
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 29, 2001

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 and telephone number of principal executive offices)

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

Yes No

The number of shares outstanding of each of the issuer's classes of common stock as of the close of business on August 6, 2001:

Class	Number of Shares
Common Stock; \$.01 par value	173,917,558

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PART I: FINANCIAL INFORMATION

Item 1. *Financial Statements*

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions, except share data)

	<u>June 29, 2001</u>	<u>December 31, 2000</u>
	(unaudited)	
Assets		
Cash and cash equivalents	\$ 175.7	\$ 188.9
Receivables, net (including \$14.0 and \$14.9 due from Motorola)	158.2	271.2
Inventories	258.0	258.1
Other current assets	46.5	39.6
Deferred income taxes	100.3	40.7
	<hr/>	<hr/>
Total current assets	738.7	798.5
Property, plant and equipment, net	614.0	648.2
Deferred income taxes	294.1	286.8
Investments in joint ventures	30.2	45.3
Goodwill and other intangibles, net	129.4	140.8
Other assets	103.4	103.4
	<hr/>	<hr/>
Total assets	\$1,909.8	\$2,023.0

Liabilities, Minority Interests, and Stockholders' Equity		
Accounts payable (including \$6.5 and \$7.3 payable to Motorola)	\$ 142.0	\$ 175.0
Accrued expenses (including \$9.4 and \$8.3 payable to Motorola)	146.0	184.3
Income taxes payable	9.7	22.3
Accrued interest	24.2	17.9
Deferred income on sales to distributors (See Note 2)	136.1	—
Current portion of long-term debt	13.6	5.6
	<hr/>	<hr/>
Total current liabilities	471.6	405.1
Long-term debt (including \$109.6 and \$104.5 payable to Motorola)	1,375.4	1,252.7
Other long-term liabilities	32.5	20.8
	<hr/>	<hr/>
Total liabilities	1,879.5	1,678.6
	<hr/>	<hr/>
Commitments and contingencies	—	—
	<hr/>	<hr/>
Minority interests in consolidated subsidiaries	5.7	6.7
	<hr/>	<hr/>
Common stock (\$0.01 par value, 300,000,000 shares authorized, 173,905,973 and 172,746,435 shares issued and outstanding)	1.7	1.7
Additional paid-in capital	738.3	730.4
Accumulated other comprehensive income (loss)	(10.1)	(0.7)
Accumulated deficit	(705.3)	(393.7)
	<hr/>	<hr/>
Total stockholders' equity	24.6	337.7
	<hr/>	<hr/>
Total liabilities, minority interests, and stockholders' equity	\$1,909.8	\$2,023.0
	<hr/>	<hr/>

See accompanying notes to consolidated financial statements.

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

	Quarter Ended		Six Months Ended	
	June 29, 2001	July 1, 2000	June 29, 2001	July 1, 2000
	(unaudited)		(unaudited)	
Revenues:				
Net product revenues (including \$23.2, \$34.9, \$44.4 and \$72.1 from Motorola)	\$ 307.3	\$531.0	\$ 664.3	\$ 982.5
Foundry revenues from Motorola	3.4	19.5	6.9	54.8
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	310.7	550.5	671.2	1,037.3
Cost of sales	255.6	357.7	529.5	681.1
	<hr/>	<hr/>	<hr/>	<hr/>
Gross profit	55.1	192.8	141.7	356.2
	<hr/>	<hr/>	<hr/>	<hr/>
Operating expenses:				
Research and development	22.9	17.1	45.8	28.3
Selling and marketing	20.8	26.2	44.6	45.8
General and administrative	34.0	59.6	70.8	110.6
Amortization of goodwill and other intangibles	5.6	5.5	11.4	5.5
Write-off of acquired in-process research and development	—	26.9	—	26.9
Restructuring and other charges	95.8	—	133.8	4.8
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	179.1	135.3	306.4	221.9
	<hr/>	<hr/>	<hr/>	<hr/>
Operating income (loss)	(124.0)	57.5	(164.7)	134.3
	<hr/>	<hr/>	<hr/>	<hr/>
Other income (expenses), net:				
Interest expense	(29.7)	(33.8)	(58.9)	(68.5)

Equity in earnings of joint ventures	1.5	2.4	2.1	2.2
Gain on sale of investment in joint venture	—	—	3.1	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other income (expenses), net	(28.2)	(31.4)	(53.7)	(66.3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income (loss) before income taxes, minority interests, extraordinary loss and cumulative effect of accounting change	(152.2)	26.1	(218.4)	68.0
Income tax (provision) benefit	—	(10.1)	22.7	(25.8)
Minority interests	—	(0.5)	0.5	(1.2)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income (loss) before extraordinary loss and cumulative effect of accounting change	(152.2)	15.5	(195.2)	41.0
Extraordinary loss on debt prepayment (net of income taxes of \$11.7) (See Note 1)	—	(17.5)	—	(17.5)
Cumulative effect of accounting change (net of income taxes of \$38.8) (See Note 2)	—	—	(116.4)	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income (loss)	(152.2)	(2.0)	(311.6)	23.5
Less: Redeemable preferred stock dividends	—	(2.2)	—	(8.8)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income (loss) available for common stock	<u>\$ (152.2)</u>	<u>\$ (4.2)</u>	<u>\$ (311.6)</u>	<u>\$ 14.7</u>

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ON SEMICONDUCTOR AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS) — (Continued)

	Quarter Ended		Six Months Ended	
	June 29, 2001	July 1, 2000	June 29, 2001	July 1, 2000
	(unaudited)		(unaudited)	
Comprehensive income (loss):				
Net income (loss)	\$(152.2)	\$ (2.0)	\$(311.6)	\$ 23.5
Foreign currency translation adjustments	(0.8)	—	(3.3)	(0.3)
Additional minimum pension liability	—	—	(0.4)	—
Cash flow hedges:				
Cumulative effect of accounting change (See Note 11)	—	—	(3.4)	—
Net gains (losses) on derivative instruments	0.5	—	(2.6)	—
Reclassification adjustments	0.2	—	0.3	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Comprehensive income (loss)	<u>\$ (152.3)</u>	<u>\$ (2.0)</u>	<u>\$ (321.0)</u>	<u>\$ 23.2</u>
Earnings (loss) per common share:				
Basic:				
Net income (loss) before extraordinary loss and cumulative effect of accounting change	\$ (0.88)	\$ 0.08	\$ (1.13)	\$ 0.22
Extraordinary loss on debt prepayment	—	(0.11)	—	(0.12)
Cumulative effect of accounting change	—	—	(0.67)	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income (loss)	<u>\$ (0.88)</u>	<u>\$ (0.03)</u>	<u>\$ (1.80)</u>	<u>\$ 0.10</u>
Diluted:				
Net income (loss) before extraordinary loss and cumulative effect of accounting change	\$ (0.88)	\$ 0.08	\$ (1.13)	\$ 0.21
Extraordinary loss on debt prepayment	—	(0.11)	—	(0.11)
Cumulative effect of accounting change	—	—	(0.67)	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income (loss)	<u>\$ (0.88)</u>	<u>\$ (0.03)</u>	<u>\$ (1.80)</u>	<u>\$ 0.10</u>
Weighted average common shares outstanding:				
Basic	173.5	160.0	172.8	148.3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 29, 2001	Six Months Ended July 1, 2000
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net income (loss)	\$(311.6)	\$ 23.5
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	85.4	75.9
Write-off of acquired in-process research and development	—	26.9
Extraordinary loss on debt prepayment	—	29.2
Cumulative effect of accounting change	116.4	—
Amortization of debt issuance costs	2.7	3.1
Provision for doubtful accounts	(0.4)	0.6
Net (gain) loss on disposals of property, plant and equipment	1.0	(1.6)
Non-cash impairment write-down of property, plant and equipment	45.1	—
Non-cash interest on junior subordinated note payable to Motorola	5.3	4.6
Minority interests in earnings (losses) of consolidated subsidiaries	(0.5)	1.2
Undistributed earnings of unconsolidated joint ventures	(2.1)	(2.2)
Tax benefits of stock options exercised	0.6	2.6
Gain on sale of investment in unconsolidated joint venture	(3.1)	—
Deferred income taxes	(24.2)	(16.7)
Non-cash foreign exchange gains	—	(0.7)
Non-cash stock compensation charges	3.4	—
Changes in assets and liabilities:		
Receivables	113.6	(27.1)
Inventories	(0.5)	1.7
Other assets	(13.1)	(12.1)
Accounts payable	(32.4)	25.4
Accrued expenses	(7.8)	10.5
Income taxes payable	(12.9)	(14.4)
Accrued interest	6.3	(11.3)
Deferred income on sales to distributors	(46.1)	—
Other long-term liabilities	3.8	2.5
Net cash provided by (used in) operating activities	(71.1)	121.6
Cash flows from investing activities:		
Purchases of property, plant and equipment	(88.0)	(70.8)
Acquisition of business, net of cash acquired	—	(253.2)
Acquisition of minority interest in consolidated subsidiaries	(0.1)	—
Investments in unconsolidated companies and joint ventures	(0.5)	(2.5)
Loans to unconsolidated joint venture	(5.0)	(11.0)
Proceeds from sale of investment in unconsolidated joint venture	20.4	—
Proceeds from sales of property, plant and equipment	2.1	17.7
Net cash used in investing activities	(71.1)	(319.8)
Cash flows from financing activities:		
Proceeds from initial public offering, net of offering expenses	—	514.8
Proceeds from senior credit facilities and other borrowings	125.0	200.0
Payments on capital lease obligation	(0.6)	—
Payment of debt issuance costs	—	(3.2)
Repayment of senior credit facilities, including prepayment penalty	—	(131.5)
Repayment of senior subordinated notes, including prepayment penalty	—	(156.8)
Redemption of preferred stock, including accrued dividends	—	(228.4)

Proceeds from issuance of stock under the employee stock purchase plan	3.4	—
Proceeds from exercise of stock options	0.5	0.8
Net cash provided by financing activities	128.3	195.7
Effect of exchange rates on cash and cash equivalents	0.7	0.1
Net decrease in cash and cash equivalents	(13.2)	(2.4)
Cash and cash equivalents, beginning of period	188.9	126.8
Cash and cash equivalents, end of period	\$ 175.7	\$ 124.4

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ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Background and Basis of Presentation

The accompanying consolidated financial statements as of and for the quarter and six months ended June 29, 2001 include the accounts of ON Semiconductor Corporation, its wholly-owned subsidiaries, and the majority-owned subsidiaries that it controls (collectively, the “Company”). An investment in a majority-owned joint venture that the Company does not control is accounted for on the equity method. Investments in companies that represent less than 20% of the related voting stock are accounted for on the cost basis. All material intercompany accounts and transactions have been eliminated.

The accompanying unaudited financial information reflects all adjustments, consisting only of normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto included in our Form 10-K for the year ended December 31, 2000 and filed with the Securities and Exchange Commission (“SEC”) on March 30, 2001.

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

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

On May 3, 2000, the Company completed the initial public offering (“IPO”) of its common stock, selling 34.5 million shares with an issue price of \$16 per share. Net proceeds from the IPO (after deducting issuance costs) were approximately \$514.8 million. The net proceeds were used to redeem all outstanding preferred stock (including accrued dividends), redeem a portion of the senior subordinated notes and prepay a portion of the loans outstanding under the senior bank facilities.

As described above, the Company utilized a portion of the net proceeds from its IPO to redeem a portion of its senior subordinated notes and prepay a portion of the loans outstanding under its senior bank facilities. In connection therewith, the Company incurred prepayment penalties and redemption premiums of \$17.3 million and wrote off \$11.9 million of debt issuance costs. These amounts, totaling \$29.2 million (\$17.5 million or \$0.11 per share, net of income taxes), have been classified as an extraordinary loss in the accompanying consolidated statements of operations for the quarter and six months ended July 1, 2000.

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ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 2: Cumulative Effect of Accounting Change

Effective January 1, 2001, the Company changed its accounting method for recognizing revenue on sales to distributors. Recognition of revenue and related gross profit on sales to distributors is now deferred until the distributor resells the product. Deferred income on sales to distributors was \$136.1 million at June 29, 2001.

Management of the Company believes that this accounting change is to a preferable method because it better aligns reported results with, focuses the Company on, and allows investors to better understand end user demand for the products the Company sells through distribution. This revenue recognition policy is commonly used in the semiconductor industry.

The cumulative effect of the accounting change for periods prior to January 1, 2001 was a charge of \$155.2 million (\$116.4 million or \$0.67 per share, net of income taxes) and was recorded in the six months ended June 29, 2001. The accounting change resulted in a reduction of the Company's net loss in the six months ended June 29, 2001 of \$26.4 million, or \$0.15 per share.

The estimated pro forma effects of the accounting change are as follows (in millions, except per share amounts):

	Quarter Ended June 29, 2001	Quarter Ended July 1, 2000	Six Months Ended June 29, 2001	Six Months Ended July 1, 2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
As reported:				
Revenues	\$ 310.7	\$550.5	\$ 671.2	\$1,037.3
Net income (loss)	(152.2)	(2.0)	(311.6)	23.5
Basic net income (loss) per share	\$ (0.88)	\$ (0.03)	\$ (1.80)	\$ 0.10
Diluted net income (loss) per share	\$ (0.88)	\$ (0.03)	\$ (1.80)	\$ 0.10
Pro forma amounts reflecting the accounting change applied retroactively:				
Revenues	\$ 310.7	\$516.4	\$ 671.2	\$ 964.2
Net loss	(152.2)	(12.7)	(195.2)	(4.8)
Basic net loss per share	\$ (0.88)	\$ (0.09)	\$ (1.13)	\$ (0.09)
Diluted net loss per share	\$ (0.88)	\$ (0.09)	\$ (1.13)	\$ (0.09)

Note 3: Acquisition

On April 3, 2000, the Company acquired all of the outstanding capital stock of Cherry Semiconductor Corporation ("Cherry") for approximately \$250 million in cash, which was financed with cash on hand and borrowings of \$220 million under the Company's senior bank facilities. Cherry, which was renamed Semiconductor Components Industries of Rhode Island, Inc., designs and manufactures analog and mixed signal integrated circuits for the power management and automotive markets, and had revenues for its fiscal year ended February 29, 2000 of \$129.1 million.

The Cherry acquisition was accounted for using the purchase method of accounting and as a result, the purchase price plus related costs was allocated to the estimated fair value of assets acquired and liabilities

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

assumed at the time of the acquisition based on independent appraisals and management estimates as follows (in millions):

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

Developed technology and assembled workforce are being amortized on a straight-line basis over estimated useful lives of five years while goodwill is being amortized over an estimated life of ten years.

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

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

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

Cherry's results of operations have been included in the Company's consolidated results from the date of acquisition. The following pro forma disclosures present the Company's results of operations for the six

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ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

months ended July 1, 2000 as if the Company had acquired Cherry as of January 1, 2000 (in millions, except per share data):

Total revenues	\$1,073.7
Net income before extraordinary loss	\$ 38.0
Net income	\$ 20.5
Diluted earnings per share before extraordinary loss	\$ 0.19
Diluted earnings per share	\$ 0.08

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

Note 4: Inventories

Inventories consist of the following (in millions):

	June 29, 2001	December 31, 2000
	(unaudited)	
Raw materials	\$ 13.7	\$ 26.6
Work in process	136.9	123.4
Finished goods	107.4	108.1

Note 5: Restructuring and Other Charges

In June 2001, the Company recorded a \$95.8 million charge to cover costs associated with a worldwide restructuring program. This program includes phasing out of manufacturing operations at the Company's Guadalajara, Mexico facility, transferring certain manufacturing activities performed at the Company's Aizu, Japan and Seremban, Malaysia facilities to other Company-owned facilities or to third party contractors and consolidation of other operations. The charge includes \$43.6 million to cover employee separation costs associated with the termination of approximately 3,200 employees, asset impairments of \$42.2 million and \$10.0 million of other costs primarily related to facility closures and contract terminations. The asset impairments were charged directly against the related assets. Employee separation costs included \$1.1 million of non-cash charges associated with the acceleration of vesting of stock options for terminated employees and \$6.1 million for additional pension charges related to terminated employees. As of June 29, 2001, the remaining liability relating to this restructuring was \$38.6 million. As of June 29, 2001, 532 employees have been terminated under this restructuring plan.

In March 2001, the Company recorded a \$34.2 million charge to cover costs associated with a worldwide restructuring program involving manufacturing locations as well as selling and administrative functions. The charge included \$31.3 million to cover employee separation costs associated with the termination of approximately 1,100 employees and \$2.9 million for asset impairments that were charged directly against the related assets. As of June 29, 2001, the remaining liability relating to this restructuring was \$3.2 million. As of June 29, 2001, 610 employees have been terminated under this restructuring plan.

Also in March 2001, the Company recorded a \$3.8 million charge to cover costs associated with the separation of one of the Company's executive officers. In connection with the separation, the Company paid

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ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the former executive officer \$1.9 million. In addition, the Company agreed to accelerate the vesting of his remaining stock options and to allow such options to remain exercisable for the remainder of their ten-year term. The Company recorded a non-cash charge of \$1.9 million related to the modification of these options.

