$ 706.5</u>		<u>\$ 661.0</u>	

<sup>(1)</sup> Certain amounts may not total due to rounding of individual amounts.

A majority of our end customers, served directly or through distribution channels, are manufacturers of electronic devices. For the quarters ended March 28, 2014 and March 29, 2013, we had no single customer that accounted for 10% or more of our total revenues.

### **Gross Profit**

Our gross profit by reportable segment for the quarters ended March 28, 2014 and March 29, 2013 was as follows (dollars in millions):

	Quarter Ended March 28, 2014	As a % of Segment Revenue <sup>(1)</sup>	Quarter Ended March 29, 2013	As a % of Segment Revenue <sup>(1)</sup>
Application Products Group	\$ 126.1	45.1%	\$ 106.9	43.6%
Standard Products Group	106.2	36.3%	94.5	35.6%
System Solutions Group	25.0	18.6%	8.6	5.7%
Gross profit by segment	\$ 257.3		\$ 210.0	
Unallocated manufacturing costs <sup>(2)</sup>	(6.5)	(0.9)%	(5.5)	(0.8)%
Total gross profit	<u>\$ 250.8</u>	35.5%	<u>\$ 204.5</u>	30.9%

<sup>(1)</sup> Certain amounts may not total due to rounding of individual amounts.

<sup>(2)</sup> Unallocated manufacturing costs are shown as a percentage of total revenue.

Our gross profit was \$250.8 million in the first quarter of 2014 compared to \$204.5 million in the first quarter of 2013. The gross profit increase of \$46.3 million, or approximately 23%, during the first quarter of 2014 is primarily due to increased capacity utilization, the impact of a weakened Yen on our cost of revenues, costs savings realized from previous restructuring activities and a lower inventory write down, partially offset by decreased average selling prices. Additionally, gross profit during the first quarter of 2013 was impacted by approximately \$6.7 million of actuarial losses related to the Company's pension plans. No such losses were incurred during the first quarter of 2014.

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Gross profit as a percentage of revenues increased from approximately 30.9% in the first quarter of 2013 to approximately 35.5% in the first quarter of 2014. This increase was primarily driven by favorable changes in volume and mix across certain product lines as well as a larger proportion of revenues generated from our Applications Products Group and Standard Products Group which experience higher gross margin levels than our System Solutions Group.

### **Operating Expenses**

Research and development expenses were \$78.1 million for the first quarter of 2014 compared to \$88.4 million for the first quarter of 2013, representing a decrease of \$10.3 million, or approximately 12%. This decrease in research and development expenses is primarily associated with our System Solutions Group and is attributable to decreased payroll related expenses resulting from our 2013 restructuring and cost saving activities, along with the impact of a weakened Yen and a first quarter 2013 expense of approximately \$6.0 million from actuarial losses related to the Company's pension plans, of which no such losses were incurred during the first quarter of 2014. These decreases were partially offset by increased personnel costs in our Application Products Group and Standard Products Group.

Selling and marketing expenses were \$44.4 million for the first quarter of 2014 compared to \$39.8 million for the first quarter of 2013, representing an increase of \$4.6 million, or approximately 12%. This increase is primarily associated with increased sales commissions and increased payroll related expenses associated with the increase in revenue for the first quarter of 2014 compared to the first quarter of 2013.

General and administrative expenses were \$41.0 million in the first quarter of 2014 compared to 36.2 million in the first quarter of 2013, representing an increase of \$4.8 million, or approximately 13%. This increase in general and administrative expenses is primarily associated with increased payroll related expenses associated with performance-based compensation as a result of improved performance results for the first quarter of 2014 compared to the first quarter of 2013.

### **Other Operating Expenses**

#### *Amortization of Acquisition—Related Intangible Assets*

Amortization of acquisition-related intangible assets was \$8.2 million and \$8.4 million for the quarters ended March 28, 2014 and March 29, 2013, respectively.

#### *Restructuring, Asset Impairments and Other, Net*

Restructuring, asset impairments and other, net was an expense of \$5.8 million for the quarter ended March 28, 2014 compared to a net benefit of \$6.0 million for the quarter ended March 29, 2013. The information below summarizes certain activities for each respective quarter. See Note 4: "Restructuring, Asset Impairments and Other, Net" of the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q for additional information.

#### *Quarter Ended March 28, 2014*

During the fourth quarter of 2013, we initiated a voluntary retirement program for certain employees of our System Solutions Group subsidiaries in Japan (the "Q4 2013 Voluntary Retirement Program"). Approximately 350 employees opted to retire pursuant to the Q4 2013 Voluntary Retirement Program, of which 290 employees had retired by March 28, 2014. The remaining employees who accepted retirement packages are expected to retire by the end of 2014. As part of these restructuring activities, approximately 70 contractor positions were also identified for elimination, of which, the remaining 15 contractors are expected to be terminated by the end of 2014. We also identified approximately 40 additional positions within the Company that are expected to be eliminated as an extension of the Q4 2013 Voluntary Retirement Program, representing approximately \$2.7 million in future restructuring charges. We anticipate total cost savings for the Q4 2013 Voluntary Retirement Program, which includes the above referenced headcounts, to be within the range of our previously disclosed expectations of \$36 million to \$45 million during the first year following the completion of the anticipated headcount reductions.

During the quarter ended March 28, 2014, we recorded net charges of approximately \$2.2 million in connection with the Q4 2013 Voluntary Retirement Program, which consisted of employee severance charges of \$5.0 million, partially offset by pension and related retirement liability adjustments associated with the affected employees, which resulted in a pension curtailment benefit of \$2.8 million.

Additionally, during the quarter ended March 28, 2014, we recorded approximately \$3.6 million of restructuring charges during the quarter ended March 28, 2014, related to our previously announced plan to close our KSS facility.

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### *Quarter Ended March 29, 2013*

During the quarter ended March 29, 2013, we initiated a voluntary retirement program for employees of certain of our System Solutions Group subsidiaries in Japan. We recorded net charges of approximately \$16.6 million in connection with this program, which consisted of employee severance charges of \$25.6 million, partially offset by pension and related retirement liability adjustments associated with the affected employees, which resulted in a pension curtailment benefit of \$9.0 million.

Additionally, during the quarter ended March 29, 2013, we recorded \$2.2 million of restructuring charges related to the announced closure of our Aizu facility for cost savings purposes. We also released approximately \$21.0 million of associated cumulative foreign currency translation gains related to our subsidiary that owns the Aizu facility, which utilizes the Japanese Yen as its functional currency. The related amount was recorded as a benefit to restructuring, asset impairments and other, net on the Company's Consolidated Statements of Operations and Comprehensive Income.

### **Operating Income**

Information about operating income (loss) from our reportable segments for the quarters ended March 28, 2014 and March 29, 2013 is as follows (in millions):

	<u>Application Products Group</u>	<u>Standard Products Group</u>	<u>System Solutions Group</u>	<u>Total</u>
For quarter ended March 28, 2014:				
Segment operating income (loss)	\$ 37.8	\$ 60.2	\$ (8.7)	\$89.3
For quarter ended March 29, 2013:				
Segment operating income (loss)	\$ 27.5	\$ 57.6	\$ (45.7)	\$39.4

Reconciliations of segment information to the financial statements is as follows (in millions):

	<u>Quarter Ended</u>	
	<u>March 28, 2014</u>	<u>March 29, 2013</u>
Operating income for reportable segments	\$ 89.3	\$ 39.4
Unallocated amounts:		
Restructuring, asset impairments and other charges, net	(5.8)	6.0
Other unallocated manufacturing costs	(6.5)	(5.5)
Other unallocated operating expenses (1)	(3.7)	(2.2)
Operating income	<u>\$ 73.3</u>	<u>\$ 37.7</u>

- (1) Other unallocated operating expenses consist of expenses associated with certain corporate decisions and initiatives which do not impact expenses that are directly attributable to our reporting segments.

### **Interest Expense**

Interest expense decreased by \$2.0 million to \$8.1 million during the quarter ended March 28, 2014 compared to \$10.1 million during the quarter ended March 29, 2013. We recorded amortization of debt discount to interest expense of \$1.6 million and \$3.1 million for the quarters ended March 28, 2014 and March 29, 2013, respectively. Our average long-term debt balance (including current maturities and net of debt discount) during the quarter ended March 28, 2014 was \$931.2 million at a weighted average interest rate of approximately 3.5%, compared to \$980.7 million at a weighted average interest rate of approximately 4.1% during the quarter ended March 29, 2013.

### **Loss on Debt Exchange**

During the quarter ended March 29, 2013, we exchanged \$60.0 million in principal value (\$57.4 million of carrying value) of our 2.625% Notes for \$58.5 million in principal value of our 2.625% Notes, Series B, plus accrued and unpaid interest, resulting in a loss on debt repurchase of \$3.1 million. Subject to certain other terms and conditions, this transaction extended the earliest put date for the exchanged amount from December 2013 to December 2016.

**Other**

Other expense increased by \$1.5 million from income of \$0.9 million for the quarter ended March 29, 2013 to a loss of \$0.6 million for the quarter ended March 28, 2014.

**Provision for Income Taxes**

We recorded an income tax provision of \$6.2 million and \$2.4 million during the quarters ended March 28, 2014 and March 29, 2013, respectively.

The income tax provision for the quarter ended March 28, 2014 was \$6.2 million, which consisted of \$6.3 million for income and withholding taxes of certain of our foreign and domestic operations and \$0.3 million of interest on existing reserves for uncertain tax positions in foreign taxing jurisdictions, partially offset by the reversal of \$0.4 million for reserves and interest for uncertain tax positions in foreign taxing jurisdictions which were effectively settled or for which the statute lapsed during the quarter ended March 28, 2014.

The income tax provision for the quarter ended March 29, 2013 was \$2.4 million, which consisted of \$2.1 million for income and withholding taxes of certain of our foreign operations and \$0.3 million of interest on existing reserves for uncertain tax positions in foreign taxing jurisdictions.

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 earnings being higher than anticipated in countries that have higher tax rates. Our effective tax rate for the quarter ended March 28, 2014 was 9.6%, which differs from the U.S. statutory federal income tax rate of 35% due to our domestic tax losses and tax rate differential in our foreign subsidiaries, as well as the reversal of certain reserves and interest for potential liabilities in foreign taxing jurisdictions which were effectively settled or for which the statute lapsed during the quarter ended March 28, 2014. We continue to maintain a full valuation allowance on all of our domestic and substantially all of our Japan related deferred tax assets.

**Liquidity and Capital Resources**

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

**Contractual Obligations**

During the three months ended March 28, 2014, there have not been any material changes outside of the ordinary course of business to the contractual obligations table, including notes thereto, contained in our 2013 Form 10-K. For information on long-term debt, see Note 6: "Long-Term Debt," for operating leases see, Note 9: "Commitments and Contingencies" and for pension plans see Note 5: "Balance Sheet Information" of the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q.