In March 2000, the Company recorded a \$4.8 million charge to cover costs associated with a restructuring program at its manufacturing facility in Guadalajara, Mexico. The charge included \$3.2 million to cover employee separation costs associated with the termination of approximately 500 employees and \$1.6 million for asset impairments that were charged directly against the related assets. As of June 29, 2001 there was no remaining liability related to the 2000 restructuring program.

A summary of activity in the Company's restructuring reserves for the six months ended June 29, 2001 is as follows (in millions):

	Balance as of December 31, 2000	Additional Reserves	Amounts Used	Balance as of June 29, 2001
Facility closure and other exit costs	\$ —	\$10.0	\$ —	\$10.0
Employee separations	0.7	67.7	(36.6)	31.8
	—	—	—	—
Total restructuring	\$0.7	\$77.7	\$(36.6)	\$41.8

Note 6: Sale of Investment in Joint Venture

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

Note 7: Earnings per Common Share

Basic earnings per share are computed by dividing net income (loss) available for common stock (net income (loss) adjusted for dividends accrued on the Company's redeemable preferred stock) by the weighted average number of common shares outstanding

during the period. Diluted earnings per share incorporates the incremental impact of shares issuable upon the assumed exercise of stock options. The number of incremental shares from the assumed exercise of stock options is calculated by applying the treasury stock method. For the

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ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

quarter and six months ended June 29, 2001, the effect of stock options is not included as it would be anti-dilutive. Earnings per share calculations are as follows (in millions, except per share data):

	Quarter Ended June 29, 2001	Quarter Ended July 1, 2000	Six Months Ended June 29, 2001	Six Months Ended July 1, 2000
Net income (loss) before extraordinary loss and cumulative effect of accounting change	\$(152.2)	\$ 15.5	\$(195.2)	\$ 41.0
Less: Redeemable preferred stock dividends	—	(2.2)	—	(8.8)
Net income (loss) available for common stock	(152.2)	13.3	(195.2)	32.2
Extraordinary loss on debt prepayment	—	(17.5)	—	(17.5)
Cumulative effect of accounting change	—	—	(116.4)	—
Net income (loss)	\$(152.2)	\$ (4.2)	\$(311.6)	\$ 14.7
Basic weighted average common shares outstanding	173.5	160.0	172.8	148.3
Add: Dilutive effect of stock options	—	5.9	—	5.8
Diluted weighted average common shares outstanding	173.5	165.9	172.8	154.1
Earnings per share:				
Basic:				
Net income (loss) before extraordinary loss and cumulative effect of accounting change available for common stock	\$ (0.88)	\$ 0.08	\$ (1.13)	\$ 0.22
Extraordinary loss on debt prepayment	—	(0.11)	—	(0.12)
Cumulative effect of accounting change	—	—	(0.67)	—
Net income (loss) available for common stock	\$ (0.88)	\$ (0.03)	\$ (1.80)	\$ 0.10
Diluted:				
Net income (loss) before extraordinary loss and cumulative effect of accounting change available for common stock	\$ (0.88)	\$ 0.08	\$ (1.13)	\$ 0.21
Extraordinary loss on debt prepayment	—	(0.11)	—	(0.11)
Cumulative effect of accounting change	—	—	(0.67)	—
Net income (loss) available for common stock	\$ (0.88)	\$ (0.03)	\$ (1.80)	\$ 0.10

Note 8: Long-Term Debt

At June 29, 2001, the Company had \$994.3 million outstanding under its senior bank facilities. The senior bank facilities require the Company to maintain compliance with certain covenants and restrictions. At June 29, 2001, the Company was not in compliance with covenants requiring the maintenance of minimum interest expense and leverage coverage ratios. The Company has received a waiver in respect of such noncompliance at June 29, 2001 (and in respect of any future noncompliance with such covenants through December 31, 2002). In connection with such waiver, the Company has amended its senior bank facilities. The key terms of this amendment are as follows:

- Minimum interest expense coverage ratio and leverage coverage ratio requirements for periods between January 31, 2003 through December 31, 2005 have been reduced, maximum capital expenditure limits have been reduced and covenants requiring the maintenance of a minimum cash and cash equivalent

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

balance until certain financial ratios are achieved and minimum EBITDA levels through December 31, 2002 have been added;

- The Company is required to obtain \$100 million through an equity investment from its principal shareholder, an affiliate of Texas Pacific Group, by September 7, 2001;
- The interest rate spread on outstanding borrowings will increase to 3.0% with respect to alternate base rate loans and 4.0% with respect to Eurodollar loans. Payment of such interest will be required on a monthly basis. Additionally, a supplemental interest charge of 2.0% will accrue through September 30, 2001, increasing to 3.0% for the period October 1, 2001 through March 31, 2003. Fifty percent of such supplemental interest must be paid by March 31, 2003 with the balance due by June 30, 2003. To the extent that the full amount of such supplemental interest is not paid on March 31, 2003, additional supplemental interest for the period of March 31, 2003 through June 30, 2003 will accrue at a rate of 3.0% on a portion of the outstanding borrowings, which portion is equal to the percentage of supplemental interest accrued but unpaid on March 31, 2003. Such additional supplemental interest will be due by June 30, 2002. As a result of these amendments, the Company's interest expense on an annual basis is expected to increase by approximately \$29.5 million; and
- Certain mandatory prepayment provisions contained in the original agreement have been revised.

The Company believes that, pursuant to its current business plans, it will be able to maintain compliance with the revised covenants as outlined above.

In connection with the Recapitalization, the Company and SCI LLC, (collectively, the "Issuers"), issued \$400.0 million senior subordinated notes due 2009. As of June 29, 2001, \$260.0 million of the senior subordinated notes were outstanding. The Company's other domestic subsidiaries (collectively, the "Guarantor Subsidiaries") have jointly and severally, irrevocably and unconditionally guaranteed the Issuers' obligations under the senior subordinated notes. The Guarantor Subsidiaries include holding companies whose net assets consist primarily of investments in the Company's foreign joint ventures in China and the Czech Republic and nominal equity interests in certain of the Company's foreign subsidiaries as well as Semiconductor Components Industries of Rhode Island, Inc. The foreign joint ventures and the Company's foreign subsidiaries (collectively, the "Non-Guarantor Subsidiaries") themselves are not guarantors of the senior subordinated notes.

The Company does not believe that the separate financial statements and other disclosures concerning the Guarantor Subsidiaries provide any additional information that would be material to investors in making an investment decision. Condensed consolidating financial information for the Issuers, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries follows (in millions):

ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Issuers				Eliminations	Total
	ON Semiconductor Corporation	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries		
As of June 29, 2001						
Cash and cash equivalents	\$ —	\$ 133.4	\$ (0.4)	\$ 42.7	\$ —	\$ 175.7
Receivables, net	—	59.9	—	98.3	—	158.2
Inventories	—	44.2	3.4	296.7	(86.3)	258.0
Other current assets	—	83.2	(0.2)	45.2	18.6	146.8
Total current assets	—	320.7	2.8	482.9	(67.7)	738.7
Property, plant and equipment, net	—	160.8	47.9	409.7	(4.4)	614.0
Deferred income taxes	—	289.5	15.1	5.3	(15.8)	294.1
Goodwill and other intangibles, net	—	10.6	119.1	(0.3)	—	129.4
Investments and other assets	89.4	309.3	59.5	5.9	(330.5)	133.6
Total assets	\$ 89.4	\$1,090.9	\$244.4	\$ 903.5	\$(418.4)	\$1,909.8

Accounts payable	\$ —	\$ 35.7	\$ 2.9	\$ 103.4	\$ —	\$ 142.0
Accrued expenses and other current liabilities	(3.7)	107.4	(22.5)	70.7	41.6	193.5
Deferred income on sales to distributors	—	48.8	—	87.3	—	136.1
Total current liabilities	(3.7)	191.9	(19.6)	261.4	41.6	471.6
Long-term debt(1)	260.0	1,352.7	—	22.7	(260.0)	1,375.4
Other long-term liabilities	—	15.9	—	16.6	—	32.5
Intercompany(1)	(191.5)	(713.3)	201.6	550.1	153.1	—
Total liabilities	64.8	847.2	182.0	850.8	(65.3)	1,879.5
Minority interests	—	—	—	—	5.7	5.7
Stockholders' equity	24.6	243.7	62.4	52.7	(358.8)	24.6
Liabilities, minority interests and stockholders' equity	\$ 89.4	\$1,090.9	\$244.4	\$ 903.5	\$(418.4)	\$1,909.8
As of December 31, 2000						
Cash and cash equivalents	\$ —	\$ 44.9	\$ (1.1)	\$ 145.1	\$ —	\$ 188.9
Receivables, net	—	118.2	—	153.0	—	271.2
Inventories	—	48.4	6.6	261.6	(58.5)	258.1
Other current assets	—	36.8	0.7	34.6	8.2	80.3
Total current assets	—	248.3	6.2	594.3	(50.3)	798.5
Property, plant and equipment, net	—	157.5	52.4	438.5	(0.2)	648.2
Deferred income taxes	—	278.1	14.2	(5.5)	—	286.8
Goodwill and other intangibles	—	—	140.8	—	—	140.8
Investments and other assets	429.4	340.8	57.8	5.6	(684.9)	148.7
Total assets	\$ 429.4	\$1,024.7	\$271.4	\$1,032.9	\$(735.4)	\$2,023.0
Accounts payable	\$ —	\$ 62.0	\$ 7.0	\$ 106.0	\$ —	\$ 175.0
Accrued expenses and other current liabilities	(3.2)	124.4	10.4	97.2	1.3	230.1
Total current liabilities	(3.2)	186.4	17.4	203.2	1.3	405.1
Long-term debt(1)	260.0	1,228.2	—	24.5	(260.0)	1,252.7
Other long-term liabilities	—	9.7	—	11.1	—	20.8
Intercompany(1)	(165.1)	(782.6)	150.4	537.3	260.0	—
Total liabilities	91.7	641.7	167.8	776.1	1.3	1,678.6
Minority interests	—	—	—	—	6.7	6.7
Stockholders' equity	337.7	383.0	103.6	256.8	(743.4)	337.7
Liabilities, minority interests and stockholders' equity	\$ 429.4	\$1,024.7	\$271.4	\$1,032.9	\$(735.4)	\$2,023.0

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

	Issuers					Total
	ON Semiconductor Corporation	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	
For the quarter ended June 29, 2001						
Revenues	\$ —	\$ 176.6	\$ 9.5	\$ 386.8	\$(262.2)	\$ 310.7
Cost of sales	—	145.4	8.1	363.7	(261.6)	255.6
Gross profit	—	31.2	1.4	23.1	(0.6)	55.1
Research and development	—	(2.4)	5.0	20.3	—	22.9

Selling and marketing	—	8.8	1.4	10.6	—	20.8
General and administrative	—	19.7	2.8	11.5	—	34.0
Amortization of goodwill and other intangibles	—	—	5.6	—	—	5.6
Restructuring and other charges	—	21.6	—	74.2	—	95.8
	<u>—</u>	<u>47.7</u>	<u>14.8</u>	<u>116.6</u>	<u>—</u>	<u>179.1</u>
Total operating expenses	—	47.7	14.8	116.6	—	179.1
Operating income (loss)	—	(16.5)	(13.4)	(93.5)	(0.6)	(124.0)
Interest expense, net	—	(11.8)	(4.7)	(13.2)	—	(29.7)
Equity earnings	(152.2)	(38.3)	2.0	—	190.0	1.5
	<u>(152.2)</u>	<u>(38.3)</u>	<u>2.0</u>	<u>—</u>	<u>190.0</u>	<u>1.5</u>
Income (loss) before income taxes	(152.2)	(66.6)	(16.1)	(106.7)	189.4	(152.2)
Income tax benefit (provision)	—	44.1	8.9	(0.6)	(52.4)	—
	<u>(152.2)</u>	<u>44.1</u>	<u>8.9</u>	<u>(0.6)</u>	<u>(52.4)</u>	<u>—</u>
Net income (loss)	<u>\$(152.2)</u>	<u>\$ (22.5)</u>	<u>\$ (7.2)</u>	<u>\$(107.3)</u>	<u>\$ 137.0</u>	<u>\$(152.2)</u>
For the six months ended June 29, 2001						
Revenues	\$ —	\$ 385.2	\$ 25.8	\$ 821.4	\$(561.2)	\$ 671.2
Cost of sales	—	324.0	21.9	744.8	(561.2)	529.5
	<u>—</u>	<u>324.0</u>	<u>21.9</u>	<u>744.8</u>	<u>(561.2)</u>	<u>529.5</u>
Gross profit	—	61.2	3.9	76.6	—	141.7
	<u>—</u>	<u>61.2</u>	<u>3.9</u>	<u>76.6</u>	<u>—</u>	<u>141.7</u>
Research and development	—	1.9	9.1	34.8	—	45.8
Selling and marketing	—	21.0	3.0	20.6	—	44.6
General and administrative	—	45.2	5.1	20.5	—	70.8
Amortization of goodwill and other intangibles	—	—	11.4	—	—	11.4
Restructuring and other charges	—	43.3	1.3	89.2	—	133.8
	<u>—</u>	<u>43.3</u>	<u>1.3</u>	<u>89.2</u>	<u>—</u>	<u>133.8</u>
Total operating expenses	—	111.4	29.9	165.1	—	306.4
	<u>—</u>	<u>111.4</u>	<u>29.9</u>	<u>165.1</u>	<u>—</u>	<u>306.4</u>
Operating income (loss)	—	(50.2)	(26.0)	(88.5)	—	(164.7)
Interest expense, net	—	(24.3)	(9.4)	(25.2)	—	(58.9)
Equity earnings	(311.6)	(67.4)	1.6	—	379.5	2.1
Gain on the sale of investment in joint venture	—	—	3.1	—	—	3.1
	<u>(311.6)</u>	<u>(67.4)</u>	<u>1.6</u>	<u>—</u>	<u>379.5</u>	<u>2.1</u>
Income (loss) before income taxes, minority interests and cumulative effect of accounting change, net	(311.6)	(141.9)	(30.7)	(113.7)	379.5	(218.4)
Income tax benefit (provision)	—	56.0	16.8	(1.2)	(48.9)	22.7
	<u>(311.6)</u>	<u>56.0</u>	<u>16.8</u>	<u>(1.2)</u>	<u>(48.9)</u>	<u>22.7</u>
Minority interests	—	—	—	—	0.5	0.5
Cumulative effect of accounting change, net	—	(44.1)	—	(72.3)	—	(116.4)
	<u>—</u>	<u>(44.1)</u>	<u>—</u>	<u>(72.3)</u>	<u>—</u>	<u>(116.4)</u>
Net income (loss)	<u>\$(311.6)</u>	<u>\$(130.0)</u>	<u>\$(13.9)</u>	<u>\$(187.2)</u>	<u>\$ 331.1</u>	<u>\$(311.6)</u>
Net cash provided by (used in) operating activities	\$ —	\$ 112.1	\$ 7.3	\$(190.6)	\$ 0.1	\$ (71.1)
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(27.5)	(1.1)	(59.4)	—	(88.0)
Investments in unconsolidated companies and joint ventures	—	—	—	(0.5)	—	(0.5)
Acquisition of minority interests in consolidated subsidiaries	—	—	—	—	(0.1)	(0.1)
Proceeds from sale of investment in unconsolidated joint venture	—	20.4	—	—	—	20.4
Loans to unconsolidated joint venture	—	(5.0)	—	—	—	(5.0)
Proceeds from sales of property, plant and equipment	—	1.1	—	1.0	—	2.1
	<u>—</u>	<u>1.1</u>	<u>—</u>	<u>1.0</u>	<u>—</u>	<u>2.1</u>
Net cash used in investing	—	(11.0)	(1.1)	(58.9)	(0.1)	(71.1)

activities						
Cash flows from financing activities:						
Intercompany loans	—	(186.6)	—	186.6	—	—
Intercompany loan repayments	—	58.0	—	(58.0)	—	—
Proceeds from senior credit facilities and other borrowings	—	125.0	—	—	—	125.0
Payments on capital lease obligation	—	(0.6)	—	—	—	(0.6)
Proceeds from exercise of stock options and issuance of common stock under the employee stock purchase plan	—	3.9	—	—	—	3.9
Net cash (used in) provided by financing activities	—	(0.3)	—	128.6	—	128.3
Effect of exchange rate changes on cash and cash equivalents	—	—	—	0.7	—	0.7
Net increase (decrease) in cash and cash equivalents	—	100.8	6.2	(120.2)	0.0	(13.2)
Cash and cash equivalents, beginning of period	—	44.9	(1.1)	145.1	—	188.9
Cash and cash equivalents, end of period	\$ —	\$ 145.7	\$ 5.1	\$ 24.9	\$ 0.0	\$ 175.7

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

	Issuers					Total
	ON Semiconductor Corporation	SCI LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	
For the quarter ended July 1, 2000						
Revenues	\$ —	\$ 574.7	\$ 39.6	\$310.5	\$(374.3)	\$ 550.5
Cost of sales	—	455.1	26.8	250.1	(374.3)	357.7
Gross profit	—	119.6	12.8	60.4	—	192.8
Research and development	—	14.2	—	2.9	—	17.1
Selling and marketing	—	17.3	4.9	4.0	—	26.2
General and administrative	—	41.4	1.1	17.1	—	59.6
Amortization of goodwill and other intangibles	—	—	5.5	—	—	5.5
Write-off of acquired in-process research and development	—	—	26.9	—	—	26.9
Total operating expenses	—	72.9	38.4	24.0	—	135.3
Operating income (loss)	—	46.7	(25.6)	36.4	—	57.5
Interest expense, net	—	(18.7)	(4.7)	(10.4)	—	(33.8)
Equity earnings	(2.0)	(4.8)	3.1	—	6.1	2.4
Income (loss) before income taxes and minority interests	(2.0)	23.2	(27.2)	26.0	6.1	26.1
Income tax benefit (provision)	—	(10.4)	12.1	(11.4)	(0.4)	(10.1)
Minority interests	—	—	—	—	(0.5)	(0.5)

Extraordinary loss	—	(17.5)	—	—	—	(17.5)
Net income (loss)	\$ (2.0)	\$ (4.7)	\$(15.1)	\$ 14.6	\$ 5.2	\$ (2.0)
For the six months ended						
July 1, 2000						
Revenues	\$ —	\$1,151.0	\$ 39.6	\$603.0	\$(756.3)	\$1,037.3
Cost of sales	—	939.8	26.8	470.8	(756.3)	681.1
Gross profit	—	211.2	12.8	132.2	—	356.2
Research and development	—	20.0	—	8.3	—	28.3
Selling and marketing	—	37.0	4.9	3.9	—	45.8
General and administrative	—	72.3	1.1	37.2	—	110.6
Amortization of goodwill and other intangibles	—	—	5.5	—	—	5.5
Write-off of acquired in-process research and development	—	—	26.9	—	—	26.9
Restructuring and other charges	—	—	—	4.8	—	4.8
Total operating expenses	—	129.3	38.4	54.2	—	221.9
Operating income (loss)	—	81.9	(25.6)	78.0	—	134.3
Interest expense, net	—	(42.9)	(4.7)	(20.9)	—	(68.5)
Equity earnings	23.5	15.8	3.6	0.2	(40.9)	2.2
Income (loss) before income taxes, minority interests and extraordinary loss, net	23.5	54.8	(26.7)	57.3	(40.9)	68.0
Income tax benefit (provision)	—	(22.5)	12.1	(20.6)	5.2	(25.8)
Minority interests	—	—	—	—	(1.2)	(1.2)
Extraordinary loss, net	—	(17.5)	—	—	—	(17.5)
Net income (loss)	\$23.5	\$ 14.8	\$(14.6)	\$ 36.7	\$ (36.9)	\$ 23.5
Net cash provided by (used in) operating activities	\$ —	\$ 158.4	\$ 4.1	\$ (41.0)	\$ 0.1	\$ 121.6
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(20.8)	(4.8)	(45.1)	(0.1)	(70.8)
Investment in business, net of cash acquired	—	(253.2)	—	—	—	(253.2)
Investments in unconsolidated companies and joint ventures	—	—	—	(2.5)	—	(2.5)
Loans to unconsolidated joint venture	—	(11.0)	—	—	—	(11.0)
Proceeds from sales of property, plant and equipment	—	4.4	—	13.3	—	17.7
Net cash used in investing activities	—	(280.6)	(4.8)	(34.3)	(0.1)	(319.8)
Cash flows from financing activities:						
Proceeds from initial public offering, net of offering expenses	—	514.8	—	—	—	514.8
Proceeds from borrowings	—	200.0	—	—	—	200.0
Payment of debt issuance costs	—	(3.2)	—	—	—	(3.2)
Repayment of senior credit facilities, including prepayment penalty	—	(131.5)	—	—	—	(131.5)
Repayment of senior subordinated notes, including prepayment penalty	—	(156.8)	—	—	—	(156.8)
Redemption of preferred stock, including accrued dividends	—	(228.4)	—	—	—	(228.4)
Proceeds from exercise of stock options	—	0.8	—	—	—	0.8

Intercompany loans	—	(49.6)	—	49.6	—	—
Intercompany loan repayments	—	6.3	—	(6.3)	—	—
Net cash provided by financing activities	—	152.4	—	43.3	—	195.7
Effect of exchange rate changes on cash and cash equivalents	—	—	—	0.1	—	0.1
Net increase (decrease) in cash and cash equivalents	—	30.2	(0.7)	(31.9)	(0.0)	(2.4)
Cash and cash equivalents, beginning of period	—	14.9	—	111.9	—	126.8
Cash and cash equivalents, end of period	\$ —	\$ 45.1	\$ (0.7)	\$ 80.0	\$ (0.0)	\$ 124.4

(1) For purposes of this presentation, the senior subordinated notes have been reflected in the condensed balance sheets of both the Company and SCI LLC with the appropriate offset reflected in the eliminations column. Interest expense has been allocated to SCI LLC only.

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ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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Note 9: Commitments and Contingencies

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

In July 2001 two purported stockholder class actions ("Shareholder Litigation") were filed against the Company, certain officers and directors of the Company, and five investment banking firms who acted as underwriters in connection with our IPO in April 2000. The Shareholder Litigation was filed in the United States District Court — Southern District of New York and generally alleges that the IPO offering documents failed to disclose: (1) certain underwriter fees and commissions and (2) underwriter tie-in and other arrangements with certain customers that impacted the price of the Company's stock in the aftermarket. The Shareholder Litigation is in the initial phases and the Company intends to vigorously defend against the suits.

Note 10: Related Party Transactions

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

	Quarter Ended June 29, 2001	Quarter Ended July 1, 2000	Six Months Ended June 29, 2001	Six Months Ended July 1, 2000
Purchases of manufacturing services from Motorola	\$30.0	\$39.9	\$55.5	\$80.4
Cost of other services, rent and equipment purchased from Motorola	\$ 3.1	\$23.1	\$15.7	\$46.7

Note 11: Recent Accounting Pronouncements

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which establishes standards for the accounting and reporting for derivative instruments, including derivative instruments embedded in other contracts, and hedging activities became effective for the Company as of January 1, 2001.

The Company's interest rate swaps in effect at January 1, 2001 have been designated as cash flow hedges, are measured at fair value and recorded as assets or liabilities in the consolidated balance sheet. Upon the adoption of SFAS 133, the Company recorded an after-tax charge of approximately \$3.4 million to accumulated other comprehensive income (loss) as of January 1, 2001. This charge consists of an approximate \$2.1 million adjustment necessary to record the Company's interest rate swaps in the

consolidated balance sheet at their estimated fair values as well as the write-off of an approximate \$3.5 million deferred charge (included in other assets in the accompanying consolidated balance sheet at December 31, 2000) relating to the payment made in December 2000 for the early termination of an interest rate protection agreement relating to a portion of the amounts outstanding under the Company's senior bank facilities, both before income taxes of approximately \$2.2 million. The Company recorded a \$2.6 million after-tax charge to accumulated other comprehensive income during the first six months of 2001 to adjust its cash flow hedge to fair-value at June 29, 2001

The Company uses forward foreign currency contracts to reduce its overall exposure to the effects of foreign currency fluctuations on its results of operations and cash flows. The fair value of these derivative instruments are recorded as assets or liabilities with gains and losses offsetting the gains and losses on the

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ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

underlying assets or liabilities. The adoption of SFAS 133 did not impact the Company's accounting and reporting for these derivative instruments.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. Goodwill and indefinite lived intangible assets will no longer be amortized, but are required to be tested for impairment annually or whenever events or circumstances indicate that the related carrying amount exceeds fair value. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001 except for goodwill acquired in a business acquisition occurring after June 30, 2001, which will not be amortized. At June 29, 2001, the Company had unamortized goodwill of \$75.0 million related to the Cherry acquisition that will be impacted by this new standard. Annual goodwill amortization approximates \$8.6 million, which will be discontinued in 2002 as a result of this standard.

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

You should read the following discussion in conjunction with our consolidated financial statements and related notes thereto as of and for the year ended December 31, 2000 included in our Form 10-K filed with the SEC on March 30, 2001. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results contemplated by these forward-looking statements due to certain factors, including those discussed below and elsewhere in this Form 10-Q.

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

Recent developments. During the first six months of 2001, we experienced slowing demand and pricing pressures for our products as customers delayed or cancelled bookings in order to manage their inventories in line with incoming business. As we enter the third quarter of 2001, market demand continues to be soft and visibility to our customers' expected requirements remains poor. We expect revenues in the third quarter of 2001 to be down slightly from the second quarter.

In the fourth quarter of 2000 we began to implement a phased cost reduction plan ("the Plan"), which includes strict expense controls, reduced capital expenditures, restructuring of our manufacturing operations and reductions in selling and administrative costs. As a result of these efforts, we incurred restructuring and other charges of \$95.8 million in the second quarter of 2001 and a total of \$133.8 million in the first six months of 2001. The three principal elements of the Plan that were implemented in the second quarter of 2001 were: accelerating a five-year manufacturing restructure plan into a two-year plan; reducing our selling and administrative costs; and aggressively focusing on liquidity. We expect the actions implemented in the second quarter of 2001, the savings from which will not be fully realized until 2002, will ultimately generate annualized savings of approximately \$300 million. When combined with the restructure and cost reduction actions taken in the first quarter of 2001 and the fourth quarter of 2000, we expect the Plan to generate total savings of \$190 million in 2001, and to ultimately generate annualized savings of approximately \$400 million.

At June 29, 2001, we had \$994.3 million outstanding under our senior bank facilities. The senior bank facilities require us to maintain compliance with certain covenants and restrictions. At June 29, 2001, we were not in compliance with covenants requiring the maintenance of minimum interest expense and leverage coverage ratios. We have received a waiver in respect of such

noncompliance at June 29, 2001 (and in respect of any future noncompliance with such covenants through December 31, 2002). In connection with such waiver, we have amended our senior bank facilities. The key terms of this amendment are as follows:

- Minimum interest expense coverage ratio and leverage coverage ratio requirements for periods between January 31, 2003 through December 31, 2005 have been reduced, maximum capital expenditure limits have been reduced and covenants requiring the maintenance of a minimum cash and cash equivalent balance until certain financial ratios are achieved and minimum EBITDA levels through December 31, 2002 have been added;
- We are required to obtain \$100 million through an equity investment from our principal shareholder, an affiliate of Texas Pacific Group, by September 7, 2001;
- The interest rate spread on outstanding borrowings will increase to 3.0% with respect to alternate base rate loans and 4.0% with respect to Eurodollar loans. Payment of such interest will be required on a monthly basis. Additionally, a supplemental interest charge of 2.0% will accrue through September 30, 2001, increasing to 3.0% for the period October 1, 2001 through March 31, 2003. Fifty percent of such supplemental interest must be paid by March 31, 2003 with the balance due by June 30, 2003. To the extent that the full amount of such supplemental interest is not paid on March 31, 2003, additional supplemental interest for the period of March 31, 2003 through June 30, 2003 will accrue at a rate of 3.0% on a portion of the outstanding borrowings, which portion is equal to the percentage of supplemental interest accrued but unpaid on March 31, 2003. Such additional supplemental interest will be due by June 30, 2002. As a result

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of these amendments, our interest expense on an annual basis is expected to increase by approximately \$29.5 million; and

- Certain mandatory prepayment provisions contained in the original agreement have been revised.

We believe that, pursuant to our current business plans, we will be able to maintain compliance with the revised covenants as outlined above.

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

On May 3, 2000, we completed the initial public offering of our common stock (the “IPO”), selling 34.5 million shares with an issue price of \$16 per share. Net proceeds from the IPO (after deducting issuance costs) were approximately \$514.8 million. The net proceeds were used to redeem all outstanding preferred stock (including accrued dividends), redeem a portion of the senior subordinated notes and prepay a portion of the loans outstanding under the senior bank facilities.

As described above, we utilized a portion of the net proceeds from our IPO to redeem a portion of our senior subordinated notes and prepay a portion of the loans outstanding under our senior bank facilities. In connection therewith, we incurred prepayment penalties and redemption premiums of \$17.3 million and wrote off \$11.9 million of debt issuance costs. These amounts, totaling \$29.2 million (\$17.5 million or \$0.11 per share, net of income taxes), have been classified as an extraordinary loss in the accompanying consolidated statements of operations for the quarter and six months ended July 1, 2000.

Acquisition. On April 3, 2000, we acquired all of the outstanding capital stock of Cherry Semiconductor Corporation (“Cherry”) for approximately \$250 million in cash, which was financed with cash on hand and borrowings of \$220 million under our senior bank facilities. Cherry, which was renamed Semiconductor Components Industries of Rhode Island, Inc., designs and manufactures analog and mixed signal integrated circuits for the power management and automotive markets, and had revenues for its fiscal year ended February 29, 2000 of \$129.1 million.

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

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

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Developed technology and assembled workforce are being amortized on a straight-line basis over estimated useful lives of five years while goodwill is being amortized over an estimated life of ten years.

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

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

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

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

Total revenues	\$1,073.7
Net income before extraordinary loss	\$ 38.0
Net income	\$ 20.5
Diluted earnings per share before extraordinary loss	\$ 0.19
Diluted earnings per share	\$ 0.08

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

Results of Operations

Cumulative effect of accounting change. Effective January 1, 2001, we changed our accounting method for recognizing revenue on sales to distributors. Recognition of revenue and related gross profit on sales to distributors is now deferred until the distributor resells the product. Deferred income on sales to distributors was \$136.1 million at June 29, 2001.

We believe that this accounting change is to a preferable method because it better aligns reported results with, focuses us on, and allows investors to better understand end user demand for the products we sell through distribution. This revenue recognition policy is commonly used in the semiconductor industry.

The cumulative effect of the accounting change for periods prior to January 1, 2001 was a charge of \$155.2 million (\$116.4 million or \$0.67 per share, net of income taxes) and was recorded in the six months ended June 29, 2001. The accounting change resulted in a reduction of our net loss in the six months ended June 29, 2001 of \$26.4 million, or \$0.15 per share.

Earnings per common share. Our diluted earnings per share on an actual and adjusted basis for the quarter and six months ended June 29, 2001, are as follows:

	Quarter Ended June 29, 2001		Quarter Ended July 1, 2000		Six Months Ended June 29, 2001	
	in millions	per share	in millions	per share	in millions	per share
Net income (loss)	\$(152.2)		\$ (12.7)		\$(311.6)	
Less: Redeemable preferred stock dividends	—		(2.2)		—	
Net income (loss) available for common stock	(152.2)	\$ (0.88)	(14.9)	\$ (0.09)	(311.6)	\$ (1.80)
Plus (net of tax):						
Write-off of acquired in-process research and development	—	—	16.1	0.10	—	—
Extraordinary loss	—	—	17.5	0.11	—	—
Amortization of goodwill and other intangibles	5.6	0.03	3.3	0.02	9.1	0.05
Restructuring and other charges	84.7	0.49	—	—	111.5	0.65
Cumulative effect of accounting change	—	—	—	—	116.4	0.67
Adjusted net income (loss) available for common stock	\$ (61.9)	\$ (0.36)	\$ 22.0	\$ 0.13	\$ (74.6)	\$ (0.43)
Weighted average common shares outstanding — diluted	173.5	173.5	165.9	165.9	172.8	172.8

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Six Months Ended July 1, 2000	
	in millions	per share
Net income (loss)	\$ (4.8)	
Less: Redeemable preferred stock dividends	(8.8)	
Net income (loss) available for common stock	(13.6)	\$ (0.09)
Plus (net of tax):		
Write-off of acquired in-process research and development	16.1	0.10
Extraordinary loss	17.5	0.11
Amortization of goodwill and other intangibles	3.3	0.02
Restructuring and other charges	3.0	0.02
Cumulative effect of accounting change	—	—
Adjusted net income (loss) available for common stock	\$ 26.3	\$ 0.17
Weighted average common shares	154.1	154.1

Quarter Ended June 29, 2001 Compared To Quarter Ended July 1, 2000

Operating results for the quarters ended June 29, 2001 and July 1, 2000 follow. The July 1, 2000 pro forma column reflects the results as if the change in distributor revenue recognition had been applied

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retroactively. The pro forma results are used for comparative purposes in the following discussion of our results of operations.