Our balance of cash, cash equivalents and short-term investments was \$617.0 million as of March 28, 2014. 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 March 28, 2014 include approximately \$369.2 million available in the United States. In addition to cash and cash equivalents and short-term investments already on hand in the United States, we have the ability to obtain cash in the United States by settling loans with our foreign subsidiaries in order to cover our domestic needs, by utilizing existing credit facilities, or through new bank loans or debt obligations.

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 repayments and acquisitions. If we are unable to address our United States cash requirements through operations, borrowings under our current debt agreements or 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.

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See Note 6: “Long-Term Debt,” of the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q for a discussion of our long-term debt.

### **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 including, but not limited to: material purchase commitments, agreements to mitigate collection risk, leases, utilities or customs guarantees. As of March 28, 2014, our senior revolving credit facility included a \$40.0 million availability for the issuance of letters of credit. A \$0.2 million letter of credit was outstanding under our senior revolving credit facility as of March 28, 2014. We also had outstanding guarantees and letters of credit outside of our senior revolving credit facility of \$6.2 million as of March 28, 2014.

As part of securing financing in the normal course of business, we issued guarantees related to our receivable financing, capital lease obligations, equipment financing, lines of credit and real estate mortgages, which totaled approximately \$69.7 million as of March 28, 2014. We are also a guarantor of SCI LLC’s unsecured loan with SMBC, which had a balance of \$264.3 million as of March 28, 2014. See Note 6: “Long-Term Debt” and Note 9: “Commitments and Contingencies” of the notes to our unaudited consolidated financial statements found elsewhere in this Form 10-Q for additional information.

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.

For our operating leases, we expect to make cash payments and similarly incur expenses totaling \$89.2 million as payments come due. We have not recorded any liability in connection with these operating leases, letters of credit and guarantee arrangements. See Note 9: “Commitments and Contingencies” of the notes to our unaudited consolidated financial statements found elsewhere in this Form 10-Q for additional information.

### **Contingencies**

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

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

We 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.



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See Note 9: “Commitments and Contingencies” of the notes to our unaudited consolidated financial statements under the heading “Legal Matters” in this Form 10-Q for possible contingencies related to legal matters. See also Part I, Item 1 “Business - Government Regulation” of our 2013 Form 10-K for information on certain environmental matters.

### **Sources and Uses of Cash**

We require cash to fund our operating expenses and working capital requirements, including outlays for 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. On April 2, 2014, we entered into a stock purchase agreement with Sensor, the stockholders of Sensor, Sensor Intermediate Holding Corporation (“Sensor Intermediate”), and the subsidiaries of Sensor Intermediate, including Truesense, pursuant to which, upon the satisfaction of certain conditions, we would acquire all of the shares of Sensor for a purchase price of approximately \$92.0 million, subject to customary closing adjustments. The acquisition closed on April 30, 2014, for a total purchase price of approximately \$95.0 million, after closing adjustments for cash and working capital amounts. See Note 16: “Subsequent Events” of the notes to our unaudited consolidated financial statements located elsewhere in this Form 10-Q for additional information.

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

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

Our ability to service our long-term debt including our 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 and short-term investments 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. For example, during the three months ended March 28, 2014, we paid \$47.7 million for capital expenditures, while during the three months ended March 29, 2013, we paid approximately \$38.9 million for capital expenditures. Our current projection for capital expenditures for the remainder of 2014 is approximately \$170 million to \$180 million, of which our current minimum contractual commitment for the remainder of 2014 is approximately \$65.1 million. Our current minimum contractual capital expenditure commitment for 2015 and thereafter is approximately \$22.4 million. The capital expenditure levels can materially influence our available cash for other initiatives.

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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 (in millions):

	Quarter Ended	
	March 28, 2014	March 29, 2013
<i>Summarized cash flow from operating activities</i>		
Net income	\$ 58.6	\$ 23.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	52.4	51.3
Provision for excess inventories	6.8	15.9
Non-cash share-based compensation expense	8.5	5.8
Non-cash interest	1.6	3.1
Non-cash foreign currency translation gain	—	(21.0)
Other adjustments	1.8	(3.3)
Changes in assets and liabilities (exclusive of the impact of acquisitions):		
Receivables	(33.0)	(14.8)
Inventories	(8.8)	(5.3)
Accounts payable	0.4	(9.0)
Deferred income on sales to distributors	11.2	(0.7)
Other changes in assets and liabilities	(24.6)	39.9
Net cash provided by operating activities	<u>\$ 74.9</u>	<u>\$ 85.2</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, calculated as total current assets less total current liabilities, fluctuates depending on end-market demand and our effective management of certain items such as receivables, inventory and payables. In times of escalating demand, our working capital requirements may be affected as we purchase additional manufacturing materials and increase production. Our working capital may also be affected by restructuring programs, which may require us to use cash for severance payments, asset transfers and contract termination costs. In addition, our working capital may be affected by acquisitions, capital activities as part of our share repurchase program and transactions involving our convertible notes and other debt instruments. Our working capital, including cash and cash equivalents and short-term investments, was \$913.1 million at March 28, 2014 and has fluctuated between \$913.1 million and \$669.1 million at the end of each of our last eight fiscal quarters. Although investments made to fund working capital will reduce our cash balances, these investments are necessary to support business and operating initiatives. During the quarter ended March 28, 2014 our working capital was most significantly impacted by our capital expenditures, the payments associated with our restructuring activities and the re-acquisition of the Company's common stock. See Note 4: "Restructuring, Asset Impairments, and Other, Net" and Note 7: "Earnings Per Share and Equity" of the notes to our unaudited consolidated financial statements located elsewhere in this Form 10-Q for additional information. See also Note 16: "Subsequent Events" of the notes to our unaudited consolidated financial statements located elsewhere in this Form 10-Q for additional information with respect to our acquisition activity.

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### ***Long-Term Assets and Liabilities***

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

Our manufacturing rationalization plans have included efforts to utilize our existing manufacturing assets and supply arrangements more efficiently. We believe that near-term access to additional manufacturing capacity, should it be required, could be readily obtained on reasonable terms through manufacturing agreements with third parties. Cash capital expenditures were \$47.7 million during the quarter ended March 28, 2014, compared to cash capital expenditures of \$38.9 million during the quarter ended March 29, 2013. We will continue to look for opportunities to make future strategic purchases for additional capacity.

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.

### **Key Financing and Capital Events**

#### ***Overview***

For the past several years, we have undertaken measures to repurchase shares of our common stock, reduce our long-term debt, reduce related interest costs, amend existing key financing arrangements and, in some cases, extend a portion of our debt maturities to continue to provide us additional operating flexibility. Certain of these measures continued during the three months ended March 28, 2014. Set forth below is a summary of certain key financing events during the three months ended March 28, 2014. For a further discussion of our debt instruments, see Note 6: “Long-Term Debt” of the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q.

#### ***Share Repurchase Program***

During the three months ended March 28, 2014, we purchased approximately 2.2 million shares of our common stock pursuant to our previously announced share repurchase program for an aggregate purchase price of approximately \$20.1 million, inclusive of fees, commissions and other expenses, at a weighted average execution price per share of \$9.12. See Note 7: “Earnings Per Share and Equity” of the notes to our unaudited consolidated financial statements under the heading “Share Repurchase Program” included elsewhere in this Form 10-Q for additional information. See also Part II, Item 2 “Unregistered Sales of Equity Securities” included elsewhere in this Form 10-Q for information with respect to our share repurchase program.

#### ***Cash Management***

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

#### ***Debt Guarantees and Related Covenants***

Our 2.625% Notes, Series B are subordinated to the senior indebtedness of ON Semiconductor Corporation and its guarantor subsidiaries, as defined in Note 15: “Guarantor and Non-Guarantor Statements” of the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q, on the terms described in the indenture for such notes. As of March 28, 2014, we believe that we were in compliance with the indenture relating to our 2.625% Notes, Series B and with covenants relating to our senior revolving credit facility and various other debt agreements.

#### **Recent Accounting Pronouncements**

For a discussion of recent accounting pronouncements, see Note 2: “Recent Accounting Pronouncements” of the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

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At March 28, 2014, our long-term debt (including current maturities) totaled \$920.2 million. We have no interest rate exposure to rate changes on our fixed rate debt, which totaled \$420.9 million as of March 28, 2014. We do have interest rate exposure with respect to the \$499.3 million balance of our variable interest rate debt outstanding as of March 28, 2014. 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.

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 non-functional currencies. Changes in the fair value of these undesignated hedges are recognized in other income and expense immediately as an offset to the changes in fair value of the assets or liabilities being hedged. The notional amount of foreign exchange contracts at March 28, 2014 and December 31, 2013 was \$116.6 million and \$101.7 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 United States 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, 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 United States 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 \$15.1 million as of March 28, 2014, assuming no offsetting hedge positions.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### *Changes in Internal Control Over Financial Reporting*

There have been no changes to our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended March 28, 2014 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II: OTHER INFORMATION

### **Item 1. Legal Proceedings**

See Note 9: “Commitments and Contingencies” under the heading “Legal Matters” of the notes to the consolidated unaudited financial statements included elsewhere in this Form 10-Q for legal proceedings and related matters. See also Part I, Item 1 “Business - Government Regulation” of our 2013 Form 10-K for information on certain environmental matters.

### **Item 1A. Risk Factors**

There have been no material changes in our assessment of our risk factors included in our 2013 Form 10-K. This Form 10-Q includes “forward-looking statements,” as that term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. All statements, other than statements of historical facts, included or incorporated in this Form 10-Q could be deemed forward-looking statements, particularly statements about our plans, strategies and prospects under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements are often characterized by the use of words such as “believes,” “estimates,” “expects,” “projects,” “may,” “will,” “intends,” “plans,” or “anticipates,” or by discussions of strategy, plans or intentions. All forward-looking statements in this Form 10-Q are made based on our current expectations, forecasts, estimates and assumptions, and involve risks, uncertainties and other factors that could cause results or events to differ materially from those expressed in the forward-looking statements. Among these factors are our revenues and operating performance, poor economic conditions and markets (including current 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 IP rights and related risks, availability of raw materials, electricity, gas, water and other supply chain uncertainties, our ability to effectively shift production to other facilities when required in order to maintain supply continuity for our customers, variable demand and the aggressive pricing environment for semiconductor products, our ability to successfully manufacture in increasing volumes on a cost-effective basis and with acceptable quality for our current products, 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 and synergies from restructurings, significant litigation, risks associated with decisions to expend cash reserves for various uses such as debt prepayment, stock repurchases, 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 and difficulties encountered in accurately predicting the future financial performance of acquired businesses), risks associated with our substantial leverage and restrictive covenants in our debt agreements that may be in place from time to time, risks associated with our worldwide operations including foreign employment and labor matters associated with unions and collective bargaining arrangements, as well as man-made and/or natural disasters 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, risks related to new legal requirements and risks involving environmental or other governmental regulation. Additional factors that could affect our future results or events are described under Part I, Item 1A “Risk Factors” in our 2013 Form 10-K, and from time to time in our other Commission reports. You should carefully consider the trends, risks and uncertainties described in this Form 10-Q, the 2013 Form 10-K and subsequent reports filed with or furnished to the Commission before making any investment decision with respect to our securities. If any of these trends, risks or uncertainties actually occurs or continues, our business, financial condition or operating results could be materially adversely affected, the trading prices of our securities could decline, and you could lose all or part of your investment.

Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

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

#### **Issuer Purchases of Equity Securities**

##### *Share Repurchase Program*

The following table provides information regarding repurchases of our common stock during the quarter ended March 28, 2014. Also see Note 7: “Earnings Per Share and Equity” of the notes to our unaudited consolidated financial statements under the heading “Share Repurchase Program” included elsewhere in this Form 10-Q for additional information on this share repurchase program.

<u>Period (1)</u>	<u>(a)</u> <u>Total Number of</u> <u>Shares Purchased</u>	<u>(b)</u> <u>Average Price Paid</u> <u>per Share (\$)</u>	<u>(c)</u> <u>Total Number of</u> <u>Shares Purchased as</u> <u>Part of Publicly</u> <u>Announced Program</u>	<u>(d)</u> <u>Approximate Dollar</u> <u>Value of Shares that</u> <u>May Yet Be Purchased</u> <u>Under the Program (\$)</u> <u>(2)</u>
<b>Month #1 January 1, 2014 - January 24, 2014</b>	384,000	\$ 8.54	384,000	140,075,192
<b>Month #2 January 25, 2014 - February 21, 2014</b>	643,732	8.94	643,732	134,317,128
<b>Month #3 February 22, 2014 - March 28, 2014</b>	1,169,657	9.40	1,169,657	123,317,255
<b>Total</b>	<u>2,197,389</u>	<u>9.12</u>	<u>2,197,389</u>	

- (1) These time periods represent our fiscal month start and end dates for the first quarter of 2014.
- (2) On August 2, 2012, we announced a share repurchase program (“Share Repurchase Program”) for up to \$300.0 million of our common stock over a three year period beginning with the final approval date, exclusive of any fees, commissions or other expenses. The Share Repurchase Program was conditionally approved by our Board on July 30, 2012, subject to final approval of a Special Committee of the Board, which approval was obtained on August 1, 2012.

Under the Share Repurchase Program, we may repurchase our common stock from time to time in privately negotiated transactions or open market transactions, including pursuant to a trading plan in accordance with Rule 10b5-1 and Rule 10b-18 of the Exchange Act, or by any combination of such methods or other methods. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including our stock price, corporate and regulatory requirements, restrictions under our debt obligations, and other market and economic conditions. The Share Repurchase Program does not require us to purchase any particular amount of common stock and may be suspended or discontinued at any time. During the first quarter of 2014, we repurchased approximately 2.2 million shares of common stock under the Share Repurchase Program for an aggregate purchase price of approximately \$20.1 million, exclusive of fees, commissions and other expenses, at a weighted average execution price per share of \$9.12. These repurchases were made in open market transactions, including pursuant to a trading plan in accordance with Rule 10b5-1 and Rule 10b-18 of the Exchange Act. At March 28, 2014, approximately \$123.3 million remained of the total authorized amount to purchase common stock pursuant to the Share Repurchase Program. This table does not include shares tendered to us to satisfy the exercise price in connection with cashless exercises of employee stock options or shares tendered to us to satisfy tax withholding obligations in connection with the vesting of time and performance based restricted stock units issued to employees.

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

None.

### **Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

*Revenues by End-Market*

During the first quarter of 2014, we revised our analysis of revenues by end-market, as presented in our 2013 Form 10-K, in order to present a more refined view of revenues by such markets as the categorization of products by end-market can vary over time compared to those previously disclosed. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within each end market. The following table sets forth our principal end-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-market during 2013, sample applications for our products and representative original equipment manufacturer customers and end-users.

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	<b>Computing</b>	<b>Consumer Electronics</b>	<b>Automotive Electronics</b>	<b>Industrial Electronics</b>	<b>Communications</b>	<b>Networking</b>	<b>Mil-Aero</b>	<b>Medical</b>
<b>Approximate percentage of 2013 Revenue</b>	16%	19%	28%	15%	15%	3%	1%	3%
<i>Sample applications</i>	Notebooks, Ultrabooks, & 2-in-1s	Music Players & Camera Modules	Fuel Economy & Emission Reduction	Smart Grid & Metering	Tablets	Switches	Cockpit Displays	Hearing Devices
	Desktop PCs & All-in-Ones	Flat TVs & Set-Top Boxes	Active Safety	Monitoring & Surveillance	Smart Phone	Routers	Guidance Systems	Imaging
	Graphics	Gaming & Home Entertainment Systems	Body Electronics & Lighting	Motor Controls	Wearables	Base Stations	Infrared Imaging	Diagnostic, Therapy, & Monitoring
	Servers & Workstations	White Goods	Infotainment & Connectivity	General LED Lighting	Torch and Backlighting	Network Cards	Image Sensors	Implantable Devices
	Internal & External Power Supplies	Power Supplies	Power Supplies	Power Supplies	Power Supplies	Power Supplies		
<i>Representative OEM customers and end-users</i>	Apple Inc.	Canon Inc.	Bosch GMBH	Delta Electronics	Apple Inc.	Alcatel Lucent	Aeroflex	Abbot Labs
	Asus	Echostar	Continental Automotive Systems	Emerson Electric Co	Huawei Tech Co., Ltd.	Cisco	British Aerospace	Boston Scientific
	Dell Computer	LG Eletronics	Delphi	Flir Systems	Lenovo	Delta Electronics	General Electric Co.	ELA Medical
	Delta Electronics	Microsoft	Fujitsu Ten LTD	Honeywell Inc.	LG Eletronics	Ericsson	Honeywell Inc	General Electric Co
	Emerson Electric Co	Midea	Hella	Kionix INC	Samsung Electronics	Huawei	ITT Corporation	Intron Corp
	Foxconn	Panasonic Corporation	Magneti Marelli	Landis + GYR AG	Sony Mobile	Nokia Solutions and Networks	L-3 Communications	Medtronic
	Gigabyte	Philips	Panasonic Corporation	Schneider Electric	Xiaomi Inc.	ZTE Hong Kong LTD	Lockheed Martin	Mindray
	Hewlett Packard Co	Samsung Electronics	TRW Inc	Siemens Industrial	ZTE Hong Kong Ltd		Raytheon Co	Philips
	Lenovo	Sony Corp	Valeo	Tyco International			Rockwell Collins	St. Jude Medical
	Seagate Technology	Whirlpool Corp	Visteon				Sofradir	Starkey Laboratories



**Item 6. Exhibits**

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Exhibit Description*</u>
10.1	Performance Based Restricted Stock Units Award Agreement under the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (2014 form of performance based award for Senior Vice Presidents and above) <sup>(1)(2)</sup>
10.2	Employment Agreement, effective January 7, 2013, between Semiconductor Components Industries, LLC and Mamoon Rashid <sup>(1)(2)</sup>
10.3	International Assignment Letter of Understanding, effective January 7, 2013, by and among Semiconductor Components Industries, LLC, SANYO Semiconductor Co., Ltd. and Mamoon Rashid <sup>(1)(2)</sup>
10.4	Retention Bonus Agreement, effective January 7, 2013, by and among Semiconductor Components Industries, LLC, SANYO Semiconductor Co., Ltd. and Mamoon Rashid <sup>(1)(2)</sup>
31.1	Certification by CEO pursuant to Rule 13(a) - 14(a) or 15d - 14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002 <sup>(2)</sup>
31.2	Certification by CFO pursuant to Rule 13(a) - 14(a) or 15d - 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002 <sup>(2)</sup>
32.1	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 <sup>(3)</sup>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

<sup>(1)</sup> Management contract or compensation plan, contract, or arrangement.

<sup>(2)</sup> Filed herewith.

<sup>(3)</sup> Furnished herewith.

**SIGNATURES**

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

ON SEMICONDUCTOR CORPORATION  
(Registrant)

Date: May 1, 2014

By: /s/ Bernard Gutmann

**Bernard Gutmann**

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

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<sup>(2)</sup> Filed herewith.

<sup>(3)</sup> Furnished herewith.

**[2014 Form of Performance-Based Award for Senior Vice Presidents and Above and  
Certain others (With Performance Multiplier)]**

**ON SEMICONDUCTOR CORPORATION  
AMENDED AND RESTATED STOCK INCENTIVE PLAN  
PERFORMANCE-BASED RESTRICTED STOCK UNITS AWARD AGREEMENT**

ON Semiconductor Corporation, a Delaware Corporation, (“Company”) hereby grants to \_\_\_\_\_ (“Grantee”), a Participant in the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan, as amended from time-to-time (“Plan”), a Performance-Based Restricted Stock Units Award (“Award”) for Units (“Units”) representing shares of the common stock of the Company (“Stock”). This agreement to grant Stock Units (“Award Agreement” or “Grant Agreement”) is made effective as of the 3rd day of March, 2014 (“Grant Date”). If Grantee is a Covered Employee, this Award is designated as a “Performance Compensation Award” and as such is granted pursuant to Article 11 of the Plan.

**RECITALS**

**A.** The Board of Directors of the Company (“Board”) has adopted the Plan as an incentive to retain employees, officers, and non-employee Directors of, and Consultants to, the Company and to enhance the ability of the Company to attract, retain and motivate individuals upon whose judgment, interest and special effort the successful conduct of the Company’s operation is largely dependent.

**B.** Under the Plan, the Board has delegated its authority to administer the Plan to the Compensation Committee of the Board (“Committee”).

**C.** The Committee has approved the granting of Units to the Grantee pursuant to the Plan to provide an incentive to the Grantee to focus on the long-term growth of the Company.

**D.** To the extent not specifically defined herein or in the Grantee’s employment agreement or comparable agreement, as amended from time to time (“Employment Agreement”), all capitalized terms used in this Award Agreement shall have the meaning set forth in the Plan unless a contrary meaning is set forth in the Employment Agreement.

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

**1. Grant of Units.** The Company hereby grants to the Grantee a Performance-Based Restricted Stock Units Award for \_\_\_\_\_ Units, representing the right to receive payment of the same number of shares of Stock, subject to the terms and conditions of this Award Agreement and the provisions of the Plan, which terms are incorporated herein by reference.

**2. Earning Units, Performance Multiplier and Related Information.**

**2.1 Earning Units.** Subject to the terms and conditions set forth in this Grant Agreement, the Grantee shall be entitled to receive payment for the number of Units earned by

the Grantee over the period that begins on January 1, 2014 and ends on December 31, 2014 (“Performance Measurement Period”). The number of Units earned pursuant to this Grant Agreement is a function of the extent to which the corresponding Performance Goals described in the table below are achieved.