	Quarter Ended		
	June 29, 2001	July 1, 2000	
		Pro forma	As reported
	(in millions)		
Revenues:			
Net product revenues	\$ 307.3	\$496.9	\$531.0
Foundry revenues	3.4	19.5	19.5
Total revenues	310.7	516.4	550.5
Cost of sales	255.6	337.8	357.7
Gross profit	55.1	178.6	192.8
Operating expenses:			
Research and development	22.9	17.1	17.1
Selling and marketing	20.8	26.2	26.2
General and administrative	34.0	59.6	59.6
Amortization of goodwill and other intangibles	5.6	5.5	5.5
Write-off of acquired in-process research and development	—	26.9	26.9
Restructuring and other charges	95.8	—	—
Total operating expenses	179.1	135.3	135.3
Operating income (loss)	(124.0)	43.3	57.5
Other income (expenses), net:			
Interest expense	(29.7)	(33.8)	(33.8)
Equity in earnings of joint ventures	1.5	2.4	2.4
Other income (expenses)	(28.2)	(31.4)	(31.4)
Income (loss) before income taxes, minority interests and extraordinary loss	(152.2)	11.9	26.1
Provision for income taxes	—	(6.6)	(10.1)
Minority interests	—	(0.5)	(0.5)
Net income (loss) before extraordinary loss	(152.2)	4.8	15.5
Extraordinary loss on prepayment of debt (net of tax)	—	(17.5)	(17.5)
Net loss	(152.2)	(12.7)	(2.0)
Less: Redeemable preferred stock dividends	—	(2.2)	(2.2)
Net loss available for common stock	\$(152.2)	\$ (14.9)	\$ (4.2)

Total revenues. Total revenues decreased \$205.7 million, or 39.8%, to \$310.7 million in the second quarter of 2001 from \$516.4 million in the second quarter of 2000, due to reduced demand for our products resulting from the recent economic downturn and actions taken by our customers to manage their inventories in line with incoming business and due to the phasing out of the foundry revenues to Motorola.

Net product revenues. Net product revenues decreased \$189.6 million, or 38.2%, to \$307.3 million in the second quarter of 2001 from \$496.9 million in the second quarter of 2000. The decrease occurred in all of our major product families. Approximately 63% of this decrease was due to reduced volume with the remainder due to reductions in selling prices, partially offset by increases due to changes in our product mix. Net revenues for standard analog products, which accounted for 28.9% of net product revenues

in the second quarter of 2001, decreased 35.2% compared to the second quarter of 2000. Net revenues from broadband products, which accounted for 10.3% of net product revenues in the second quarter of 2001 decreased 61.8%

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from the second quarter of 2000. Net revenues for discrete and standard logic products, which accounted for 60.8% of net product revenues in the second quarter of 2001, decreased 32.6% compared to the second quarter of 2000.

Approximately 40%, 37% and 23% of our net product revenues in the second quarter of 2001 were derived from the Americas, Asia/ Pacific and Europe (including the Middle East), respectively, compared to 49%, 31% and 20%, respectively, in the second quarter of 2000.

Foundry revenues. Foundry revenues decreased \$16.1 million, or 82.6%, to \$3.4 million in the second quarter of 2001 from \$19.5 million in the second quarter of 2000. These foundry revenues are a result of agreements made with Motorola during our separation. We expect that these revenues will continue to decline in the future. Motorola continues to be one of our largest original equipment manufacturer (OEM) customers.

Cost of sales. Cost of sales decreased \$82.2 million, or 24.3%, to \$255.6 million in the second quarter of 2001 from \$337.8 million in the second quarter of 2000, primarily as a result of decreased sales volume.

Gross profit. Gross profit (computed as total revenues less cost of sales) decreased \$123.5 million, or 69.1%, to \$55.1 million in the second quarter of 2001 from \$178.6 million in the second quarter of 2000. As a percentage of total revenues, gross margin declined to 17.7% (17.8% for product gross margin) in the second quarter of 2001 from 34.6% (35.5% for product gross margin) in the second quarter of 2000. The decline in gross profit was primarily due to lower selling prices, along with lower factory utilization resulting from lower customer demand.

Operating expenses

Research and development. Research and development costs increased \$5.8 million, or 33.9%, to \$22.9 million in the second quarter of 2001 from \$17.1 million in the second quarter of 2000, primarily as a result of our efforts to continue to develop our power management and broadband portfolios. As a percentage of net product revenues, research and development costs increased to 7.5% in the second quarter of 2001 from 3.4% in the second quarter of 2000 because of decreased sales demand accompanied with increased spending on new product development. We introduced 87 new products in the second quarter of 2001. The main emphasis of our new product development is in power management and broadband applications with eighty percent of our overall research and development investment targeted in these areas. Our long-term target for research and development costs is 5-6% of revenues.

Selling and marketing. Selling and marketing expenses decreased by \$5.4 million, or 20.6%, to \$20.8 million in the second quarter of 2001 from \$26.2 million in the second quarter of 2000 as a result of our restructuring actions. As a percentage of net product revenues, these costs increased to 6.8% in the second quarter of 2001 from 5.3% in the second quarter of 2000 as a result of decreased net product revenues offset by cost savings resulting from our restructuring actions.

General and administrative. General and administrative expenses decreased by \$25.6 million, or 43.0% to \$34 million in the second quarter of 2001 from \$59.6 million in the second quarter of 2000, as a result of cost reduction actions and lower discretionary spending. As a percentage of net product revenues, these costs decreased to 11.1% in the second quarter of 2001 from 12.0% in the second quarter 2000.

Amortization of goodwill and other intangibles. Amortization of goodwill and other intangibles was \$5.6 million in second quarter of 2001 compared to \$5.5 million for the second quarter of 2000. The amortization relates to the intangible assets that were acquired with Cherry in the second quarter of 2000, including amounts related to developed technology, assembled workforce and goodwill.

Restructuring and other charges. In June 2001, we recorded a \$95.8 million charge to cover costs associated with a worldwide restructuring program. This program includes phasing out of manufacturing operations at our Guadalajara, Mexico facility, transferring certain manufacturing activities performed at our Aizu, Japan and Seremban, Malaysia facilities to other Company-owned facilities or to third party contractors and consolidation of other operations. The charge includes \$43.6 million to cover employee separation costs associated with the termination of approximately 3,200 employees, asset impairments of \$42.2 million and

\$10.0 million of other costs primarily related to facility closures and contract terminations. The asset impairments were charged directly against the related assets. Employee separation costs included \$1.1 million of non-cash charges associated with the acceleration of vesting of stock options for terminated employees and \$6.1 million for additional pension charges related to terminated employees. As of June 29, 2001, the remaining liability relating to this restructuring was \$38.6 million. As of June 29, 2001, 532 employees have been terminated under this restructuring plan.

Operating income (loss). Operating income (loss) decreased \$167.3 million, to a \$124.0 million operating loss in the second quarter of 2001 compared to operating income of \$43.3 million in the second quarter of 2000. This decrease was due to decreased net product revenues, reduced gross margins and costs associated with our worldwide restructuring program. We expect that the cost reduction plan that we have implemented will result in savings of approximately \$190 million in 2001 and will ultimately generate annualized savings of approximately \$400 million. Excluding restructuring and other charges, the operating loss for the quarter ended June 29, 2001 would have been \$28.2 million compared to operating income of \$43.3 million for the quarter ended July 1, 2000.

Interest expense. Interest expense decreased \$4.1 million, or 12.1% to \$29.7 million in the second quarter of 2001 from \$33.8 million in the second quarter of 2000. The decrease was due the redemption of a portion of the senior subordinated notes and prepayment of a portion of the loans outstanding under the senior bank facilities with the proceeds from our IPO in 2000, partially offset by interest related to the \$125.0 million drawn on our revolving line of credit during second quarter of 2001. As a result of the amendments to our senior bank facilities (See "Recent developments"), our interest expense on an annual basis is expected to increase by approximately \$29.5 million.

Equity in earnings of joint ventures. Equity in earnings of joint ventures decreased \$0.9 million to \$1.5 million in the second quarter of 2001 from \$2.4 million in the second quarter of 2000, due primarily to decreased capacity utilization at manufacturing facilities at our Chinese joint venture resulting from the decrease in semiconductor market demand. The decrease is also attributable to the February 2001 sale of our interest in our SMP joint venture.

Minority interests. Minority interests represent the portion of net income (loss) of two Czech joint ventures attributable to the minority owners of each joint venture. We consolidate these joint ventures in our financial statements. Minority interests were \$0 in the second quarter of 2001 compared to \$0.5 million in the second quarter of 2000, as the two Czech joint ventures operated near break even in the second quarter of 2001.

Income tax (provision) benefit. The income tax (provision) benefit was \$0 in the second quarter of 2001 compared with an income tax provision of \$10.1 million in the second quarter of 2000. The 2001 amount was attributable to the net effect of deferred tax benefits recognized for operating losses incurred during the quarter outside of the U.S. offset by a valuation allowance established for such losses incurred in the U.S. The valuation allowance resulted from our decision to limit the recognition of such deferred tax benefits to the amount that could be recovered via carry-back. It should be noted that a significant portion of our second quarter 2001 operating loss was incurred in a country with a 0% tax rate and, therefore, no future tax benefits are available.

Six Months Ended June 29, 2001 Compared To Six Months Ended July 1, 2000

Operating results for the six months ended June 29, 2001 and July 1, 2000 follow. The July 1, 2000 pro forma column reflects the results as if the change in distributor revenue recognition had been applied retroactively. The pro forma results are used for comparative purposes in the following discussion of our results of operations.

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	Six Months Ended		
	June 29, 2001	July 1, 2000	
		Pro forma	As reported
	(in millions)		
Revenues:			
Net product revenues	\$ 664.3	\$909.4	\$ 982.5
Foundry revenues	6.9	54.8	54.8
Total revenues	671.2	964.2	1,037.3
Cost of sales	529.5	645.7	681.1
Gross profit	141.7	318.5	356.2
Operating expenses:			
Research and development	45.8	28.3	28.3
Selling and marketing	44.6	45.8	45.8

General and administrative	70.8	110.6	110.6
Amortization of goodwill and other intangibles	11.4	5.5	5.5
Write-off of acquired in-process research and development	—	26.9	26.9
Restructuring and other charges	133.8	4.8	4.8
	<hr/>	<hr/>	<hr/>
Total operating expenses	306.4	221.9	221.9
	<hr/>	<hr/>	<hr/>
Operating income (loss)	(164.7)	96.6	134.3
	<hr/>	<hr/>	<hr/>
Other income (expenses), net:			
Interest expense	(58.9)	(68.5)	(68.5)
Equity in earnings of joint ventures	2.1	2.2	2.2
Gain on sales of investment in joint venture	3.1	—	—
	<hr/>	<hr/>	<hr/>
Other income (expenses)	(53.7)	(66.3)	(66.3)
	<hr/>	<hr/>	<hr/>
Income before income taxes, minority interests, extraordinary loss and cumulative effect of accounting change	(218.4)	30.3	68.0
Income tax benefit (provision)	22.7	(16.4)	(25.8)
Minority interests	0.5	(1.2)	(1.2)
	<hr/>	<hr/>	<hr/>
Net income (loss) before extraordinary loss and cumulative effect of accounting change	(195.2)	12.7	41.0
Extraordinary loss on prepayment of debt (net of tax)	—	(17.5)	(17.5)
Cumulative effect of accounting change (net of tax)	(116.4)	—	—
	<hr/>	<hr/>	<hr/>
Net income (loss)	(311.6)	(4.8)	23.5
Less: Redeemable preferred stock dividends	—	(8.8)	(8.8)
	<hr/>	<hr/>	<hr/>
Net income (loss) available for common stock	<u>\$(311.6)</u>	<u>\$ (13.6)</u>	<u>\$ 14.7</u>

Total revenues. Total revenues decreased \$293.0 million, or 30.4%, to \$671.2 million in the first six months of 2001 from \$964.2 million in the first six months of 2000, due to reduced demand for our products resulting from the recent economic downturn and actions taken by our customers to manage their inventories in line with incoming business and due to the phasing out of foundry revenues to Motorola.

Net product revenues. Net product revenues decreased \$245.1 million, or 27.0%, to \$664.3 million in the first six months of 2001 from \$909.4 million in the first six months of 2000. The decrease occurred in all of our major product families. Approximately 53% of this decrease was due to reduced volume with the remainder due to reductions in selling prices, partially offset by increases due to changes in our product mix. Net revenues for standard analog products, which accounted for 28.2% of net product revenues in the first six months of 2001, decreased 17.6% compared to the first six months of 2000. Net revenues from broadband products, which accounted for 12.8% of net product revenues in the first six months of 2001 decreased 42.4%

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from the second quarter of 2000. Net revenues for discrete and standard logic products, which accounted for 59.0% of net product revenues in the first six months of 2001, decreased 26.7% compared to the second quarter of 2000.

Approximately 42%, 35% and 23% of our net product revenues in the first six months of 2001 were derived from the Americas, Asia/ Pacific and Europe (including the Middle East), respectively, compared to 47%, 32% and 21%, respectively, in the first six months of 2000.

Foundry revenues. Foundry revenues decreased \$47.9 million, or 87.4%, to \$6.9 million in the first six months of 2001 from \$54.8 million in the first six months of 2000. These foundry revenues are a result of agreements made with Motorola during our separation. We expect that these revenues will continue to decline in the future. Motorola continues to be one of our largest original equipment manufacturer (OEM) customers.

Cost of sales. Cost of sales decreased \$116.2 million, or 18.0%, to \$529.5 million in the first six months of 2001 from \$645.7 million in the first six months of 2000, primarily as a result of decreased sales volume.

Gross profit. Gross profit (computed as total revenues less cost of sales) decreased \$176.8 million, or 55.5%, to \$141.7 million in the first six months of 2001 from \$318.5 million in the first six months of 2000. As a percentage of total revenues, gross margin declined to 21.1% (21.0% for product gross margin) in the first six months of 2001 from 33.0% (34.3% for product gross margin) in the first six months of 2000. The decline in gross profit was primarily due to lower selling prices, along with lower factory utilization resulting from lower customer demand.

Operating expenses

Research and development. Research and development costs increased \$17.5 million, or 61.8%, to \$45.8 million in the first six months of 2001 from \$28.3 million in the first six months of 2000, primarily as a result of our efforts to continue to develop our power management and broadband portfolios. As a percentage of net product revenues, research and development costs increased to 6.9% in the first six months of 2001 from 3.1% in the first six months of 2000 because of decreased sales demand accompanied with increased spending on new product development. We introduced 176 new products in the first six months of 2001. The main emphasis of our new product development is in power management and broadband applications with eighty percent of our overall research and development investment targeted in these areas. Our long-term target for research and development costs is 5-6% of revenues.

Selling and marketing. Selling and marketing expenses decreased by \$1.2 million, or 2.6%, to \$44.6 million in the first six months of 2001 from \$45.8 million in the first six months of 2000 as a result of our restructuring actions. As a percentage of net product revenues, these costs increased to 6.7% in the first six months of 2001 from 5.0% in the first six months of 2000 as a result of decreased net product revenues offset by cost savings resulting from our restructuring actions.

General and administrative. General and administrative expenses decreased by \$39.8 million, or 36.0% to \$70.8 million in the first six months of 2001 from \$110.6 million in the first six months of 2000, as a result of cost reduction actions and lower discretionary spending. As a percentage of net product revenues, these costs decreased to 10.7% in the second quarter of 2001 from 12.2% in the first six months of 2000.

Amortization of goodwill and other intangibles. Amortization of goodwill and other intangibles was \$11.4 million in first six months of 2001 compared to \$5.5 million for the first six months of 2000. The amortization relates to the intangible assets that were acquired with Cherry in the second quarter of 2000, including amounts related to developed technology, assembled workforce and goodwill.

Write-off of acquired in-process research and development. In the first six months of 2000, we incurred a \$26.9 million charge for the write-off of acquired in-process research and development resulting from the Cherry acquisition. No such charges were incurred in the first six months of 2001.

Restructuring and other charges. In June 2001, we recorded a \$95.8 million charge to cover costs associated with a worldwide restructuring program. This program includes phasing out of manufacturing operations at our Guadalajara, Mexico facility, transferring certain manufacturing activities performed at our

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Aizu, Japan and Seremban, Malaysia facilities to other Company-owned facilities or to third party contractors and consolidation of other operations. The charge includes \$43.6 million to cover employee separation costs associated with the termination of approximately 3,200 employees, asset impairments of \$42.2 million and \$10.0 million of other costs primarily related to facility closures and contract terminations. The asset impairments were charged directly against the related assets. Employee separation costs included \$1.1 million of non-cash charges associated with the acceleration of vesting of stock options for terminated employees and \$6.1 million for additional pension charges related to terminated employees. As of June 29, 2001, the remaining liability relating to this restructuring was \$38.6 million. As of June 29, 2001, 532 employees have been terminated under this restructuring plan.

In March 2001, we recorded a \$34.2 million charge to cover costs associated with a worldwide restructuring program involving manufacturing locations as well as selling and administrative functions. The charge included \$31.3 million to cover employee separation costs associated with the termination of approximately 1,100 employees and \$2.9 million for asset impairments that were charged directly against the related assets. As of June 29, 2001, the remaining liability relating to this restructuring was \$3.2 million. As of June 29, 2001, 610 employees have been terminated under this restructuring plan.

Also in March 2001, we recorded a \$3.8 million charge to cover costs associated with the separation of one of our executive officers. In connection with the separation, we paid the former executive officer \$1.9 million. In addition, we agreed to accelerate the vesting of his remaining outstanding stock options and to allow such options to remain exercisable for the remainder of their ten-year term. We recorded a non-cash charge of \$1.9 million related to the modification of these options.

In March 2000, we recorded a \$4.8 million charge to cover costs associated with a restructuring program at our manufacturing facility in Guadalajara, Mexico. The charge included \$3.2 million to cover employee separation costs associated with the termination of approximately 500 employees and \$1.6 million for asset impairments that were charged directly against the related assets. As of June 29, 2001 there was no remaining liability related to the 2000 restructuring program.