### PERFORMANCE GOALS

<u>Performance Level</u>	<u>Adjusted Non-GAAP EBITDA (in Millions)</u>	<u>Percentage of Units Earned</u>
Target	\$ _____	100%
Threshold or Below	\$ _____	0%

If the Company’s Adjusted Non-GAAP EBITDA for the Performance Measurement Period equals or is less than the Threshold performance level (\$\_\_\_\_\_ million), no Units will be earned as of the end of the Performance Measurement Period. If the Company’s Adjusted Non-GAAP EBITDA for the Performance Measurement Period exceeds the Threshold performance level (\$\_\_\_\_\_ million) but is less than the Target performance level (\$\_\_\_\_\_ million), the number of Units earned at the end of the Performance Measurement Period will be determined by applying straight line interpolation between the Threshold performance level (\$\_\_\_\_\_ million) and Target performance level (\$\_\_\_\_\_ million). If the Company’s Adjusted Non-GAAP EBITDA for the Performance Measurement Period equals or exceeds the Target performance level (\$\_\_\_\_\_ million), all of the Units will be earned as of the end of the Performance Measurement Period. Any Units that are unearned pursuant to Section 2.1 and Section 2.4 as of the end of the Performance Measurement Period will be forfeited on the date the Company files its 10-K for fiscal 2014. The number of earned Units that will become vested shall be determined pursuant to Section 3 below. Whether the Adjusted Non-GAAP EBITDA Performance Goal for the Performance Measurement Period has been achieved shall be determined by the Company or Committee, as applicable, pursuant to Section 2.8 below.

**2.2 Adjusted Non-GAAP EBITDA Performance Goal Defined.** For the purposes of this Agreement “Adjusted Non-GAAP EBITDA” shall mean the Company’s consolidated earnings, before interest (income or expense), taxes, depreciation and amortization (or “EBITDA”) for the Performance Measurement Period, calculated taking into account any timely adjustments made in accordance with Section 2.3. If the Committee determines that an alternative method would be more appropriate to achieve the objectives of this Award then such method shall be applied to determine Adjusted Non-GAAP EBITDA for the Performance Measurement Period; provided, however, if the Grantee is a Covered Employee, the Committee’s determination must be made before the date that is 90 days after the commencement of the Performance Measurement Period. For purposes of this Agreement, the term “GAAP” means United States generally accepted accounting principles consistently applied.

**2.3 Adjustments to Adjusted Non-GAAP EBITDA Performance Goal.** If applicable to the Company for purposes of calculating Non-GAAP EBITDA for the Performance Measurement Period, the Company, or Committee if the Grantee is a Covered Employee, shall adjust Non-GAAP EBITDA to exclude the following: (i) restructuring, asset impairments and other, net; (ii) goodwill and intangible asset impairment; (iii) interest expense and interest

income; (iv) income tax provision; (v) net income attributable to non-controlling interests; (vi) depreciation and amortization; (vii) actuarial gains or losses on pension plans and other pension benefits; (viii) gain or loss on acquisitions; (ix) acquisition related expenses; (x) gain or loss on debt repurchase, debt exchange, early extinguishment of debt, etc.; (xi) expensing of inventory fair market value step up; (xii) extraordinary items; and (xiii) unusual/non-recurring material items; provided, however, that if the Grantee is a Covered Employee any adjustment for unusual/non-recurring material items shall not increase the amount payable for the Award. For the avoidance of doubt, Non-GAAP EBITDA, as adjusted, shall specifically include merger and acquisition related operations and activities of the Company.

**2.4 Performance Multiplier.** If the Company's Adjusted Non-GAAP EBITDA for the Performance Measurement Period equals or exceeds the Target performance level (\$\_\_\_\_\_ million), the Company, or the Committee with respect to grants to employees who are Covered Employees, shall increase the number of Units earned pursuant to Section 2.1 by multiplying the earned Units by a Performance Multiplier. The applicable Performance Multiplier shall be determined based on the achievement of the Performance Goals described in the table below.

**PERFORMANCE MULTIPLIER GOALS**

<u>Performance Multiplier Goal</u>	<u>Threshold</u>	<u>Stretch</u>	<u>Threshold Performance Multiplier</u>	<u>Stretch Performance Multiplier</u>
Market Share	_____% of Comparator Group Market Share	_____% of Comparator Group Market Share	100%	160%
Revenue Growth Rate	_____%	_____%	100%	140%

If the Company's Market Share at the conclusion of the Performance Measurement Period equals or is less than the Threshold Market Share, no Performance Multiplier shall apply to the Market Share portion. If the Company's Market Share at the conclusion of the Performance Measurement Period exceeds the Threshold Market Share, but is less than the Stretch Market Share, the applicable Performance Multiplier will be determined by applying straight line interpolation between the Threshold Performance Multiplier (100%) and Stretch Performance Multiplier (160%). If the Company's Market Share at the conclusion of the Performance Measurement Period equals or exceeds the Stretch Market Share, the Performance Multiplier shall be 160%. Similarly, if the Company's Revenue Growth Rate for the Performance Measurement Period equals or is less than the Threshold Revenue Growth Rate, no Performance Multiplier shall apply to the Revenue Growth Rate portion. If the Company's Revenue Growth Rate for the Performance Measurement Period exceeds the Threshold Revenue Growth Rate but is less than the Stretch Revenue Growth Rate, the applicable Performance Multiplier will be determined by applying straight line interpolation between the Threshold Performance Multiplier (100%) and Stretch Performance Multiplier (140%). If the Company's Revenue Growth Rate for the Performance Measurement Period equals or exceeds the Stretch Revenue Growth Rate, the Performance Multiplier shall be 140%. Whether the Market Share Growth Rate Performance Goal and/or Revenue Growth Rate Performance Goal for the Performance Measurement Period have been achieved shall be determined by the Company or Committee, as applicable, pursuant to Section 2.8 below.



2.4 also will be reset to equal 100% (Threshold) and \_\_\_\_% (Stretch), respectively, of the Company's recalculated "2013 Market Share." The Threshold Market Share and the Stretch Market Share set forth in the table included in Section 2.4 equal 100% (Threshold) and \_\_\_\_% (Stretch), respectively, of the Company's originally calculated 2013 Market Share. For purposes of this Section 2.7, the Company's "2013 Market Share" shall be determined by dividing the Company's 2013 Annual Revenue by the aggregate 2013 Annual Revenue for all remaining members of the Comparator Group (including the Company).

**2.8 Final Determination of Performance Goals Attained.** The Company, or the Committee with respect to grants to employees who are Covered Employees, shall be responsible for determining in good faith whether, and to what extent, the Performance Goals set forth in this Grant Agreement have been achieved. The Company, or the Committee, as applicable, may reasonably rely on information from, and representations by, individuals within the Company in making such determination and when made such determination shall be final and binding on the Grantee.

**3. Vesting of Earned Units.** Subject to Section 4 below, the Units earned pursuant to Section 2.1 and Section 2.4 (collectively, the "Total Earned Units"), shall vest on the following dates (each a "Vesting Date") as follows:

**3.1** One third of the Total Earned Units will vest on the date the Company files its Form 10-K for fiscal year 2014;

**3.2** An additional one third of the Total Earned Units will vest on the second anniversary of the Grant Date; and

**3.3** The final one third of the Total Earned Units will vest on the third anniversary of the Grant Date.

**EXAMPLE OF THE EARNING AND VESTING OF UNITS** (*for illustrative purposes only*): Assume you are granted 900 Units.

- If the Company's Adjusted Non-GAAP EBITDA for the Performance Measurement Period equals or is less than the Threshold performance level, no Units will be earned and all 900 Units will be forfeited on the date the Company files its 10-K for fiscal 2013.
- If the Company's Adjusted Non-GAAP EBITDA for the Performance Measurement Period is at the mid-point between the Threshold and Target performance levels (i.e., \$\_\_\_\_ million of Adjusted Non-GAAP EBITDA), 450 Units will be earned as of the end of the Performance Measurement Period. The remaining 450 Units will be forfeited on the date the Company files its 10-K for fiscal 2013. The 450 earned Units will then vest as follows: (i) 150 Units will vest on the date the Company files its Form 10-K for fiscal year 2014; (ii) 150 Units will vest on the second anniversary of the Grant Date; and (iii) 150 Units will vest on the third anniversary of the Grant Date. Subject to Section 4.2, you must be employed on the relevant Vesting Date to receive payment of the same number of shares of Stock with respect to the Units that are scheduled to vest on that Vesting date.



- If the Company's (i) Adjusted Non-GAAP EBITDA for the Performance Measurement Period equals or exceeds 100% of the Target performance level (i.e., \$\_\_\_\_\_ million of Adjusted Non-GAAP EBITDA); (ii) Market Share at the conclusion of the Performance Measurement Period equals or is less than the Threshold performance level; and (iii) Revenue Growth Rate equals or is less than the Threshold Performance level, 900 Units will be earned at the end of the Performance Measurement Period but **no** Performance Multiplier shall apply. The 900 earned Units will then vest as follows: (i) 300 Units will vest on the date the Company files its Form 10-K for fiscal year 2014; (ii) 300 Units will vest on the second anniversary of the Grant Date; and (iii) 300 Units will vest on the third anniversary of the Grant Date. Subject to Section 4.2, you must be employed on the relevant Vesting Date to receive payment of the same number of shares of Stock with respect to the Units that are scheduled to vest on that Vesting Date.
- If the Company's (i) Adjusted Non-GAAP EBITDA for the Performance Measurement Period equals or exceeds 100% of the Target performance level (i.e., \$\_\_\_\_\_ million of Adjusted Non-GAAP EBITDA); (ii) Market Share at the conclusion of the Performance Measurement Period equals or is less than the Threshold performance level; and (iii) Revenue Growth Rate equals or exceeds 100% of the Stretch Performance level, 900 Units will be earned at the end of the Performance Measurement Period (based on the achievement of Adjusted Non-GAAP EBITDA) **and** a 140% Stretch Performance Multiplier shall apply, resulting in a total of 1260 Total Earned Units (900 x 1.4). The 1260 Total Earned Units will then vest as follows: (i) 420 Units will vest on the date the Company files its Form 10-K for fiscal year 2014; (ii) 420 Units will vest on the second anniversary of the Grant Date; and (iii) 420 Units will vest on the third anniversary of the Grant Date. Subject to Section 4.2, you must be employed on the relevant Vesting Date to receive payment of the same number of shares of Stock with respect to the Units that are scheduled to vest on that Vesting Date.

#### **4. Termination of Employment.**

**4.1 General.** Subject to the provisions of Section 4.2 below, if the Grantee terminates employment with the Company for any reason (including upon a termination for Cause), any unvested Units will be canceled and forfeited as of the date of Grantee's termination of employment. In other words, the Grantee must be employed by the Company on the relevant Vesting Date to receive any payment with respect to the Units that are scheduled to vest on such Vesting Date.

**4.2 Change in Control.** In the event the Company terminates the Grantee's employment without Cause (including, if applicable, a termination for Good Reason as defined in the Grantee's Employment Agreement or similar document) within two (2) years following a Change in Control, then the Total Earned Units described in Section 3 shall become immediately vested. The Vesting Date for any such earned Units that vest pursuant to this Section 4.2 shall be the date of the Grantee's termination of employment.