A summary of activity in the our restructuring reserves for the six months ended June 30, 2001 is as follows (in millions):

Balance as of December 31, 2000	Additional Reserves	Amounts Used	Balance as of June 29, 2001

Facility closure and other exit costs	\$ —	\$10.0	\$ —	\$10.0
Employee separations	0.7	67.7	(36.6)	31.8
	—	—	—	—
Total restructuring	\$0.7	\$77.7	\$(36.6)	\$41.8

Operating income (loss). Operating income (loss) decreased \$261.3 million, to a \$164.7 million operating loss in the first six months of 2001 compared to operating income of \$96.6 million in the first six months of 2000. This decrease was due to decreased net product revenues, reduced product margins, costs associated with our worldwide restructuring program and the amortization of goodwill and other intangibles. We expect that the cost reduction plan that we have implemented will result in savings of approximately \$190 million in 2001 and will ultimately generate annualized savings of approximately \$400 million. Excluding restructuring and other charges, the operating loss for the six months ended June 29, 2001 would have been \$30.9 million compared to operating income of \$101.4 million for the six months ended July 1, 2000.

Interest expense. Interest expense decreased \$9.6 million, or 14.0% to \$58.9 million in the first six months of 2001 from \$68.5 million in the first six months of 2000. The decrease was due the redemption of a portion of the senior subordinated notes and prepayment of a portion of the loans outstanding under the senior bank facilities with the proceeds from our IPO in 2000. The decrease was partially offset by interest related to the \$125.0 million drawn on our revolving line of credit in May 2001. As a result of the amendments to our senior bank facilities (See “Recent developments”), our interest expense on an annual basis is expected to increase by approximately \$29.5 million.

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Equity in earnings of joint ventures. Equity in earnings from joint ventures decreased \$0.1 million to \$2.1 million in the first six months of 2001 from \$2.2 million in the first six months of 2000.

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

Minority interests. Minority interests represent the portion of net income (loss) of two Czech joint ventures attributable to the minority owners of each joint venture. We consolidate these joint ventures in our financial statements. Minority interests decreased \$1.7 million to (\$0.5) million in the first six months of 2001 compared to \$1.2 million in the first six months of 2000.

Income tax (provision) benefit. The income tax (provision) benefit was a \$22.7 million benefit in the first six months of 2001 compared with an income tax provision of \$25.8 million in the first six months of 2000. The 2001 amount was attributable to the net effect of deferred tax benefits recognized for operating losses incurred during the period outside of the U.S. offset by a valuation allowance established for a portion of such losses incurred in the U.S. The valuation allowance resulted from our decision to limit the recognition of such deferred tax benefits to the amount that could be recovered via carry-back. It should be noted that a significant portion of the operating loss for the first six months of 2001 was incurred in a country with a 0% tax rate and, therefore, no future tax benefits are available.

Liquidity and Capital Resources

For the first six months of 2001, net cash used in operating activities was \$71.1 million compared to \$121.6 million net cash provided by operating activities for the corresponding period of 2000. This was due primarily to the net loss of \$311.6 million, adjusted for non-cash charges, including depreciation and amortization of \$85.4 million, \$45.1 million for the impairment of property, plant and equipment and \$116.4 million relating to the cumulative effect of accounting change relating to the revenue recognition on sales to distributors, offset by \$24.2 million in deferred income taxes. Cash used in operating activities was also affected by changes in assets and liabilities including a decrease in accounts receivable of \$113.6 and increases in other long-term liabilities and accrued interest of \$3.8 and \$6.3 million, respectively. These amounts were offset by an \$0.5 million increase in inventories and a \$13.1 million increase in other assets as well as decreases of \$32.4 million in accounts payable, \$7.8 million in accrued expenses, \$12.9 million in income taxes payable, and \$46.1 million in deferred income on sales to distributors. The decreases in accounts receivable and accounts payable were due to lower levels of sales and purchases, respectively, during the quarter.

Net cash used in investing activities was \$71.1 million for the first six months of 2001 compared to \$319.8 million for the first six months of 2000. The net cash outflows consisted of \$88.0 million for purchases of property, plant and equipment, \$5.0 million for loans to an unconsolidated joint venture, \$0.5 for investments in unconsolidated subsidiaries and \$0.1 for acquisition of minority interests of our two Czech joint ventures. These outflows were partially offset by proceeds of \$20.4 million related to the sale of the Company’s interest in the SMP joint venture and proceeds of \$2.1 million related to sales of property, plant and equipment.

Net cash provided by financing activities was \$128.3 million for the first six months of 2001 compared to \$195.7 for the first six months of 2000. Cash inflows consisted of proceeds of \$125.0 million from our revolving line of credit, \$3.4 million from the issuance of common stock under our employee stock purchase plan and \$0.5 million from stock option exercises, offset by the payments of \$0.6 for our capital lease obligation.

At June 29, 2001, we had net deferred tax assets of \$394.4 million as a result of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Although there can be no assurance, we believe that our net deferred tax assets will be recoverable from future operations. Should business conditions worsen or continue to be depressed for an extended period, we will be required to record a valuation allowance for all or a portion of our net deferred tax assets.

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As of June 29 2001, long-term debt (including current maturities) totaled \$1,389.0 million and stockholders' equity was \$24.6 million. Long-term debt included \$994.3 million under our senior bank facilities (including our revolving line of credit), \$260.0 million senior subordinated notes, \$109.6 million in respect of our junior subordinated note, a \$22.7 million note payable to a Japanese bank, and a capital lease of \$2.4 million. We are required to begin making principal payments on our senior bank facilities in the third quarter of 2001.

As of June 29, 2001, \$3.8 million of our \$150 million revolving facility was available, reflecting borrowings of \$125.0 million and outstanding letters of credit of \$21.2 million. Under certain circumstances, the terms of our credit agreements allow us to incur additional indebtedness, although there can be no assurances that we would be able to borrow on terms acceptable to us.

At June 29, 2001, we had \$994.3 million outstanding under our senior bank facilities. The senior bank facilities require us to maintain compliance with certain covenants and restrictions. At June 29, 2001, we were not in compliance with covenants requiring the maintenance of minimum interest expense and leverage coverage ratios. We received a waiver in respect of such noncompliance at June 29, 2001 (and in respect of any future noncompliance with such covenants through December 31, 2002). In connection with such waiver, we have amended our senior bank facilities. The key terms of this amendment are as follows:

- Minimum interest expense coverage ratio and leverage coverage ratio requirements for periods between January 31, 2003 through December 31, 2005 have been reduced, maximum capital expenditure limits have been reduced and covenants requiring the maintenance of a minimum cash and cash equivalent balance until certain financial ratios are achieved and minimum EBITDA levels through December 31, 2002 have been added;
- We are required to obtain \$100 million through an equity investment from our principal shareholder, an affiliate of Texas Pacific Group, by September 7, 2001;
- The interest rate spread on outstanding borrowings will increase to 3.0% with respect to alternate base rate loans and 4.0% with respect to Eurodollar loans. Payment of such interest will be required on a monthly basis. Additionally, a supplemental interest charge of 2.0% will accrue through September 30, 2001, increasing to 3.0% for the period October 1, 2001 through March 31, 2003. Fifty percent of such supplemental interest must be paid by March 31, 2003 with the balance due by June 30, 2003. To the extent that the full amount of such supplemental interest is not paid on March 31, 2003, additional supplemental interest for the period of March 31, 2003 through June 30, 2003 will accrue at a rate of 3.0% on a portion of the outstanding borrowings, which portion is equal to the percentage of supplemental interest accrued but unpaid on March 31, 2003. Such additional supplemental interest will be due by June 30, 2002. As a result of these amendments, our interest expense on an annual basis is expected to increase by approximately \$29.5 million; and
- Certain mandatory prepayment provisions contained in the original agreement have been revised.

We believe that, pursuant to our current business plans, we will be able to maintain compliance with the revised covenants as outlined above.

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

Our primary future cash needs, both in the short term and in the long term will focus on debt service and working capital. We have rescheduled our capital purchases with suppliers throughout the year and anticipate significantly reduced capital spending in the second half of 2001. We believe that cash flow from operations will be sufficient to service our indebtedness and fund our other liquidity needs for the remainder of 2001, and

could be supplemented, if necessary, with the proceeds from targeted sales of assets. As part of our business strategy, we review acquisition and divestiture opportunities and proposals on a regular basis.

Historically, our revenues have been affected by the seasonal trends of the semiconductor and related industries. As a result of these trends, we typically experienced sales increases in the first two quarters of the year and relatively flat sales levels in the third and fourth quarters. However, over the past three years, various events have disrupted this pattern. In 1998, third quarter revenues declined, primarily as a result of the Asian economic crisis. In 1999, third and fourth quarter revenues increased due to the continuing recovery in the semiconductor market. In the fourth quarter of 2000 and the first two quarters of 2001 revenues declined due to slowing demand in the semiconductor market.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards (“SFAS”) No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended establishes standards for the accounting and reporting for derivative instruments, including derivative instruments embedded in other contracts, and hedging activities became effective for us as of January 1, 2001.

Our interest rate swaps in effect at January 1, 2001 have been designated as cash flow hedges, are measured at fair value and recorded as assets or liabilities in the consolidated balance sheet. Upon the adoption of SFAS 133 we recorded an after-tax charge of approximately \$3.4 million to accumulated other comprehensive income (loss) as of January 1, 2001. This charge consists of an approximate \$2.1 million adjustment necessary to record our interest rate swaps in the consolidated balance sheet at their estimated fair values as well as the write-off of an approximate \$3.5 million deferred charge (included in other assets in the accompanying consolidated balance sheet at December 31, 2000) relating to the payment made in December 2000 for the early termination of an interest rate protection agreement relating to a portion of the amounts outstanding under our senior bank facilities, both before income taxes of approximately \$2.2 million. We recorded a \$2.6 million after-tax charge to accumulated other comprehensive income during the first six months of 2001 to adjust our cash flow hedges to fair-value at June 29, 2001.

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

In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, “Goodwill and Other Intangible Assets”. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. Goodwill and indefinite lived intangible assets will no longer be amortized, but are required to be tested for impairment annually or whenever events or circumstances indicate that the related carrying amount exceeds fair value. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001 except for goodwill acquired in a business acquisition occurring after June 30, 2001, which will not be amortized. At June 29, 2001, we had unamortized goodwill of \$75.0 million related to the Cherry acquisition that will be impacted by this new standard. Annual goodwill amortization approximates \$8.6 million, which will be discontinued in 2002 as a result of this standard.

Business Risks and Forward-Looking Statements

This Quarterly Report on Form 10-Q includes “forward-looking statements” as that term is defined in Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are often characterized by the use of words such as “believes,” “estimates,” “expects,” “projects,” “may,” “will,” “intends,” “plans,” or “anticipates,” or by discussions of strategy, plans or intentions. All forward-looking statements in the Form 10-Q are made based on management’s current expectations and estimates, which involve risks, uncertainties and other factors that could cause results to differ materially from those expressed in forward-looking statements. Among these factors are changes in overall economic conditions, the cyclical nature of the

semiconductor industry, changes in demand for our products, changes in inventories at our customers and distributors, technological and product development risks, availability of manufacturing capacity, availability of raw materials, competitors’ actions, loss of key customers, order cancellations or reduced bookings, changes in manufacturing yields, restructuring programs and the impact of such programs, control of costs and expenses, inability to reduce manufacturing and selling, general and administrative costs, litigation, risks associated with acquisitions and dispositions, changes in management, risks associated with our substantial leverage and restrictive covenants in our debt instruments (including those relating to the increased cost of servicing our debt and complying with the additional restrictions imposed as a result of the recent amendment to our senior credit facilities), and risks involving environmental or other governmental regulation. Additional factors that could affect our future operating results are described from time to time in ON Semiconductor’s Securities and Exchange Commission reports. See in particular Exhibit 99.1, entitled “Risk Factors”, in the Form 10-K for the year ended December 31, 2000 and filed with the SEC on March 30, 2001, and subsequently filed reports. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

As of June 29, 2001, our long-term debt (including current maturities) totaled \$1,389.0 million. We have no interest rate exposure due to rate changes for our fixed rate interest bearing debt, which totaled \$392.3 million or our capital lease obligation which totaled \$2.4 million. We do have interest rate exposure with respect to the \$994.3 million outstanding balance on our variable interest rate senior bank facilities however, we have entered into interest rate swaps to reduce this interest rate exposure. As of June 29, 2001, we had four interest rate swaps covering exposures on \$255 million of our variable interest rate debt. A 50 basis point increase in interest rates would result in increased annual interest expense of \$3.7 million for the next twelve months.

A majority of our revenue, expense and capital purchasing activities are transacted in U.S. dollars; however, as a multinational business, we also conduct these activities through transactions denominated in a variety of other currencies. We use forward foreign currency contracts to hedge firm commitments and reduce our overall exposure to the effects of currency fluctuations on our results of operations and cash flows. Gains and losses on these foreign currency exposures would generally be offset by corresponding losses and gains on the related hedging instruments. This strategy reduces, but does not eliminate, the short-term impact of foreign currency exchange rate movements. For example, changes in exchange rates may affect the foreign currency sales price of our products and can lead to increases or decreases in sales volume to the extent that the sales price of comparable products of our competitors are less or more than the sales price of our products.

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PART II: OTHER INFORMATION

Item 1. Legal Proceedings

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

In July 2001 two purported stockholder class actions ("Shareholder Litigation") were filed against us, certain of our officers and directors, and five investment banking firms who acted as underwriters in connection with our IPO in April 2000. The Shareholder Litigation was filed in the United States District Court — Southern District of New York and generally alleges that the IPO offering documents failed to disclose: (1) certain underwriter fees and commissions and (2) underwriter tie-in and other arrangements with certain customers that impacted the price of our stock in the aftermarket. The Shareholder Litigation is in the initial phases and we intend to vigorously defend against the suits.

Item 2. Changes in Securities and Use of Proceeds

Not Applicable.

Item 3. Defaults Upon Senior Securities

At June 29, 2001, we had \$994.3 million outstanding under our senior bank facilities. The senior bank facilities require us to maintain compliance with certain covenants and restrictions. At June 29, 2001, we were not in compliance with covenants requiring the maintenance of minimum interest expense and leverage coverage ratios. We have received a waiver in respect of such noncompliance at June 29, 2001 (and in respect of any future noncompliance with such covenants through December 31, 2002). In connection with such waiver, we have amended our senior bank facilities. The key terms of this amendment are as follows:

- Minimum interest expense coverage ratio and leverage coverage ratio requirements for periods between January 31, 2003 through December 31, 2005 have been reduced, maximum capital expenditure limits have been reduced and covenants requiring the maintenance of a minimum cash and cash equivalent balance until certain financial ratios are achieved and minimum EBITDA levels through December 31, 2002 have been added;
- We are required to obtain \$100 million through an equity investment from our principal shareholder, an affiliate of Texas Pacific Group, by September 7, 2001;
- The interest rate spread on outstanding borrowings will increase to 3.0% with respect to alternate base rate loans and 4.0% with respect to Eurodollar loans. Payment of such interest will be required on a monthly basis. Additionally, a supplemental interest charge of 2.0% will accrue through September 30, 2001, increasing to 3.0% for the period October 1, 2001 through March 31, 2003. Fifty percent of such supplemental interest must be paid by March 31, 2003 with the balance due by June 30, 2003. To the extent that the full amount of such supplemental interest is not paid on March 31, 2003, additional supplemental interest for the period of March 31, 2003 through June 30, 2003 will accrue at a rate of 3.0% on a portion of the outstanding

borrowings, which portion is equal to the percentage of supplemental interest accrued but unpaid on March 31, 2003. Such additional supplemental interest will be due by June 30, 2002. As a result of these amendments, our interest expense on an annual basis is expected to increase by approximately \$29.5 million; and

- Certain mandatory prepayment provisions contained in the original agreement have been revised.

We believe that, pursuant to our current business plans, we will be able to maintain compliance with the revised covenants as outlined above.

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

Set forth below is information concerning each matter submitted to a vote at the Company's 2001 Annual Meeting of Stockholders held on May 23, 2001:

Election of Directors. Each of the following persons was elected as a Class II Director, to hold office until the 2004 Annual Meeting and until his successor is duly elected and qualified, or until retirement, resignation or removal:

Nominee	For	Withheld
David Bonderman	170,831,875	667,084
Justin Chang	170,835,785	663,174
John Legere	170,846,325	652,634

2000 Stock Incentive Plan. An amendment to increase the number of shares issuable under the Company's 2000 Stock Incentive Plan, was approved by the following votes:

For:	138,703,350
Against:	23,374,223
Abstain:	20,874
Broker non-vote:	9,400,512

2000 Employee Stock Purchase Plan. An amendment to increase the number of shares issuable under the Company's 2000 Employee Stock Purchase Plan and to limit the number of shares issuable to any participant, was approved by the following votes:

For:	161,588,620
Against:	486,486
Abstain:	23,341
Broker non-vote:	9,400,512

Independent Accountants. Appointment of PricewaterhouseCoopers LLP, as the Company's Independent Accountants, was ratified by the following votes:

For:	171,422,934
Against:	51,549
Abstain:	24,476

Item 5. Other Information

Not Applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits —

Exhibit 10.1	Loan Facility Agreement, between Leshan-Phoenix Semiconductor Company Limited and Industrial & Commercial Bank of China, Leshan City Branch, for loan in an amount up to \$36 million, dated November 17, 2000
Exhibit 10.2	Loan Agreement between SCG Japan Ltd. and Development Bank of Japan, for loan in an amount up to \$26.1 million, dated October 27, 2000
Exhibit 10.3	Guaranty Agreement, executed by Semiconductor Components Industries, LLC on October 27, 2000, in connection with Loan Agreement between SCG Japan Ltd. and Development Bank of Japan, for loan in an amount up to \$26.1 million
Exhibit 10.4	ON Semiconductor Corporation 2000 Stock Incentive Plan (amended and restated as of May 23, 2001)(1)

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Exhibit 10.5	ON Semiconductor Corporation 2000 Employee Stock Purchase Plan (amended and restated as of May 23, 2001)(1)
Exhibit 10.6	Waiver, Consent and Amendment dated as of August 13, 2001 to the Credit Agreement dated as of August 4, 1999, as amended and restated as of April 3, 2000, among ON Semiconductor Corporation (formerly known as SCG Holding Corporation), Semiconductor Components Industries, LLC, the Lenders party thereto, The Chase Manhattan Bank, as administrative agent, collateral agent and syndication agent, and Credit Lyonnais New York Branch, DLJ Capital Funding, Inc. and Lehman Commercial Paper Inc., as co-documentation agents

(1) Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K —

During the first quarter of 2001, the Company filed two reports on Form 8-K (1) dated April 25, 2001 and filed April 26, 2001, and (2) dated and filed May 10, 2001. The April 25, 2001 report was filed pursuant to Items 5 and 7, reported the Company's first quarter earnings and included as an exhibit a press release dated April 25, 2001 titled "ON Semiconductor Announces First Quarter 2001 Results." The May 10, 2001 report was filed pursuant to Items 7 and 9, disclosed information pursuant to Regulation FD Rules 100-103 found in slides and notes from a presentation made by the Company during its Analyst Day on May 10, 2001.

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

Date: August 13, 2001

ON SEMICONDUCTOR CORPORATION
(Registrant)

/s/DARIO SACOMANI

By: Dario Sacomani
Senior Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal
Financial Officer of the Registrant)

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LOAN FACILITY

between

LESHAN-PHOENIX SEMICONDUCTOR COMPANY LIMITED

and

INDUSTRIAL AND COMMERCIAL BANK OF CHINA

LESHAN BRANCH

NOVEMBER 17, 2000

Loan Facility

- Exhibit A Foreign Exchange Loan Contract
- Exhibit B Renminbi Loan Contract
- Exhibit C Mortgage Contract

THIS LOAN FACILITY (together with the Appendices hereto, this "Facility") is entered into on November 17, 2000 by

Leshan-Phoenix Semiconductor Company Limited, a Sino-foreign equity joint venture limited liability company duly organized and existing under the laws of the People's Republic of China ("China") with its registered address at 27A, West People's Road, Leshan City, Sichuan, China ("Party A"); and

Industrial and Commercial Bank of China, Leshan City Branch, acting through its office at 4, Zi Yun Hou Street, Central District, Leshan City, Sichuan, China ("Party B").

WHEREAS Party A has requested Party B to extend a certain loan facility to it and Party B is willing to do so on the terms and conditions set forth herein.

NOW it is therefore agreed as follows:

1. Loan Amount and Draw-down

1.1 Subject to the terms and conditions of this Facility, Party B hereby agrees to make available to Party A a loan facility in an amount equal to Twenty Million US Dollars (US\$20,000,000), such amount to be divided into two separate loan facilities, one of RMB33,200,000 (the "RMB Portion") and one of US\$16,000,000 (the "US\$ Portion" and together with the RMB Portion, the "Loan Facility").

1.2 Party A may draw down funds under the Loan Facility from time to time for a period of six months following the date of this Facility. Party A will provide Party B with written notice of its intent to draw down funds under this Facility not less than seven business days prior to the date of such a draw-down. The maximum amount that may be borrowed in single-draw-down under the US\$ Portion shall be less than US\$4,000,000 and less than RMB15,000,000 under the RMB Portion. The total amount outstanding at any time under all draw-downs under this Facility may exceed the US\$ equivalent of US\$4,000,000, but shall at all times be less than the US\$ equivalent of US\$20,000,000. (For all purposes of determining the US\$ equivalent of any RMB amount in respect of this Facility, the exchange rate of US\$1:RMB8.3 shall be used.)

1.3 At the time of each draw-down, Party A and Party B shall execute a loan contract substantially in the form of Exhibit A (for draw-downs under the US\$ Portion) and Exhibit B (for draw-downs under the RMB Portion) (each, a "Loan Contract"), at least seven business days prior to the proposed date of such draw-down.

2. Interest and Fees

2.1 Interest on each draw-down in US\$ will accrue at a rate not to be higher than the base interest rate charged by Party B for six-year term loans adjusted every six months (as such rate is published by Party B's Head Office) as of the date Party A provides notice of its intent to make a draw-down in US\$. Interest on

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each draw-down in RMB will accrue at a rate not to be higher than the base interest rate for six-year term loans adjusted once every year (as published by the People's Bank of China) as of the date Party A provides notice of its intent to make a draw-down in RMB. The specific interest rate applicable to each draw-down shall be listed in the relevant Loan Contract.

2.2 Interest on the amount of each draw-down will be paid quarterly in arrears on the 20th day of the last month of each calendar quarter. Payments of interest will be made in the currency of the draw-down to which such payment of interest relates. If any payment of interest is not made when due, interest will accrue on such unpaid interest at the interest rate applicable to that draw-down.

2.3 Neither this Facility nor any draw-down will be subject to any documentation fee, origination fee or other fee imposed by Party B. The loan will not be subject to prepayment fees or termination fees, provided that Party A will be required to provide 15 business day's advance notice of any prepayment.

3. Repayment and Prepayment

3.1 The principal of each draw-down will be due on the third anniversary of the Loan Contract for such draw-down. Party A will repay the principal amount of each draw-down as a single repayment. All repayments of principal will be made in the currency of the draw-down to which such repayment or payment of interest relates.

3.2 At the request of Party A, such request to be delivered to Party B not later than five business days prior to the due date of such draw-down, the term for repayment of any draw-down will be extended by Party B for an additional period not to exceed three years. All such extensions of maturity on the same terms applied at the time of the original draw-down.

3.3 Party A shall repay the loan and interest thereon using its sales revenue, cash freed up from depreciation, profit and other revenue.

3.4 Upon 15 business days' prior written notice to Party B, Party A may prepay any draw-down in whole or in part; provided, that such prepayment shall be accompanied by payment of all accrued interest to but excluding the date of such prepayment.

4. Security

4.1 At the time each Loan Contract entered into, Party A shall identify and grant a security interest in certain of its equipment, the book-value (as recorded on the records of Party A) of which shall be 142.5% of the amount of such Loan Contract, to Party B. The value of all property securing the Loan Facility will not at any time exceed the equivalent of US\$28,500,000. The terms and form of security interest shall be provided in a separate agreement substantially in the form of Exhibit C to be signed by the parties.

5. Others

5.1 Each of Party A and Party B represents and warrants to each other that:

- (a) It possesses full power and authority to enter into this Facility and to perform its obligations hereunder.
- (b) It is in compliance with all material laws, rules, regulations, decrees and orders, and all interpretations thereof, of all governmental authorities having jurisdiction over it, its business, finances, operations or its properties.
- (c) Its representative, whose signature is affixed hereto, has been fully authorized to sign on its behalf pursuant to a valid power of attorney or as evidenced by a valid legal representative certificate.
- 5.2 This Facility shall become effective upon its execution by the parties hereto.
- 5.3 All exhibits hereto shall form an integral part of this Facility.
- 5.4 In the event of any conflict between this Facility, any Loan Contract and any security agreement relating to any Loan Contract, this Facility shall take precedence.
- 5.5 Any amendment or supplement to this Facility shall be made by a written agreement signed by each of the parties.
- 5.6 This Facility consists of an English language version and a Chinese language version, both of which have been examined and confirmed by the parties to be identical in all material respects. The English and Chinese language versions shall have the same legal effect. In the event of any discrepancy between the English and Chinese language versions, the parties shall consult to reach an agreement on the discrepancy based on the principle of equality and mutual understanding. If no agreement is reached through consultation within 30 days of the first such consultation, the dispute shall be submitted for exclusive and final settlement before the China International Economic and Trade Arbitration Commission. This Facility is executed in 4 originals in the English language and 4 originals in the Chinese language, and each party shall retain 2 originals of each language.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Facility on the date first above written.

LEASHAN-PHOENIX SEMICONDUCTOR COMPANY LIMITED

By: /s/
Name:
Title: Authorized Representative

INDUSTRIAL & COMMERCIAL BANK OF CHINA, LESHAN CITY BRANCH

By: /s/
Name:
Title: Authorized Representative

Contract Number: _____

FOREIGN EXCHANGE LOAN CONTRACT

BORROWER (PARTY A): LESHAN-PHOENIX SEMICONDUCTOR COMPANY LIMITED
Residence (Address): 27A, West People's Road, Leshan City, Sichuan
Province, China
Legal Representative:

LENDER (PARTY B): INDUSTRIAL & COMMERCIAL BANK OF CHINA, LESHAN
CITY BRANCH
Residence (Address): 4, Zi Yun Hou Street, Central District, Leshan
City, Sichuan Province, China
Legal Representative
(Person in Charge):

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Party A has applied for a loan from Party B for the purpose described in Section 2.1. Party B has agreed to provide the loan to Party A. In order to specify the rights and obligations of each party, in accordance with the Contract Law, the Lending General Provisions and other relevant laws & regulations and after discussion conducted on a basis of equality, Party A and Party B conclude this Contract:

ARTICLE 1

TYPE OF THE LOAN

- 1.1. The loan under this Contract is a medium term loan.

ARTICLE 2

USE OF PROCEEDS

- 2.1. The proceeds of the loan under this Contract shall be used for payments relating to Party A's operations.
- 2.2. Party A shall not change the usage of the loan proceeds provided under this Contract without the written consent of Party B.

ARTICLE 3

CURRENCY, AMOUNT AND TERM OF THE LOAN

- 3.1. The currency of the loan under this Contract shall be US Dollars and the amount shall be three million (in words) US\$3,000,000 (numbers). (In the event any amount in words is different from that in numbers, the amount in words shall prevail. This same rule shall apply throughout this Contract.)
- 3.2. The term of the loan under this Contract shall be 36 months, from Dec. 13, 2000 (date/month/year) to Dec. 12, 2003 (date/month/year).
- 3.3. Party A shall draw-down the loan in one lump sum on the first date of the term pursuant to Section 3.2 of this Contract; in case of special circumstance, the draw-down date can be moved up or delayed up to seven days with the written consent of Party B. The actual date of the draw-down and the date of repayment shall be the dates recorded in the receipt for the loan [signed] by Party A and Party B. The loan receipt and the draw-down voucher shall be an integral part of this Contract. Except for the dates, if there are any other discrepancies between other records and this Contract, this Contract shall prevail.
- 3.4. Party A shall register this loan in local office of the State Administration of Foreign Exchange and submit a copy of such registration to Party B in order to draw-down the loan.

ARTICLE 4

INTEREST RATE AND COMPUTATION OF INTEREST

- 4.1. The interest rate and computation of interest for the loan under this Contract shall be as follows:
 - 4.1.1. Party B's floating interest rate applicable for loans of six years, adjusted every six months shall be applied to the loan under this Contract.
 - 4.1.2. The interest rate of the 1st six-month period shall be ____% per annum.
 - 4.1.3. The interest rates of the 2nd and all subsequent six-month periods will be determined by Party B according to its then prevailing interest rates for similar loans. Party A will be notified in writing within thirty days after any change in the interest rate. However, the delivery or non-delivery of such notice shall not affect the implementation of this Contract and any changes in the interest rate.
 - 4.1.4. Interest on the loan under this Contract shall be accrue on a daily basis and be payable on the 20th day of the last month of each calendar quarter.
 - 4.1.5. Interest shall accrue from the date of draw-down. The final payment of accrued interest shall be paid together with repayment of the principal amount of the loan.

ARTICLE 5

SOURCES OF REPAYMENT FUNDS, MANNER OF REPAYMENT

- 5.1. The source of funds which Party A will use for the repayment of both principal and interest of the loan shall include, but is not limited to:
 - 5.1.1. Sales revenue, depreciation and profit;
 - 5.1.2. Other revenue.
- 5.2. Notwithstanding any agreement on the source of Party A's funds for repayment in any other contracts to which Party A is party, such agreement shall not affect Party A's performance of its repayment obligation under this Contract. In any case, Party A shall not rely on Section 5.1 in order to refuse to perform its repayment obligation under this Contract.
- 5.3. Party A shall timely pay all accrued interests as provided under this Contract and repay the principal of the loan when due.
- 5.4. Before the date on which any payment of interest or repayment of principal provided in this Contract is due, Party A shall deposit sufficient funds in its bank account at Party B and authorize Party B to deduct such amount from Party A's account on the date on which such payment of interest or repayment of principal is due.

ARTICLE 6

SECURITY

- 6.1. The form of security for the loan under this Contract shall be a mortgage.
- 6.2. PARTY A AND PARTY B SHALL CONCLUDE A SECURITY AGREEMENT (No.) for the specific security described under this Contract.
- 6.3. In the event of a change in the value of the security under this Contract has had a material adverse effect on Party B's creditor rights, Party A shall, upon notice by Party B, provide additional security so that the total value of security is equal to the value prior to such change.

ARTICLE 7

RIGHTS AND OBLIGATIONS OF EACH PARTY

- 7.1. Rights and Obligations of Party A.
 - 7.1.1. Party A shall draw and use the loan in accordance with the term and usage provided in this Contract;
 - 7.1.2. Party A shall not prepay the loan without providing Party B with fifteen days' written notice of its intention to prepay;
 - 7.1.3. Party A shall be responsible for the truthfulness, accuracy and completeness of all the materials provided by Party A in connection with the application for the loan;
 - 7.1.4. Party A shall voluntarily accept Party B's investigation, supervision and monitoring of the use of the loan under this Contract pursuant to laws and regulations, administrative rules and industrial practice;
 - 7.1.5. Party A shall actively coordinate with Party B's investigation, supervision and monitoring of Party A's manufacturing, operations and financial status and provide Party B with profit & loss statement, balance sheet and other financial information which it prepares in the ordinary course of business for any relevant period;
 - 7.1.6. Party A shall repay the principal and pay the interest for the loan as provided in this Contract;
 - 7.1.7. Party A shall pay relevant costs which arise under this Contract, including, but not limited to, the expenses of a notary, authentication, appraisal and registration fees which are required by applicable laws and regulations, administrative rules and industrial practice;
 - 7.1.8. Party A shall, within three days after its receipt of any repayment reminder sent by Party B via mail or other methods, send back an acknowledgement of receipt to Party B via mail;

- 7.1.9. In the event Party A proposes to be engaged in activities such as changing its corporate structure into a company limited by shares, beginning joint operations with another entity, merger, a material acquisition, entering into an equity joint venture, spin-off or split-off, a reduction in its registered capital, equity transfers, transfer of material assets, contracting and leasing of its operation (as a whole) or any other action which will be significant enough to affect the realization of Party B's rights under this Contract, Party A shall notify Party B at least thirty days prior to undertaking such activities and obtain Party B's written consent prior to taking such action. Otherwise Party A shall not engage in any of the above activities before its debt under this Contract is repaid in full;
- 7.1.10. Party A shall notify Party B in writing of any change in its business registration items, such as location, mailing address, business scope, legal representatives etc. within seven days of such change;
- 7.1.11. Party A shall notify immediately Party B in writing of any events which may threaten Party A's normal business or have material adverse effect on Party A's ability to perform its repayment obligations under this Contract, including, but not limited to, material economic disputes, bankruptcy, deterioration of financial condition, etc.;
- 7.1.12. In the event Party A's business is closed, dissolved, suspended for restructuring, or its business license is revoked or cancelled, Party A shall notify Party B in writing within five days of such event and the parties shall try to work out a new schedule for the repayment of principal and payment of interest.

7.2 Rights and Obligations of Party B

- 7.2.1. Party B shall have the right to request Party A to provide all information relevant to this loan;
- 7.2.2. Party B shall have the right to deduct from Party A's account with Party B the principal, interest, interest on interest, penalty interest and all other expenses payable as provided in this Contract or as required by laws and regulations;
- 7.2.3. In case Party A evades Party B's supervision or delays the repayment of principal or payment of interest, thus committing a material breach of this Contract, Party B shall have the right to apply lending sanctions against Party A (for example, not to provide additional loans to Party A).
- 7.2.4. Party B shall provide the full amount of the loan to Party A on schedule as provided in this Contract (unless the delay is caused by Party A).
- 7.2.5. Party B shall keep confidential all the documents, materials and information provided by Party A relating to its borrowing, financial condition, production, operations, etc. unless otherwise provided in this Contract or required by laws and regulations.