**5. Time and Form of Payment.** Subject to the provisions of this Award Agreement and the Plan, as Units vest on the Vesting Dates set forth in Section 3 or Section 4.2, as the case may be, the Company will deliver to the Grantee the same number of whole shares of Stock, rounded up or down. Subject to Section 21, the Company shall deliver the vested shares (if any) within 15 days of the applicable Vesting Date.

**6. Nontransferability.** The Units granted by this Grant Agreement shall not be transferable by the Grantee or any other person claiming through the Grantee, either voluntarily or involuntarily, except by will or the laws of descent and distribution or as otherwise provided under Article 13 of the Plan.

**7. Adjustments.** In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Grant Agreement the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all as set forth in Section 5.3 of the Plan.

**8. Delivery of Shares.** No shares of Stock shall be delivered under this Award Agreement until: (i) the Units vest pursuant to Section 3 or Section 4.2 above, as the case may be; (ii) approval of any governmental authority required in connection with the Award Agreement, or the issuance of shares thereunder, has been received by the Company; (iii) if required by the Committee, the Grantee has delivered to the Company documentation (in form and content acceptable to the Company in its sole and absolute discretion) to assist the Company in concluding that the issuance to the Grantee of any share of Stock under this Grant Agreement would not violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations; (iv) the Grantee has complied with Section 14 below of this Award Agreement in order for the proper provision for required tax withholdings to be made; and (v) the Grantee has executed and returned this Grant Agreement to the Company (which, in the case of a Grant Agreement provided to the Grantee in electronic format, requires that the Grantee click the "ACCEPT" button). This Grant Agreement must be executed by Grantee no later than, the earlier of (i) ten (10) months from the Grant Date (through and including the normal close of business of the Company for its headquarters location in Phoenix, Arizona on January 3, 2015); or (ii) the date preceding the first Vesting Date described in Section 3 of this Grant Agreement.

**9. Securities Act.** The Company shall not be required to deliver any shares of Stock pursuant to the vesting of Units if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations.

**10. Voting and Other Stockholder Related Rights.** The Grantee will have no voting rights or any other rights as a stockholder of the Company (e.g., no rights to cash dividends) with respect to unvested Units until the Units become vested and the Company issues shares of Stock to the Grantee.

**11. Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Grant Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Grantee by the Company or an Affiliate, or upon deposit in the U.S. Post Office or foreign postal service, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the current address on file with the Company or at such other address as such party may designate in writing from time-to-time to the other party.

**11.1 Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, a grant notice, this Grant Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Grantee electronically. In addition, the Grantee may deliver electronically any grant notice and this Grant Agreement to the Company or to such third party involved in administering the Plan as the Company may designate from time-to-time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

**11.2 Consent to Electronic Delivery.** The Grantee acknowledges that Grantee has read Section 11.1 and consents to the electronic delivery of the Plan documents and any grant notice. The Grantee acknowledges that Grantee may receive from the Company a paper copy of any documents delivered electronically at no cost by contacting the Company by telephone or in writing.

**12. Administration.** This Award Agreement is subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Committee in accordance with the terms and provisions of the Plan. The Committee shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Committee with respect to the Plan and this Award Agreement shall be final and binding upon the Grantee and the Company. In the event of any conflict between the terms and conditions of this Grant Agreement and the Plan, the provisions of the Plan shall control.

**13. Continuation of Employment.** This Grant Agreement shall not be construed to confer upon the Grantee any right to continue employment with the Company and shall not limit the right of the Company, in its sole and absolute discretion, to terminate Grantee's employment at any time.

**14. Responsibility for Taxes and Withholdings.** Regardless of any action the Company or the Grantee's actual employer ("Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("Tax-Related Items"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and/or the Employer: (i) make

no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Units, including the grant of the Units, the vesting of Units, the conversion of the Units into shares or the receipt of an equivalent cash payment, the subsequent sale of any shares acquired at vesting and the receipt of any dividends and/or dividend equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Units to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Grantee shall pay, or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, pursuant to Article 17 of the Plan, if permissible under local law and unless otherwise provided by the Committee prior to the vesting of the shares, the Grantee authorizes the Company or the Employer, or their respective agents, to withhold all applicable Tax-Related Items in shares of Stock to be issued upon vesting/settlement of the Units. Alternatively, or in addition, the Grantee authorizes the Company and/or the Employer, or their respective agents, at the Company's discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer; (ii) withholding from proceeds of the sale of shares of Stock acquired upon vesting/settlement of the Units either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization); (iii) personal check or other cash equivalent acceptable to the Company; or (iv) any other means as determined appropriate by the Company or the Committee.

The Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding a number of shares of Stock as described herein, for tax purposes, the Grantee shall be deemed to have been issued the full number of shares of Stock subject to the Award, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Tax-Related Items due as a result of the Grantee's participation in the Plan.

Finally, the Grantee shall pay to the Company or to the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver shares or the proceeds of the sale of shares of Stock if the Grantee fails to comply with his or her obligation in connection with the Tax-Related Items.

**15. Amendments.** Unless otherwise provided in the Plan or this Grant Agreement, this Grant Agreement may be amended only by a written agreement executed by the Company and the Grantee.

**16. Integrated Agreement.** Any grant notice, this Grant Agreement and the Plan shall constitute the entire understanding and agreement of the Grantee and the Company with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations, or warranties between the Grantee and the Company with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of any grant notice and this Grant Agreement shall survive any settlement of the Award and shall remain in full force and effect.

**17. Severability.** If one or more of the provisions of this Grant Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Grant Agreement to be construed so as to foster the intent of this Grant Agreement and the Plan.

**18. Counterparts.** Any grant notice and this Grant Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**19. Governing Law and Venue.** This Grant Agreement shall be interpreted and administered under the laws of the State of Delaware. For purposes of litigating any dispute that arises under this grant or this Award, the parties hereby submit to and consent to the jurisdiction of the State of Arizona, agree that such litigation shall be conducted in the courts of Maricopa County, Arizona, or the federal courts for the United States for the District of Arizona, where this grant is made and/or to be performed.

**20. Other.** The Grantee represents that the Grantee has read and is familiar with the provisions of the Plan and this Grant Agreement, and hereby accepts the Award subject to all of their terms and conditions.

**21. Section 409A Compliance.** The Company believes, but does not and cannot warrant or guaranty, that the payments due pursuant to this Grant Agreement qualify for the short-term deferral exception to Section 409A of the Code as set forth in Treasury Regulation Section 1.409A-1(b)(4). Notwithstanding anything to the contrary in this Grant Agreement, if the Company determines that neither the short-term deferral exception nor any other exception to Section 409A applies to the payments due pursuant to this Grant Agreement, to the extent any payments are due on the Grantee's termination of employment, the term "termination of employment" shall mean "separation from service" as defined in Treasury Regulation Section 1.409A-1(h). In addition, if Grantee is a "specified employee" (as defined in Treasury Regulation Section 1.409A-1(i)) and any payments due pursuant to this Award Agreement are payable on the Grantee's "separation from service," then such payments shall be paid on the first business day following the expiration of the six month period following the Grantee's "separation from service." This Grant Agreement shall be operated in compliance with Section 409A or an exception thereto and each provision of this Grant Agreement shall be interpreted, to the extent possible, to comply with Section 409A or to qualify for an applicable exception. The Grantee remains solely responsible for any adverse tax consequences imposed upon the Grantee by Section 409A.

**22. Confidentiality.** The Grantee acknowledges and agrees that the terms of this Award Agreement are considered proprietary information of the Company. The Grantee hereby agrees that Grantee shall maintain the confidentiality of these matters to the fullest extent permitted by law and shall not disclose them to any third party. If the Grantee violates this confidentiality provision, without waiving any other remedy available, the Company may revoke this Award without further obligation or liability, and the Grantee may be subject to disciplinary action, up to and including the Company's termination of the Grantee's employment for Cause.

**23. Appendix.** Notwithstanding any provisions in this Grant Agreement, the grant of the Units shall be subject to any special terms and conditions set forth in any appendix (or any appendices) to this Grant Agreement for the Grantee's country (the "Appendix"). Moreover, if the Grantee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Grant Agreement.

**24. Imposition of Other Requirements.** The Company reserves the right to impose other requirements on the Grantee's participation in the Plan, on the Units and on any shares of Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Further, the Award and profits under this Grant Agreement are subject to the Company's compensation recovery policy or policies (and related Company practices) as such may be in effect from time-to-time, which policies were adopted in response to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended, and similar or related laws, rules and regulations. Grantee agrees to fully cooperate with the Company in assuring compliance with such policies and the provisions of applicable law, including, but not limited to, promptly returning any compensation subject to recovery by the Company pursuant to such policies and applicable law.

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

ON SEMICONDUCTOR CORPORATION

By: \_\_\_\_\_  
Its: Senior Vice President of Human Resources

GRANTEE

By: \_\_\_\_\_

EMPLOYMENT AGREEMENT

AGREEMENT, dated as of **January 7, 2013** (the "Agreement"), between Semiconductor Components Industries, LLC (the "Company"), with offices at 5005 East McDowell Road, Phoenix, Arizona 85008, and **Mamoon Rashid** (the "Executive").

1. Employment, Duties and Agreements.

(a) The Company hereby agrees to employ the Executive via a promotion (the "Promotion") as its Senior Vice President and General Manager of SANYO Semiconductor Group, and the Executive hereby accepts such positions 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 and General Manager of SANYO Semiconductor Group. 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 **\$330,000** 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 a discretionary bonus program established and approved by the Board for employees of the Company or its affiliates in similar positions to the Executive (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") up to **60%** of Base Salary earned and paid 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) After the lapsing of the Assignment Term (as defined below), but during the Employment Period, the Company shall provide the Executive with a car allowance of \$1,200 per month while the Executive works in the United States. For purposes of this Agreement, the "Assignment Term" shall mean the international assignment term for the Executive referred to in a related letter of understanding with the Executive, the Company and the Company's subsidiary, SANYO Semiconductor Co., Ltd, dated December 2012.

(e) During the Employment Period, the Company shall reimburse the Executive up to \$10,000 annually for actual financial planning expenses, without any tax gross-ups.