ARTICLE 8

LIABILITY FOR BREACH OF CONTRACT

- 8.1. After this Contract becomes effective, each of the Party A and Party B shall perform its obligations as provided under this Contract. Any party who fails to perform all or part of its obligations as provided under this Contract shall be liable for its breach of the Contract in accordance with law.
- 8.2. If Party A fails to draw-down the loan as provided in Section 3.3 of this Contract, Party B shall have the right to charge penalty interest on the delayed amount compounded daily payable in arrears at the interest rate provided in this Contract.
- 8.3. If Party B fails to execute and provide the loan as provided in Section 3.3 of this Contract, Party B shall pay penalty interest on the delayed amount compounded daily payable in arrears at the interest rate proved in this Contract.
- 8.4. Party B shall the right to charge interest based on the term and interest rate provided under this Contract if Party A prepays the loan under this Contract without fifteen days' advance notice to Party B.
- 8.5. If Party A fails to repay any principal or pay any interest on the loan when due under this Contract, Party B shall have the right to establish a schedule for repayment, deduct the amount due from any of Party A's bank accounts with Party B, and concurrently charge on the overdue amount additional interest at a rate which is 20% of the interest rate under this Contract and charge interest calculated at a compound rate on the overdue interest.
- 8.6. If Party A fails to use the loan for the purposes specified under this Contract, Party B shall have the right to accelerate part or all of the loan amount or terminate the Contract, and to charge on the amount and duration of unauthorized use an additional interest which is 50% of the interest rate under this Contract and charge compound rate on the overdue interest.
- 8.7. If the events of breach described in Section 8.5 and 8.6 occur concurrently in connection with Party A's use of the loan, Party B may select the penalty provided by either, but not both, sections.
- 8.8. In the event any of the following events occur, Party A shall within seven days after receipt of Party B's notice of such an event correct the noticed event and provide remedy satisfactory to Party B. Otherwise, Part B shall have the right to accelerate part or all of the loan amount. In the event Party B accelerates the loan but does not receive prompt payment from Party A, Party B shall charge penalty interest at the same rate applied to the overdue amount on a daily basis.
 - 8.8.1. Party A provides false balance sheet, profit & loss statement or other financial information or holds back material information therein;
 - 8.8.2. Party A refuses Party B's monitoring of the use of loan proceeds, its relevant manufacturing, operations or financial activities;

- 8.8.3. Party A transfers or disposes of, or threatens to transfer or dispose of, substantial part of its assets without Party B's consent;
- 8.8.4. All or a substantial part of Party A's assets are possessed by other creditors, taken over by designated trustees, receivers or similar personnel or its assets are detained or frozen, and such action may be expected to cause material loss to Party B;
- 8.8.5. The security of Party B's creditor rights is threatened as a result of Party A, without Party B's consent, engaging in activities such as changing its corporate structure into a company limited by shares, beginning joint operations with another party, merger, entering into a material acquisition, entering into an equity joint venture, spin-off or split-off, making a reduction in its registered capital, conducting an equity transfer, contracting and leasing its operation (as a whole) or other action significant enough to affect the realization of Party B's rights;
- 8.8.6. Party A changes its business registration items such as location, mailing address, business scope, legal representative, or makes significant external investment, which seriously affects or threatens the realization of Party B's creditor rights;
- 8.8.7. Party A is involved in any material economic disputes or its financial condition is materially deteriorating, and such deterioration seriously affects or threatens the realization of Party B's creditor rights;
- 8.8.8. Any other material event which may threaten the realization of Party B's creditor rights under the Contract, or cause material loss to Party B.

ARTICLE 9

EFFECT, CHANGE, CANCELLATION AND TERMINATION OF THE CONTRACT

- 9.1. This Contract shall be effective upon the execution and affixing of the company seal of both parties. If a security contract is required, this Contract shall become effective when such security contract becomes effective. This Contract shall terminate on the date when the principal, interest, compound interest, penalty interest, default penalty and all other payable expenses under this Contract are fully paid.
- 9.2. In the event any of the following events occurs, Party B shall have the right to terminate this Contract, and require Party A to accelerate repayment of all principal and payment of interest of the loan and compensate for Party B's losses:
 - 9.2.1. Party A's business is closed, dissolved, suspended for restructuring, or its business license is revoked or cancelled;
 - 9.2.2. The change in the security under this Contract has had an adverse effect on Party B's creditor rights and Party A fails to provide other security required by Party B;
 - 9.2.3. Other material breach by Party A of this Contract.

- 9.3. If Party A provides Party B with a written request to extend the term of this loan thirty days before the due date for repayment of the principal as provided under Section 3.2., the due date for the loan shall be extended and the parties shall execute an extension agreement. This Contract shall remain in effect, mutatis mutandi, until the extension agreement is executed by both parties.
- 9.4. Except as otherwise provided under this Contract, neither Party A nor Party B may change or terminate this Contract without the consent of the other party. If there is indeed a need to change or terminate this Contract, Party A and Party B shall discuss and reach an agreement in writing. This Contract shall remain effective until the parties execute a written agreement reflecting such change or termination.

ARTICLE 10

SETTLEMENT OF DISPUTES

- 10.1. In the event a dispute arises between Party A and Party B in connection with the implementation of this Contract, the parties shall attempt to settle such dispute through consultations. If no settlement is reached through consultations within thirty days of the first consultation, the dispute shall be settled in accordance with Section 10.1.1:
- 10.1.1. Such dispute shall be submitted for exclusive and final settlement before the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with the CIETAC rules in effect at the time such dispute is submitted to it, which rules are deemed to be incorporated by reference into this Section. Arbitration shall take place in at CIETAC, Beijing, China. The arbitration award shall be non-appealable, final and binding on the parties. Unless otherwise specified in the arbitration award, the costs of the proceeding shall be borne by the losing party.

ARTICLE 11

MISCELLANEOUS

- 11.1. In the event of any conflict between this Contract and the Loan Facility, the Loan Facility shall take precedence.

ARTICLE 12

ADDITIONAL PROVISIONS

- 12.1. The appendices to this Contract shall form an integral part of this Contract and shall have the same force and effect as this Contract itself.
- 12.2. In connection with the implementation of this Contract, if any of the date for draw-down or repayment is not a banking business day, then such date shall be extended to the following banking business day.

Party A (corporate chop):
Legal Representative:
(or Authorized Representative)

(date/month/year)

[LESHAN-PHOENIX SEMICONDUCTOR
CO. LTD. SEAL]

/s/

Nov. 17, 2000

Party B (corporate chop):
Legal Representative (Person in Charge):
(or Authorized Representative)

(date/month/year)

/s/

/s/

Contract Number: 66

RENMINBI LOAN CONTRACT

BORROWER (PARTY A): LESHAN-PHOENIX SEMICONDUCTOR COMPANY LIMITED

Residence (Address): 27A, West People's Road, Leshan City,
Sichuan Province, China

Legal Representative:

LENDER (PARTY B): INDUSTRIAL & COMMERCIAL BANK OF CHINA,
LESHAN CITY BRANCH

Residence (Address): 4, Zi Yun Hou Street, Central District, Leshan City,
Sichuan Province, China

Legal Representative
(Person in Charge):

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Party A has applied for a loan from Party B for the purpose described in Section 2.1. Party B has agreed to provide the loan to Party A. In order to specify the rights and obligations of each party, in accordance with the Contract Law, the Lending General Provisions and other relevant laws & regulations and after discussion conducted on a basis of equality, Party A and Party B conclude this Contract:

ARTICLE I

TYPE OF THE LOAN

1.1. The loan under this Contract is a medium term loan.

ARTICLE 2

USE OF PROCEEDS

- 2.1. The proceeds of the loan under this Contract shall be used for payments relating to Party A's operations.
- 2.2. Party A shall not change the usage of the loan proceeds provided under this Contract without the written consent by Party B.

ARTICLE 3

CURRENCY, AMOUNT AND TERM OF THE LOAN

- 3.1. The currency of the loan under this Contract shall be Renminbi and the amount shall be four million (in words) 4,000,000 (numbers). (In the event any amount in words is different from that in numbers, the amount in words shall prevail. This same rule shall apply throughout this Contract).
- 3.2. The term of the loan under this Contract shall be 36 months, from Dec 14, 2000 (date/month/year) to Dec 13, 2003 (date/month/year).
- 3.3. Party A shall draw-down the loan in one lump sum on the first date of the term pursuant to Section 3.2 of this Contract; in case of special circumstance, the draw-down date can be moved up or delayed up to seven days with the written consent of Party B. The actual date of the draw-down and the date of repayment shall be the dates recorded in the receipt for the loan [signed] by Party A and Party B. The loan receipt and the draw-down voucher shall be an integral part of this Contract. Except for the dates, if there are any other discrepancies between other records and this Contract, this Contract shall prevail.

ARTICLE 4

INTEREST RATE AND COMPUTATION OF INTEREST

- 4.1. The interest rate and computation of interest for the loan under this Contract shall be as follows:
 - 4.1.1. The interest rate applicable for loans of six years (as published by the People's Bank of China), adjusted once every year shall be applied to the

loan under this Contract.

- 4.1.2. The interest rate of the first period shall be 6.125% per annum.
- 4.1.3. The interest rates of the second and all subsequent periods will be determined by Party B according to its then prevailing interest rates for similar loans. Party A will be notified in writing within thirty days after any change in the interest rate. However, the delivery or non-delivery of such notice shall not affect the implementation of this Contract and any changes in the interest rate.
- 4.1.4. Interest on the loan under this Contract shall be accrue on a daily basis and be payable on the 20th day of the last month of each calendar quarter.
- 4.1.5. Interest shall accrue from the date of draw-down. The final payment of accrued interest shall be paid together with repayment of the principal amount of the loan.

ARTICLE 5

SOURCES OF REPAYMENT FUNDS, MANNER OF REPAYMENT

- 5.1. The source of funds which Party A will use for the repayment of both principal and interest of the loan shall include, but is not limited to:
 - 5.1.1. Sales revenue, depreciation and profit;
 - 5.1.2. Other revenue.
- 5.2. Notwithstanding any agreement on the source of Party A's funds for repayment in any other contracts to which Party A is party, such agreement shall not affect Party A's performance of its repayment obligation under this Contract. In any case, Party A shall not rely on Section 5.1 in order to refuse to perform its repayment obligation under this Contract.
- 5.3. Party A shall timely pay all accrued interests as provided under this Contract and repay the principal of the loan when due.
- 5.4. Before the date on which any payment of interest or repayment of principal provided in this Contract is due, Party A shall deposit sufficient funds in its bank account at Party B and authorize Party B to deduct such amount from Party A's account on the date on which such payment of interest or repayment of principal is due.

ARTICLE 6

SECURITY

- 6.1. The form of security for the loan under this Contract shall be a mortgage.
- 6.2. Party A and Party B shall conclude a security agreement (No. 66) for the specific security described under this Contract.

- 6.3. In the event of a change in the value of the security under this Contract has had a material adverse effect on Party B's creditor rights, Party A shall, upon notice by Party B, provide additional security so that the total value of security is equal to the value prior to such change.

ARTICLE 7

RIGHTS AND OBLIGATIONS OF EACH PARTY

- 7.1. Rights and Obligations of Party A.
- 7.1.1. Party A shall draw and use the loan in accordance with the term and usage provided in this Contract;
 - 7.1.2. Party A shall not prepay the loan without providing Party B with fifteen days' written notice of its intention to prepay;
 - 7.1.3. Party A shall be responsible for the truthfulness, accuracy and completeness of all the materials provided by Party A in connection with the application for the loan;
 - 7.1.4. Party A shall voluntarily accept Party B's investigation, supervision and monitoring of the use of the loan under this Contract pursuant to laws and regulations, administrative rules and industrial practice;
 - 7.1.5. Party A shall actively coordinate with Party B's investigation, supervision and monitoring of Party A's manufacturing, operations and financial status and provide Party B with profit & loss statement, balance sheet and other financial information which it prepares in the ordinary course of business for any relevant period;
 - 7.1.6. Party A shall repay the principal and pay the interest for the loan as provided in this Contract;
 - 7.1.7. Party A shall pay relevant costs which arise under this Contract, including, but not limited to, the expenses of a notary, authentication, appraisal and registration fees which are required by applicable laws and regulations administrative rules and industrial practice;
 - 7.1.8. Party A shall, within three days after its receipt of any repayment reminder sent by Party B via mail or other methods, send back an acknowledgement of receipt to Party B via mail;
 - 7.1.9. In the event Party A proposes to be engaged in activities such as changing its corporate structure into a company limited by shares, beginning joint operations with another entity, merger, a material acquisition, entering into an equity joint venture, spin-off or split-off, a reduction in its registered capital, equity transfers, transfer of material assets, contracting and leasing of its operation (as a whole) or any other action which will be significant enough to affect the realization of Party B's rights under this Contract, Party A shall notify Party B at least thirty days prior to undertaking such activities and

obtain Party B's written consent prior to taking such action. Otherwise Party A shall not engage in any of the above activities before its debt under this Contract is repaid in full;

- 7.1.10. Party A shall notify Party B in writing of any change in its business registration items, such as location, mailing address, business scope, legal representatives etc. within seven days of such change;
- 7.1.11. Party A shall notify immediately Party B in writing of any events which may threaten Party A's normal business or have material adverse effect on Party A's ability to perform its repayment obligations under this Contract, including, but not limited to, material economic disputes, bankruptcy, deterioration of financial condition, etc.;
- 7.1.12. In the event Party A's business is closed, dissolved, suspended for restructuring, or its business license is revoked or cancelled, Party A shall notify Party B in writing within five days of such event and the parties shall try to work out a new schedule for the repayment of principal and payment of interest.

7.2. Rights and Obligations of Party B

- 7.2.1. Party B shall have the right to request Party A to provide all information relevant to this loan;
- 7.2.2. Party B shall have the right to deduct from Party A's account with Party B the principal, interest, interest on interest, penalty interest and all other expenses payable as provided in this Contract or as required by laws and regulations;
- 7.2.3. In case Party A evades Party B's supervision or delays the repayment of principal or payment of interest, thus committing a material breach of this Contract, Party B shall have the right to apply lending sanctions against Party A (for example, not providing additional loans to Party A).
- 7.2.4. Party B shall provide the full amount of the loan to Party A on schedule as provided in this Contract (unless the delay is caused by Party A).
- 7.2.5. Party B shall keep confidential all the documents, materials and information provided by Party A relating to its borrowing, financial condition, production, operation, etc. unless otherwise provided in this Contract or required by laws and regulations.

ARTICLE 8

LIABILITY FOR BREACH OF CONTRACT

- 8.1. After this Contract becomes effective, each of the Party A and Party B shall perform its obligations as provided under this Contract. Any party who fails to perform all or part of its obligations as provided under this Contract shall be liable for its breach of the Contract in accordance with law.

- 8.2. If Party A fails to draw-down the loan as provided in Section 3.3 of this Contract, Party B shall have the right to charge penalty interest on the delayed amount compounded daily payable in arrears at the interest rate provided in this Contract.
- 8.3. If Party B fails to execute and provide the loan as provided in Section 3.3 of this Contract, Party B shall pay penalty interest on the delayed amount compounded daily payable in arrears at the interest rate provided in this Contract.
- 8.4. Party B shall the right to charge interest based on the term and interest rate provided under this Contract if Party A prepays the loan under this Contract without fifteen days' advance notice to Party B.
- 8.5. If Party A fails to repay any principal or pay any interest on the loan when due under this Contract, Party B shall have the right to establish a schedule for repayment, deduct the amount due from any of Party A's bank accounts with Party B, and concurrently charge on the overdue amount additional interest at a rate which is 20% of the interest rate under this Contract and charge interest calculated at a compound rate on the overdue interest.
- 8.6. If Party A fails to use the loan for the purposes specified under this Contract, Party B shall have the right to accelerate part or all of the loan amount or terminate the Contract, and to charge on the amount and duration of unauthorized use an additional interest which is 50% of the interest rate under this Contract and charge compound rate on the overdue interest.
- 8.7. If the events of breach described in Section 8.5 and 8.6 occur concurrently in connection with Party A's use of the loan, Party B may select the penalty provided by either, but not both, sections.
- 8.8. In the event any of the following events occur, Party A shall within seven days after receipt of Party B's notice of such an event correct the noticed event and provide remedy satisfactory to Party B. Otherwise, Party B shall have the right to accelerate part or all of the loan amount. In the event Party B accelerates the loan but does not receive prompt payment from Party A, Party B shall charge penalty interest at the same rate applied to the overdue amount on a daily basis.
 - 8.8.1. Party A provides false balance sheet, profit & loss statement or other financial information or holds back material information therein;
 - 8.8.2. Party A refuses Party B's monitoring of the use of loan proceeds, its relevant manufacturing, operations or financial activities;
 - 8.8.3. Party A transfers or disposes of, or threatens to transfer or dispose of, substantial part of its assets without Party B's consent;
 - 8.8.4. All or a substantial part of Party A's assets are possessed by other creditors, taken over by designated trustees, receivers or similar personnel or its assets are detained or frozen, and such action may be expected to cause material loss to Party B;

- 8.8.5. The security of Party B's creditor rights is threatened as a result of Party A, without Party B's consent, engaging in activities such as changing its corporate structure into a company limited by shares, beginning joint operations with another party, merger, entering into a material acquisition, entering into an equity joint venture, spin-off or split-off, making a reduction in its registered capital, conducting an equity transfer, contracting and leasing its operation (as a whole) or other action significant enough to affect the realization of Party B's rights;
- 8.8.6. Party A changes its business registration items such as location, mailing address, business scope, legal representative, or makes significant external investment, which seriously affects or threatens the realization of Party B's creditor rights;
- 8.8.7. Party A is involved in any material economic disputes or its financial condition is materially deteriorating, and such deterioration seriously affects or threatens the realization of Party B's creditor rights;
- 8.8.8. Any other material event which may threaten the realization of Party B's creditor rights under the Contract, or cause material loss to Party B.