(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, after any accommodation required by law, 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; and (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) without the Executive's written consent, reducing the Executive's salary, as in effect immediately prior to such reduction, while at the same time not proportionately reducing the salaries of the other comparable officers of the Company, or (iii) without the Executive's written consent, a material and continued diminution of the Executive's duties and responsibilities hereunder, unless the Executive is provided with comparable duties and responsibilities in a comparable position (i.e., a position of equal or greater duties and responsibilities); 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 (as in effect immediately prior to the termination) for twelve (12) months following the Date of Termination which, subject to the restrictions set forth below, shall be paid in accordance with the Company's ordinary payroll practices in effect from time to time and which shall begin on the first payroll period immediately following the date on which the general release and waiver described below in this Section 5(a) becomes irrevocable, (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 that is payable during such six-month period that is in excess of the separation pay exception limitation shall be paid in a single 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) 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 period at the same time bonuses are paid to other active employees, but in no event will payment be made for any performance period ending on December 31 before January 1 or after March 15 of the year following the year in which the performance period 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). In addition, in the event of a termination by the Company without Cause under this Section 5(a) (including a deemed termination without Cause as provided in Section 3(f) herein): (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, at a cost not to exceed \$5,000. Notwithstanding the foregoing, the payments and benefits provided in this Section 5(a) are subject to and conditioned upon the Executive executing (and not revoking) 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 or restricted stock unit award agreement (including time and performance based awards) between the Company (or Parent (as defined in Section 7 herein)) and the Executive: (i) any outstanding but unvested options and any restricted stock units granted on or prior to the Effective Date and any unvested options and/or restricted stock units granted in connection with the Executive's Promotion shall fully vest upon the Date of Termination; and (ii) all options (both vested and unvested) granted on or prior to the Effective Date or in connection with the Executive's Promotion will remain fully exercisable until the first to occur of (1) the one-year anniversary of the Date of Termination, and (2) either the tenth anniversary or the seventh anniversary of the grant date of such options, depending upon what the relevant option grant agreement specify with regard to an option's term or expiration date, 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 non-qualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (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 Amended and Restated Stock Incentive Plan (as amended effective May 15, 2012) 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 assist any other person or entity in soliciting 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 in or from any location in the United States. 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 demonstrated a potential for competing with the Business (as defined herein) for customers of the Company or its affiliates anywhere in the world. For purposes of this Agreement, the "Business" shall mean the design, marketing and sale of semiconductors in the power, analog, digital signal processing, mixed signal, advanced logic, discrete and custom devices, data management semiconductors, memory and standard semiconductor components and integrated circuits offered by the Company or its affiliates for use in automotive electronics, computing, consumer and industrial electronics, wireless communications, networking, military and aerospace and medical end-user markets.

(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  
Attention: General Counsel  
5005 East McDowell Road  
Phoenix, Arizona 85008

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 and restricted stock units awards 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) (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 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 Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the 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. 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, without reducing the amounts of any benefits due to the Executive hereunder.

(j) By signing this Agreement, the Executive agree to be bound by, and comply with the terms of the compensation recovery policy or policies (and related practices) of the Company or its affiliates as such may be in effect from time-to-time, as a result of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended, and similar or related laws, rules and regulations.

(k) 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.

(l) 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.

(m) 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/ MAMOON RASHID

**Mamoon Rashid**



International Assignment  
**Letter of Understanding**

Date: December 21, 2012

Mamoon Rashid  
CID: 19623338

Dear Mamoon,

This is a letter of understanding outlining the terms and conditions of your assignment to Japan with **SANYO Semiconductor Co., Ltd.** (referred to herein as "SANYO Semiconductor" or "Host Entity"). This letter is a complete and full expression of the understanding between you and **SANYO Semiconductor** and Semiconductor Components Industries, LLC (referred to herein as either ON Semiconductor" "SCILLC" or "Home Entity") as to the terms and conditions covering your assignment.

During the period of the assignment, you will remain on your Home Entity payroll. You are providing services to the Host Entity during the period of the assignment and the Home Entity payroll is acting as the payroll administrator for the Host Entity. All costs will be charged to the Host Entity.

You acknowledge that you are providing services to the Host Entity during the period of the assignment and are not representing the Home Entity in any way. You shall not enter into any contracts or make any commitments on behalf of the Home Entity. You are considered to be under the control and supervision of the Host Entity during the period of assignment.

Our global mobility vendor will answer any questions you may have regarding your international assignment. Your International Assignment Consultant (IAC) will make initial contact with you, and coordinate all of your benefits and payments not covered by payroll unless specified by us otherwise.

#### **TITLE AND BASE COMPENSATION**

Effective **January 7, 2013**, your annual base salary will be **USD \$330,000** and you will be promoted to the position of SVP and General Manager of SANYO Semiconductor Products Group reporting to the Office of the Chief Executive Officer of SCILLC (currently, Keith Jackson). In connection with your promotion, ON Semiconductor will offer you an employment agreement ("Employment Agreement") in the form attached to this Letter of Understanding as Attachment A.

#### **ASSIGNMENT**

The target effective date of your international assignment is **January 7, 2013**. While nothing in this letter alters your status as an at-will employee, you acknowledge that this assignment is expected to continue through **December 31, 2014** and will be reviewed at that point. However, ON Semiconductor or any of its affiliates specifically reserves the right to terminate this assignment at any time prior to the expiration of the period specified above.

#### **SUPPLEMENTAL COMPENSATION**

Your base salary will be further supplemented by the payment of certain allowances as a condition of your international assignment. These allowances will be based on Japan rates and will be effective only upon receipt/approval of the legal documentation (e.g., work permit, visa, etc.) required for you to work and reside in Japan as discussed under the paragraph entitled "Work Permit." The allowances will discontinue at the earlier of the end of the assignment or termination of employment or resignation of employment and consist of the following:

1. Hypothetical Income Tax Deduction
2. Cost of Living Allowance (COLA)
3. Incidental Relocation Allowance
4. Housing & Utilities
5. Local Transportation
6. Loss on Sale of Vehicle(s)

The Hypothetical Tax Deduction and COLA payments are subject to change while on assignment. The Incidental Relocation Allowance and other direct bills and/or invoices will be paid by our global mobility vendor.

### **COST OF LIVING ALLOWANCE (COLA)**

You will receive an annual Cost of Living Allowance (COLA) of USD \$109,524 for the first year of your assignment which translates into a monthly payment of USD \$9,127. This monthly payment is intended to provide assistance to cover the cost for local goods and services to include, but not limited to local transportation, entertainment, weekend and/or social activities and other miscellaneous expenses applicable to Japan.

This allowance will then be recalculated on an annual basis to ensure the employee and ON Semiconductor will be protected from market fluctuation in exchange rates (exchange rate difference will be fixed at 10% if the exchange rate is disadvantageous for the employee, in the case where the exchange rate difference is higher than 10% but implies an increase in allowance, no limit of 10% will be applied) and competitive cost of living. Therefore, based upon the recalculations provided by an independent consultant the COLA may increase or decrease, or remain unchanged.

### **PAYROLL, BENEFITS AND WORK SCHEDULES**

During your assignment you will remain on your Home Entity payroll. You will observe Host Entity holidays and work hours. Your vacation will be according to the Home Entity's policy. All Home Entity country labor regulations apply, unless otherwise required by law in the Host Entity country.

You will remain on the health and welfare benefit plans as provided by your Home Entity, which may be changed at the company's sole discretion from time to time and/or as required by local regulations. Because your assignment exceeds the period covered by the Business Travel Medical policy, you and your eligible family members will be placed on the appropriate expatriate/third country national healthcare plan if your Home Entity healthcare plan does not provide equivalent coverage in your Host Entity location. It is your responsibility to understand the implications of the coverage for your eligible family members who are covered on your benefit plans.

The company's Business Travel Medical policy does not cover family members or employees on long term assignments. Please contact your Home Entity Human Resources for information on your benefit plans and the Business Travel Medical policy.

### **INCIDENTAL RELOCATION ALLOWANCE (IRA)**

You will receive a one-time IRA equivalent to USD \$8,000 (Net) upon assignment to compensate for losses and expenses associated with relocation. It is intended to cover the cost of purchasing goods that will make your stay in Japan more comfortable including small and major appliance purchases, additional clothing, luggage, license fees, shipment and boarding of pets, and other miscellaneous expenses associated with the assignment. The IRA will be paid by our global mobility vendor.

For purposes of this letter "Net" shall mean your allowance/reimbursement will be grossed up for the amounts sufficient to pay your federal, state and local income taxes in respect of the payment under the provisions of the International Assignment Tax Equalization Policy.

### **RETENTION BONUS**

Subsequent to the execution of this Letter of Understanding, the parties hereto will enter into a Retention Bonus Agreement ("Bonus Agreement"). Under the Bonus Agreement, you will be eligible to earn a one-time retention bonus paid by SCILLC of USD \$165,000 ("Bonus"), subject to all applicable taxes, contributions and withholdings, which will be paid to you within fifteen (15) days following your execution of the Bonus Agreement, and will be further subject to various terms and conditions (including a repayment provision) as found in the Bonus Agreement.

### **HOUSING**

You will be provided with an unfurnished or furnished apartment in Tokyo, Japan for the duration of your assignment in an amount between ¥700,000 up to a maximum amount of ¥1,000,000 per month depending on housing availability. Additionally, the company will cover the costs for basic utility expenses, such as water, electricity, gas and electric service to include internet or broadband connection, and parking in the apartment building. This does not include the cost for local telephone.

### **TEMPORARY LIVING**

Temporary living will be provided in Japan if your permanent residence has not been secured upon arrival up to a period of 90 days. Our global mobility vendor will assist with setting up temporary living in the Host Entity country and all costs will be direct billed

### **LANGUAGE TRAINING**

The company will pay for language training for you and your family on assignment up to USD \$3,000 per person. Language training sessions will be set up by our global mobility vendor upon request.

### **SPOUSAL EDUCATION**

The company will reimburse the cost for tuition and registration costs for your spouse to attend or continue education in Japan. The maximum amount covered is USD \$3,000 or local equivalency per year which includes all incidental fees, transportation, and/or books.

Receipt and documentation is required and must be sent to our global mobility vendor for reimbursement.

### **WORK PERMIT**

The local Human Resource office will assist you and your spouse in obtaining the required visa. In the event you and/or the company are unable to obtain a work permit, visa and/or employment pass, this Letter of Understanding shall lapse and be null and void. Further, any and all assignment benefits, allowances and medical coverage will become effective only after you have been issued a work permit, visa and/or employment pass. Any expenses incurred prior to evidence of the appropriate work documents must be submitted as standard business expenses according to the company's standard business travel policy.

All costs associated with obtaining the visa will be incurred by the company.

### **HOME LEAVE**

You may book travel for home leaves for you or you and your spouse not to exceed the equivalent of USD \$30,000 per year of your assignment. It is up to you if you want to purchase coach or business class tickets. All travel is to be booked in advance through the company's local travel agent.

In the event of a local emergency, the company will allow airfare for you and your spouse on assignment to fly home to the U.S., or to a location of equidistance.

Time used on home leave is charged against your normal PTO, except for travel time via the most direct route and time spent on company business.

A copy of your airline ticket(s) must be sent to our global mobility vendor for expense tracking.

### **SHIPMENT OF HOUSEHOLD GOODS**

You will be authorized for an air shipment (1 LDN up to 1,000 lbs) to ship your personal items to set up housekeeping from your current location in Phoenix, Arizona USA to Tokyo, Japan.

Upon approval of this Letter of Understanding, our global mobility vendor will be notified of your move and will be in contact with you. You have 45 days from the time your shipment arrives in Tokyo, Japan to submit any insurance claims relating to the international shipments.

Our global mobility vendor will make arrangements to ship your personal items and/or household goods.

### **LOCAL TRANSPORTATION**

You will be provided with use of a company car or a car will be leased for you depending on availability of site cars for up to 30 days or until permanent transportation arrangements have been made. The maximum amount covered for a leased vehicle for the duration of your assignment including insurance shall be equivalent to USD \$2,200 per month. In addition, you may submit for reimbursement your other transportation expenses related to travel on train/public transportation to and from your home to your work location.

## **TAX PREPARATION AND EQUALIZATION**

While on your assignment you will be subject to the provisions of the International Assignment Tax Equalization Policy (“Policy”) which is an integral part of this letter. You will also be subject to any revisions of the Policy that may be issued during your assignment.

The company appointed tax provider will calculate the final hypothetical tax as your tax return is finalized each year and will determine your final actual income tax obligation for the year. The settlement of taxes is subject to a final review of any taxes paid on behalf of an expatriate or advance provided to an expatriate as part of a tax settlement. However, because the company is undertaking the obligation to pay taxes in excess of your home country obligation under the Policy, any refund of taxes received by you from the tax authorities may be payable to the company.

You are responsible for the timely submission of required documentation in order to file your home and host country tax returns. Any interest and/or penalties resulting from failure to submit documentation to the tax provider on a timely basis will be your responsibility and will be assessed in the subsequent tax equalization settlement.

In connection with your assignment you will be required to sign the International Assignment Tax Equalization Policy Certification which is attached to this Letter of Understanding as Attachment B.

## **OTHER**

The company will provide for the use of a PO Box and mail forwarding through PMI for the term of your assignment. The intent of the PO Box is for general correspondence. Should you have packages and other items sent to the PO Box, you will be responsible for the additional charges related to forwarding the package to your assignment location.

## **REPATRIATION**

Your repatriation will occur upon the completion of the term of your assignment as an employee of ON Semiconductor or one of its affiliates. In the preceding situation, the allowances provided upon repatriation will include the same provisions as discussed in the sections titled “Incidental Relocation Allowance” and “Shipment of Household Goods”. In addition, temporary living arrangements will be provided for a reasonable period of time not to exceed 60 days.

You and your assignment manager are responsible for your career development as well as identifying a position for you upon repatriation. You will initially be repatriated at your current executive level and pay for a period of 12 months. While there is no guarantee, it is our intention to offer you a position at ON Semiconductor or one of its affiliates which is consistent with the business needs of the company while taking into consideration such factors as your prior positions with the company, your current base salary, the compensation market for the position offered to you and similar positions, your professional growth, your performance level and your personal desires. If by the completion of this 12 month period we are not able to come to a mutually agreeable assignment, the severance conditions of your Employment Agreement may apply.

In all matters relating to your expatriation and eventual repatriation, administration will be in accordance with ON Semiconductor’s global assignment policies. Repatriation expenses are the responsibility of the department paying for the assignment costs.

## **CHARGE DEPARTMENT**

All costs for this assignment, including repatriation expenses will be charged to the Host Entity.

## **CONTINUED “AT-WILL” STATUS**

Your employment will continue on an “at-will” basis, meaning that you or we may terminate your employment at any time and for any reason, with or without notice or cause. Similarly, the terms and conditions of employment may also change, but not the voluntary nature of your “at-will” employment which may only be changed by an express written agreement for this purpose, signed by you and an authorized officer on our behalf.

## **TERMINATION OF EMPLOYMENT**

As discussed under the paragraph entitled “Title and Base Compensation,” ON Semiconductor will offer you an Employment Agreement. This Employment Agreement sets forth important rights and obligations





**Attachment A — FORM OF EMPLOYMENT AGREEMENT**

**EMPLOYMENT AGREEMENT**

AGREEMENT, dated as of **January 7, 2013** (the "Agreement"), between Semiconductor Components Industries, LLC (the "Company"), with offices at 5005 East McDowell Road, Phoenix, Arizona 85008, and **Mamoon Rashid** (the "Executive").

**1. Employment, Duties and Agreements.**

(a) The Company hereby agrees to employ the Executive via a promotion (the "Promotion") as its Senior Vice President SANYO Business Group, and the Executive hereby accepts such positions 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 Executive Vice President and Chief Financial Officer. 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. Related to the preceding, the Executive has entered into a letter of understanding with the Company and its subsidiary, SANYO Semiconductor Co., Ltd ("SSC"), dated December , 2012 ("LOU"), in connection with the Executive's expatriate assignment in Japan to SSC for a term of assignment described in the LOU under the heading "Assignment" (the "Assignment Term").

(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 **\$330,000** 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 a discretionary bonus program established and approved by the Board for employees of the Company or its affiliates in similar positions to the Executive (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") up to **60%** of Base Salary earned and paid 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) After the lapsing of the Assignment Term under the LOU, but during the Employment Period, the Company shall provide the Executive with a car allowance of \$1,200 per month while the Executive works in the United States.

(e) During the Employment Period, the Company shall reimburse the Executive up to \$10,000 annually for actual financial planning expenses, without any tax gross-ups.

(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, after any accommodation required by law, 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; and (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) without the Executive's written consent, reducing the Executive's salary, as in effect immediately prior to such reduction, while at the same time not proportionately reducing the salaries of the other comparable officers of the Company, or (iii) without the Executive's written consent, a material and continued diminution of the Executive's duties and responsibilities hereunder, unless the Executive is provided with comparable duties and responsibilities in a comparable position (i.e., a position of equal or greater duties and responsibilities); 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 (as in effect immediately prior to the termination) for twelve (12) months following the Date of Termination which, subject to the restrictions set forth below, shall be paid in accordance with the Company's ordinary payroll practices in effect from time to time and which shall begin on the first payroll period immediately following the date on which the general release and waiver described below in this Section 5(a) becomes irrevocable, (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 that is payable during such six-month period that is in excess of the separation pay exception limitation shall be paid in a single 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) 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 period at the same time bonuses are paid to other active employees, but in no event will payment be made for any performance period ending on December 31 before January 1 or after March 15 of the year following the year in which the performance period 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). In addition, in the event of a termination by the Company without Cause under this Section 5(a) (including a deemed termination without Cause as provided in Section 3(f) herein): (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, at a cost not to exceed \$5,000. Notwithstanding the foregoing, the payments and benefits provided in this Section 5(a) are subject to and conditioned upon the Executive executing (and not revoking) 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 or restricted stock unit award agreement (including time and performance based awards) between the Company (or Parent (as defined in Section 7 herein)) and the Executive: (i) any outstanding but unvested options or restricted stock units granted on or prior to the Effective Date or in connection with the Executive's Promotion shall fully vest upon the Date of Termination; and (ii) all options (both vested and unvested) granted on or prior to the Effective Date or in connection with the Executive's Promotion will remain fully exercisable until the first to occur of (1) the one-year anniversary of the Date of Termination, and (2) either the tenth anniversary or the seventh anniversary of the grant date of such options, depending upon what the relevant option grant agreement specify with regard to an option's term or expiration date, 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 non-qualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (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 Amended and Restated Stock Incentive Plan (as amended effective May 15, 2012) 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 assist any other person or entity in soliciting 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 in or from any location in the United States. 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 demonstrated a potential for competing with the Business (as defined herein) for customers of the Company or its affiliates anywhere in the world. For purposes of this Agreement, the "Business" shall mean the design, marketing and sale of semiconductors in the power, analog, digital signal processing, mixed signal, advanced logic, discrete and custom devices, data management semiconductors, memory and standard semiconductor components and integrated circuits offered by the Company or its affiliates for use in automotive electronics, computing, consumer and industrial electronics, wireless communications, networking, military and aerospace and medical end-user markets.

(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  
Attention: General Counsel  
5005 East McDowell Road  
Phoenix, Arizona 85008

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 and restricted stock units awards 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) (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 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 Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the 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. 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, without reducing the amounts of any benefits due to the Executive hereunder.

(j) By signing this Agreement, the Executive agree to be bound by, and comply with the terms of the compensation recovery policy or policies (and related practices) of the Company or its affiliates as such may be in effect from time-to-time, as a result of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended, and similar or related laws, rules and regulations.

(k) 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.

(l) 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.

(m) 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**

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Name: Keith Jackson  
Title: Chief Executive Officer

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**Mamoon Rashid**

Attachment B

**INTERNATIONAL ASSIGNMENT  
TAX EQUALIZATION POLICY CERTIFICATION**

I \_\_\_\_\_, have reviewed the International Assignment Tax Equalization Policy, and having reviewed this policy, understand and accept the terms and provisions of the policy as a condition of my initial continuing expatriate assignment.

I understand and agree that ON Semiconductor will reduce my monthly compensation by an amount that approximates my monthly Estimated Tax Deduction calculated on ON Semiconductor base income.

I understand I will be equalized at the time of filing my U.S. Individual Income tax Returns, and the equalization will be adjusted upon the filing of any amended U.S. Individual Income tax Returns.

I understand that any money due to the company from I.R.S. refunds must be remitted within 30 days of receipt of refund. Also, in the event of any money due to the company and no refund is expected from the I.R.S., payment must be received within 30 days of notification by International Payroll. If payment is not received and justification is not provided, payroll deductions are authorized.

I understand that if my failure to submit documentation to the company authorized tax providers in a timely fashion results in penalties and/or interest, I am responsible for those charges.

Signed: /s/ MAMOON RASHID

Printed Name: Mamoon Rashid

Date: 12/21/12

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## Attachment C

**ON SEMICONDUCTOR  
RELOCATION REPAYMENT AGREEMENT**

In accepting financial assistance from ON Semiconductor to relocate my family and residence to the Japan area, I affirm it is my intention to remain with ON Semiconductor for at least two (2) years from the effective start date. Accordingly, I acknowledge and agree that:\*

- I understand that the relocation benefits that have been and/or are extended by ON Semiconductor to me are conditional upon my continued employment with ON Semiconductor for a minimum of two (2) years from my effective date of assignment to Japan.
- If I voluntarily terminate my employment with ON Semiconductor for any reason during the two (2) year period following the commencement of my assignment, I will not be entitled to the relocation benefits and I agree to repay ON Semiconductor any and all costs incurred with respect to my relocation based on the following sliding scale:
  - Months 1-12, 100% repayment
  - Months 13-24, 50% repayment
- If I am involuntarily terminated with or without "cause" (as defined in the Form of Employment Agreement attached to this Letter of Understanding as Attachment A, benefits will end upon termination date. If I am terminated with cause, I could be required to repay costs incurred based on the above sliding scale.

I understand that all relocation benefits extended me by ON Semiconductor is gratuitous; and neither the extension of relocation benefits nor this agreement shall be construed to obligate ON Semiconductor to retain me in its employ for any specified period of time. ON Semiconductor may, at any time, terminate the employment relationship with or without cause and with or without notice.

EMPLOYEE NAME (Please Print): Mamoon Rashid  
 SIGNATURE: /s/ MAMOON RASHID  
 DATE: 12/21/12

\* *Subject to applicable law.*

Highly Confidential

### Retention Bonus Agreement

This Retention Bonus Agreement (“Agreement”) is made and entered into among Semiconductor Components Industries, LLC, a limited liability company incorporated under the laws of the State of Delaware (“SCILLC”), SANYO Semiconductor Co., Ltd, a company organized under the laws of Japan (“SANYO”) (SCILLC and SANYO referred to collectively herein as “ON Semiconductor” or “Company”) and Mamoon Rashid (“you” and/or “your”) with respect to the following facts:

A. You are currently employed by SCILLC;

B. You have accepted a special assignment for SANYO as memorialized in a Letter of Understanding entered into among you, the Company and SANYO (“Assignment”) which is targeted to commence January 7, 2013 (or such other period as agreed to in writing among the parties to this Agreement) (“Assignment Date”); and

C. ON Semiconductor recognizes and values your contributions, accordingly, ON Semiconductor enters into this Agreement with you to provide an incentive to you to complete your Assignment.

Now, therefore, you and ON Semiconductor agree as follows:

1. **Retention Bonus:** Provided the conditions to earning the retention bonus described in Section 2 below are met and you abide by the other provisions of this Agreement, you will receive a one-time retention bonus in the amount of USD **\$200,000**, subject to all applicable taxes, contributions and withholdings required by federal, state and local law (“Retention Bonus”).

2. **Conditions to Earning A Retention Bonus:** You will earn the Retention Bonus if all of the following conditions are met:

a. You sign this Agreement;

b. Subject to Section 5 on Reassignment, the Letter of Understanding entered into among you, the Company and SANYO dated December 21, 2012 (“LOU”) has not lapsed or become null and void due to the inability to secure or extend, as the case may be, a work permit, visa, employment/pass or similar document for you prior to and during the Retention Period (as defined below);

c. You remain continuously employed by SCILLC on a full-time basis for a period of twenty-four (24) months from and including your Assignment Date (“Retention Period”);

d.0 You must have received an overall satisfactory performance rating, meaning “meets requirements” (or its equivalent), on your most recent performance review during the Retention Period;

d. You must not have any active written disciplinary warnings (active is defined as occurring within the immediately preceding twelve (12) month period) during the Retention Period;

e. You must not be on a performance improvement plan (or its equivalent), or attendance improvement plan (or its equivalent) during the Retention Period;

f. Subject to Section 5 on "Reassignment," you must not be reassigned to another position, department, function or business group within ON Semiconductor or its affiliated entities during the Retention Period;

g. Subject to Section 6 on "Nature of Retention Program and Leaves of Absences," you must work continuously and productively for the Company, and remain actively employed in your current full-time capacity; neither voluntarily resigning your employment nor incurring a termination for "Cause" (as defined in the Form of Employment Agreement attached to the LOU) during the Retention Period; and

h. You must abide by the other provisions of this Agreement.

3. **Advance Payment of Retention Bonus; Repayment, Termination Without "Cause"**. Within fifteen (15) days following the signing of this Agreement by you, SCILLC agrees to pay you the Retention Bonus *in advance* of you actually having satisfied the conditions to earning the Retention Bonus. However, you understand and agree that if you fail to satisfy each and every one of the conditions set forth in Section 2 above of this Agreement to earning the Retention Bonus, you must repay SCILLC the Retention Bonus that was advanced to you as described in Section 3.1.2 below.

3.1.1 **Advance Payment**. You hereby acknowledge and agree that you are receiving payment of the Retention Bonus in advance of you actually having satisfied the conditions to earning the Retention Bonus, and the Retention Bonus is an advance of wages that you have not yet earned and to which you are not yet entitled. You understand and agree that SCILLC's payment of the Retention Bonus in advance of you actually having earned it shall in no way be construed or interpreted to mean that the Retention Bonus was actually earned on the date you received the advance payment.

3.1.2 **Repayment**. Except as otherwise provided in Section 3.1.3 below, if you fail to satisfy any of the conditions, set forth in Section 2 above to earning the Retention Bonus that was advanced to you, you shall be obligated to repay the advanced Retention Bonus in full or a prorated amount, as the case may be, to SCILLC. You shall repay SCILLC the full or a prorated amount (based on days and as described below) of the Retention Bonus, as applicable, within fifteen (15) days of the date you are notified by SCILLC that you have failed to satisfy a condition(s) to earning the Retention Bonus. (The prorated amount of the Retention Bonus to be repaid shall be calculated as follows: the total amount of the Retention Bonus times a fraction, the numerator of which is the number of days remaining until the end of the Retention Period and the denominator of which is the total number of days in the Retention Period).

3.1.3 **Consequences of Involuntary Termination Without “Cause”.** If you are terminated by SCILLC without “Cause” during the Retention Period and you are otherwise eligible under Section 2 above, as applicable, you will not have to repay any of the Retention Bonus.

4. **Taxes:** The Retention Bonus will be subject to all applicable taxes, contributions and withholdings required by federal, state and local law. Any Retention Bonus payable to you will be subject to either actual tax withholdings or hypothetical tax withholdings in accordance with the ON Semiconductor and its affiliates’ International Assignment Tax Equalization Policy.

5. **Reassignment:** You are eligible to apply for openings within the Company or and its affiliated entities. If you apply for such an opening and are subsequently reassigned by the Company, to another position, department, function or business group within ON Semiconductor or its affiliated entities during the Retention Period, SCILLC may determine, in its sole and absolute discretion, that you have not earned the Retention Bonus. Conversely, if SCILLC initiates a possible reassignment and you are actually reassigned by SCILLC to another position, department, function or business group within ON Semiconductor or its affiliated entities during the Retention Period, you will remain eligible for the Retention Bonus and may be deemed to have earned the Retention Bonus so long as you have satisfied each of the conditions provided for in Section 2.

6. **Nature of Retention Program and Leaves of Absences:** Eligibility for the Retention Bonus is a retention tool designed to recognize an employee’s contribution and as such payments are to be considered a performance bonus, requiring actual participation and continued active duties by you. Accordingly, if you are granted an approved leave of absence prior to the end of the Retention Period, and you are otherwise eligible for the Retention Bonus, the amount actually due and payable to you is in the sole and absolute discretion of the Company. Nothing in this Agreement shall be deemed to affect any party’s rights or responsibilities under the Americans with Disabilities Act, as amended.

#### **Other Provisions**

7. **Employment At-Will:** Employment with SCILLC is on an “at-will” basis only, meaning that you or SCILLC may terminate employment at any time and for any reason, with or without notice or cause. Similarly, the terms and conditions of employment may also change, but not the voluntary nature of your “at-will” employment which may only be changed by an express written agreement expressly for this purpose, signed by you and an authorized officer of SCILLC. As a result, nothing in this Agreement alters the “at-will” nature of your employment with SCILLC meaning that, subject only to the financial terms stated in this Agreement, either you or the SCILLC can terminate your employment for any reason with or without notice.

8. **Confidentiality:** This offer of a Retention Bonus is confidential and your acceptance of this Agreement binds you to maintain the confidentiality of these matters to the full extent permitted by law. Further, you agree not to disclose the existence of this Agreement or its terms

to others with the exception of my immediate family, attorney and tax advisors without ON Semiconductor's consent, unless required by law. If you violate this confidentiality agreement, without waiving any other remedy available, SCILLC may terminate your eligibility for the Retention Bonus without further payment or liability. Nothing in this Agreement shall be interpreted to prohibit employees from discussing the terms and conditions of their employment with the Company.

9. **Applicable Law, Jurisdiction and Venue and Dodd-Frank:** This Agreement shall be governed by and construed in accordance with the laws of the United States of America and the State of Arizona, excluding its conflict of law provisions. The parties agree that the sole and exclusive jurisdiction and venue for any action arising out of, relating to, or in any way connected to this Agreement shall rest only in the state or federal courts of Maricopa County, Arizona and any action brought in any other jurisdiction and/or venue shall be improper and be subject to dismissal. Any rights of an employee under the laws of Japan are waived to the full extent allowed by the laws of any jurisdiction and shall not apply to this employment relationship. Further, this Agreement and Retention Bonus hereunder are subject to SCILLC and its parent's compensation recovery policy or policies (and related SCILLC and its parent practices) as such may be in effect from time-to-time, as a result of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended, and similar or related laws, rules and regulations.

10. **Successors and Assigns:** The rights and obligations of ON Semiconductor under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of ON Semiconductor. You shall not be entitled to assign any of your rights or obligations under this Agreement.

11. **Waiver:** Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision within the Agreement.

12. **Attorneys' Fees:** In any court action at law or equity that is brought by one of the parties to this Agreement to enforce the provisions of this Agreement, the prevailing party will be entitled to reasonable attorneys' fees, in addition to any other relief to which that party may be entitled.

13. **Severability:** In the event any provision of this Agreement is found to be unenforceable by a court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that ON Semiconductor and you shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

14. **Entire Agreement:** This Agreement constitutes the entire agreement between you and ON Semiconductor with regard to the Retention Bonus and supersedes any and all prior agreements, whether written or oral, between the parties regarding these matters, and this

Agreement shall be the exclusive agreement for the determination of any Retention Bonus payments due you. This Agreement may be amended or modified only with the written consent of you and SCILLC. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

15. **Acceptance, Counterparts and Electronic Signatures:** If you accept the above offer and its terms and conditions are acceptable, please acknowledge your agreement by signing this Agreement where indicated below, and returning it to Tobin Cookman, Vice President, Human Resources within five (5) calendar days from receipt of this offer. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which counterpart, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one of the same Agreement. An electronic signature (i.e., facsimile or emailed pdf) shall be deemed to be and have the effect of an original signature.

The parties to this Agreement have read the foregoing Agreement and fully understand each and every provision contained therein. Wherefore, the parties have executed this Agreement on the dates shown below.

**SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC**

Date: 12/21/12

By: /s/ KEITH JACKSON

Name: Keith Jackson

Title: Chief Executive Officer & President

Acknowledged:

**SANYO SEMICONDUCTOR CO., LTD.**

By: /s/ BERNARD GUTMANN

Date: 12/21/12

Name: Bernard Gutmann

Title: Chief Financial Officer and Director

Accepted:

/s/ MAMOON RASHID

Date: 12/21/12

Mamoon Rashid

## CERTIFICATIONS

I, Keith D. Jackson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ON Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: May 1, 2014

/s/ KEITH D. JACKSON

Keith D. Jackson  
Chief Executive Officer

## CERTIFICATIONS

I, Bernard Gutmann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ON Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: May 1, 2014

/s/ BERNARD GUTMANN

Bernard Gutmann  
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 Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2014 ("Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 1, 2014

/s/ KEITH D. JACKSON

Keith D. Jackson  
President and Chief Executive Officer

Dated: May 1, 2014

/s/ BERNARD GUTMANN

Bernard Gutmann  
Executive Vice President and  
Chief Financial Officer, and Treasurer