ARTICLE 9

EFFECT, CHANGE, CANCELLATION AND TERMINATION OF THE CONTRACT

- 9.1. This Contract shall be effective upon the execution and affixing of the company seal of both parties. If a security contract is required, this Contract shall become effective when such security contract becomes effective. This Contract shall terminate on the date when the principal, interest, compound interest, penalty interest, default penalty and all other payable expenses under this Contract are fully paid.
- 9.2. In the event any of the following events occurs, Party B shall have the right to terminate this Contract, and require Party A to accelerate repayment of all principal and payment of interest of the loan and compensate for Party B's losses:
 - 9.2.1. Party A's business is closed, dissolved, suspended for restructuring, or its business license is revoked or cancelled;
 - 9.2.2. The change in the security under this Contract has had an adverse effect on Party B's creditor rights and Party A fails to provide other security required by Party B;
 - 9.2.3. Other material breach by Party A of this Contract.
- 9.3. If Party A provides Party B with a written request to extend the term of this loan thirty days before the due date for repayment of the principal as provided under Section 3.2., the due date for the loan shall be extended and the parties shall execute an extension agreement. This Contract shall remain in effect, mutatis mutandi, until the extension agreement is executed by both parties.

9.4. Except as otherwise provided under this Contract, neither Party A nor Party B may change or terminate this Contract without the consent of the other party. If there is indeed a need to change or terminate this Contract, Party A and Party B shall discuss and reach an agreement in writing. This Contract shall remain effective until the parties execute a written agreement reflecting such change or termination.

ARTICLE 10

SETTLEMENT OF DISPUTES

10.1. In the event a dispute arises between Party A and Party B in connection with the implementation of this Contract, the parties shall attempt to settle such dispute through consultations. If no settlement is reached through consultations within thirty days of the first consultation, the dispute shall be settled in accordance with Section 10.1.1:

10.1.1. Such dispute shall be submitted for exclusive and final settlement before the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with the CIETAC rules in effect at the time such dispute is submitted to it, which rules are deemed to be incorporated by reference into this Section. Arbitration shall take place in at CIETAC, Beijing, China. The arbitration award shall be non-appealable, final and binding on the parties. Unless otherwise specified in the arbitration award, the costs of the proceeding shall be borne by the losing party.

ARTICLE 11

MISCELLANEOUS

11.1. In the event of any conflict between this Contract and the Loan Facility, the Loan Facility shall take precedence.

ARTICLE 12

ADDITIONAL PROVISIONS

12.1. The appendices to this Contract shall form an integral part of this Contract and shall have the same force and effect as this Contract itself.

12.2. In connection with the implementation of this Contract, if any of the date for draw-down or repayment is not a banking business day, then such date shall be extended to the following banking business day.

Party A (corporatechop):	Party B (corporatechop):
Legal Representative:	Legal Representative (Person in Charge):
(or Authorized Representative)	(or Authorized Representative)
 (date/month/year)	 (date/month/year)
 /s/	 (namechop)
 [LESHAN-PHOENIX SEMICONDUCTOR COMPANY LIMITED]	 /s/
 2000.12.1	 2000.12.1

MORTGAGE CONTRACT

Mortgagor (Party A): Leashan-Phoenix Semiconductor Company Limited

Residence (Address):

Legal Representative:

Mortgage (Party B): Industrial & Commercial Bank of China, Leshan City
Branch

Residence (Address):

Legal Representative (Person in Charge):

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To ensure the exercise of Party B's rights under the loan contract No. (----) (hereinafter "Main Contract") signed by Party A Leshan Phoenix Semiconductor Co. Ltd. and Party B Industrial & Commercial Bank of China Leshan City Branch on Nov. 17, 2000 (date/month/year), Party A wishes to provide a mortgage. In order to specify the rights and obligations of each party, in accordance with the Contract Law, the Security Law and other relevant laws and regulations and after discussions conducted on a basis of equality, Party A and Party B conclude this Contract:

ARTICLE 1

REPRESENTATIONS AND WARRANTIES OF PARTY A

- 1.1. It is the sole, valid and legitimate owner (or operator authorized by the State) of the assets mortgaged under the Contract. There is no pending disputes over the ownership or operation rights of the mortgaged assets.
- 1.2. It understands the use of proceeds of loan by the borrower under the Main Contract and is willing to provide a mortgage. All of its representations under this Contract are true.
- 1.3. It has made sufficient and reasonable explanation of any defects in the mortgaged assets under this Contract.
- 1.4. The mortgaged assets under this Contract are eligible for mortgage according to law.
- 1.5. The mortgage under this Contract is not in violation of any restrictions applicable to Party A.
- 1.6. The mortgaged assets under this Contract are not under any seal-up, detention or custody arrangement under law.
- 1.7. If all or part of the mortgaged assets under this Contract are to be leased, it shall notify the leasees of the mortgage arrangement and report the status of the leasing to Party B in writing.

ARTICLE 2

TYPE AND AMOUNT OF THE CREDIT COVERED BY THE SECURITY

- 2.1. The creditor's rights covered by Party A's mortgage shall be the loans in RMB and foreign currencies Three Million US Dollars (US\$3,000,000) under the Main Contract.

ARTICLE 3

TERM OF BORROWER'S DEBT UNDER THE MAIN CONTRACT

- 3.1. The term of the loan under the Main Contract shall be 36 months, from Dec. 13, 2000 (date/month/year) to Dec. 12, 2003 (date/month/year). The term shall be as provided in the Main Contract.

ARTICLE 4

SCOPE OF MORTGAGE

- 4.1. The scope of the debt secured by the mortgage provided by Party A shall include: all principal, interest, compound interest, penalty interest, default penalty, compensation payment, expenses for realizing the mortgage right and all other expenses payable under the Main Contract.

ARTICLE 5

MORTGAGED ASSETS

- 5.1. Mortgaged assets are listed in the List of Mortgaged Assets.
- 5.2. The value assigned to the mortgaged assets in the List of Mortgaged Assets shall not constitute the basis for the evaluation on the mortgaged assets to be conducted by Party B under Article 9 of this Contract, or form any restriction to Party B's exercise of its rights under the mortgage.
- 5.3. Certificates or other documents evidencing ownership of the mortgaged assets shall be confirmed and sealed off by the parties and placed with Party B for safe-keeping, unless otherwise required by laws and regulations.

ARTICLE 6

REGISTRATION OF MORTGAGE

- 6.1. If required by relevant laws and regulations or agreed upon by the parties, the parties shall register the mortgage with the relevant registration office within 15 days after the execution of this Contract.
- 6.2. If there is any change in the items under the registration that according to applicable law requires a change in registration, the parties shall adjust the registration to reflect such change with the relevant registration office within 15 days after the occurrence of such change.

ARTICLE 7

POSSESSION OF THE MORTGAGED ASSETS

- 7.1. Party A shall retain possession of the mortgaged assets under this Contract. While the mortgaged assets are in its possession, Party A shall maintain the mortgaged assets and shall not use the mortgaged assets in any unreasonable manner to cause a decrease in their value. Party B shall have the right to supervise the use of the mortgaged assets.
- 7.2. In the event of damage to or loss of the mortgaged assets, Party A shall promptly notify Party B and immediately take measures to prevent their further deterioration. Party A shall also provide Party B with certificates issued by relevant department in charge evidencing the cause of any damage to or loss of the mortgaged assets.

ARTICLE 8

INSURANCE

- 8.1. Party A shall purchase insurance covering basic risks from relevant insurance institutions for the mortgaged assets, within 15 days after the execution of this Contract. The duration of insurance coverage shall not be shorter than that of this Contract and the amount of the insurance shall not be less than the principle and interest of the loans under the Main Contract.
- 8.2. Party A shall list Party B in the relevant insurance policies as primary beneficiary. The insurance policies shall not contain any provisions restricting Party B's rights or interests.
- 8.3. During the term of this Contract, Party A shall not suspend or cancel the insurance described in Section 8.1 for any reason. In the event such insurance is terminated, Party B shall have the right to purchase insurance on behalf of and at the expense of Party A.
- 8.4. In the event a loss covered under the insurance policies is suffered by the mortgaged assets during the term of this Contract, all insurance compensation shall be used as mortgaged assets, or be used to restore the value of the mortgaged assets with consent by Party B.

ARTICLE 9

EXERCISE OF RIGHT OVER MORTGAGE

- 9.1. If it exercises its right of mortgage, Party B shall have the right, upon consultation with Party A, reasonably to determine the value of the mortgaged assets, using an independent appraisal agent of good reputation, so as to set off the debt owed by the borrower under the Main Contract, or to auction or otherwise sell the mortgaged assets to receive payment on a priority basis, provided, however, that in any sale of the mortgaged assets by Party B, Party A or any affiliate of Party A shall have a right of first refusal to make such purchase on the same terms as any other buyer offering to purchase the mortgaged assets being sold.
- 9.2. In the event Party B disposes of the mortgaged assets as provided under Section 9.1, Party A shall provide assistance and shall not create any obstacles.

ARTICLE 10

RIGHTS AND OBLIGATIONS OF PARTY A

- 10.1. After this Contract becomes effective, Party A shall not, without the written consent by Party B, subject the mortgaged assets under this Contract to any other mortgage or pledge, or lease, transfer or give away the mortgaged assets to any third party.
- 10.2. After this Contract becomes effective, in the event Party B transfers its creditor rights to a third party in accordance with law, Party A shall continue to be responsible for providing the mortgage as required under this Contract.

- 10.3. In the event any action of Party A will result in a decrease in the value of the mortgaged assets, Party A shall stop such action. In the event the value of the mortgaged assets decreases due to such action, Party A shall have the obligation to restore the value of the mortgaged assets or provide additional security of corresponding value.
- 10.4. In the event of the value of any mortgaged assets decreases without the fault of Party A, Party A shall use any compensation it receives to provide security to Party B. Any mortgaged assets the value of which does not decrease shall remain as security to Party B.
- 10.5. In the event the mortgaged assets are taken over by the State for its construction need, any compensation obtained by Party A from the State shall remain as security to Party B.
- 10.6. Party A shall pay relevant costs which arise under this Contract, including, but not limited to, legal fees, property insurance premiums, expenses of authentication, appraisal, registration, transfer, safe-keeping and litigation which are required by applicable laws and regulations.
- 10.7. Party A shall duly implement its obligation under this Contract in the event of changes such as spin-off, merger, change of corporate structure into a company limited by shares, etc. after this Contract becomes effective.
- 10.8. In the event the mortgage right is, or threatened to be, infringed by any third party, Party A shall notify Party B promptly and assist Party B in preventing such infringement.
- 10.9. Party A shall notify Party B in writing of any of the following:
- 10.9.1. Change in its operational structure, such as beginning joint operations with another entity, merger, spin-off or split-off, changing its corporate structure into a company limited by shares, contracting and leasing of its operation (as a whole), entering into an equity or a cooperative joint venture with foreign investors, etc.;
 - 10.9.2. Change in its business scope, registered capital or equity holding;
 - 10.9.3. Material economic disputes;
 - 10.9.4. Disputes over the ownership of the mortgaged assets;
 - 10.9.5. Bankruptcy, closing, dissolution, suspension for restructuring or revocation or cancellation of its business license; and
 - 10.9.6. Change in its residence, telephone number, legal representative.
- 10.10. Party A shall notify Party B in writing of any of the events listed in 10.9.1 or 10.9.2 at least 30 days prior to the occurrence of such event and within 15 days of any events listed in 10.9.3 through 10.9.6.

- 10.11. The borrower under the Main Contract shall have the right to request the termination of the mortgage under this Contract upon full repayment of debt under the Main Contract and Party B shall promptly comply with such request.

ARTICLE 11

RIGHTS AND OBLIGATIONS OF PARTY B

- 11.1. Party B shall have the right to dispose of the mortgaged assets if Party A fails to repay any principal, pay interest or other expenses as due under the Main Contract.
- 11.2. Party B shall have the right to dispose of the mortgaged assets in advance and receive payment from the proceeds of such disposal if any of the following events occurs:
- 11.2.1. Party B terminates the Main Contract as provided therein or in accordance with relevant laws and regulations prior to the repayment of amounts due under the Main Contract from Party A;
- 11.2.2. Party B accelerates the loan as provided under the Main Contract and fails to realize all or part of its rights as a creditor.
- 11.3. Party B shall have the right to request Party A's assistance in preventing any infringement of Party B's mortgage right by any third party.
- 11.4. In the event it transfers its rights as a creditor during the term of this Contract, Party B shall notify Party A promptly.
- 11.5. In the event Party B disposes of the mortgaged assets under this Contract and following repayment of amounts owed by Party A under this Contract and the Main Contract, Party B has proceeds in excess of such amount, Party B shall promptly return the surplus to Party A.

ARTICLE 12

LIABILITY FOR BREACH OF CONTRACT

- 12.1. In the event the representations and warranties made by Party A in Article 1 of this Contract are false and as a result Party B suffers a loss, Party A shall compensate Party B for such loss.
- 12.2. After this Contract becomes effective, each of the parties shall fulfil its obligations hereunder. If either party fails to fulfil all or part of its obligations provided under this Contract, such party shall be responsible for its breach and compensate the other party for any loss caused by such breach.
- 12.3. In the event this Contract becomes void due to the fault of either party, the party in fault shall be responsible for any loss suffered by the other party as provided under this Contract.

ARTICLE 13

EFFECT, CHANGE, CANCELLATION AND TERMINATION OF THE CONTRACT

- 13.1. This Contract shall be effective upon the execution and affixing of the company seals of both parties. Provided, however, that if registration of the mortgage is required under applicable law, this Contract shall become effective when such registration of the mortgage is completed. This Contract shall terminate on the date when the principal, interest, compound interest, penalty interest, default penalty, damages, expenses in realizing creditor rights and all other payable expenses under the Main Contract are fully paid.
- 13.2. This Contract is independent from the Main Contract. All obligations under this Contract shall not be affected by any breach by any party under the Main Contract.
- 13.3. Except as otherwise provided under this Contract, neither Party A nor Party B may change or terminate this Contract without the consent of the other party. If there is a need to change or terminate this Contract, Party A and Party B shall discuss and reach an agreement regarding such change and execute a written agreement documenting the change. This Contract shall remain in full force until such a written agreement is executed. Any change or termination to this Contract shall be made in accordance with such written agreement executed by the parties.

ARTICLE 14

SETTLEMENT OF DISPUTES

- 14.1. In the event a dispute arises between Party A and Party B in connection with the implementation of this Contract, the parties shall attempt to settle such dispute through consultations. If no settlement is reached through consultations within 30 days of the first such consultation, the dispute shall be settled in accordance with Section 14.1.1:
- 14.1.1. Such dispute shall be submitted for exclusive and final settlement before the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with the CIETAC rules in effect at the time such dispute is submitted to it, which rules are deemed to be incorporated by reference into this Section. Arbitration shall take place at CIETAC, Beijing, China. The arbitration award shall be non-appealable, final and binding on the parties. Unless otherwise specified in the arbitration award, the costs of the proceeding shall be borne by the losing party.

ARTICLE 15

OTHER AGREEMENTS BY THE PARTIES

- 15.1. The value of the mortgaged assets under this Contract shall not at any time exceed the lessor of (i) 142.5% of the outstanding balance under the Main Contract and (ii) the RMB equivalent of US\$28,500,000.

(Tentative Translation)

Loan Agreement

Development Bank of Japan (hereinafter referred to as "A") has made the loan to SCG Japan Ltd. (hereinafter referred to as "B") upon the following terms and conditions (hereinafter referred to as the "Conditions") and those in the ANNEX (hereinafter referred to as the "Terms and Conditions") and B accepts the Conditions and the Terms and Conditions.

The execution, validity, interpretation and performance of this Agreement shall be governed by Japanese law.

In Witness Whereof, the parties hereto have executed one original of this Agreement in Japanese, and A shall keep it.

Date: October 27th, 2000

A: Development Bank of Japan
9-1, 1-chome, Otemachi,
Chiyoda-ku, Tokyo

By Masami Kogayu, Governor

B: SCG Japan Ltd.
32-1, 4-chome, Nishi-Gotanda,
Shinagawa-ku, Tokyo

By Takeshi Shindo, Representative Director

Principal:

Yen2,800,000,000-

Name of and expenses for the project for which the loan is required
(hereinafter referred to as the "Project"):

Expansion of semiconductor facilities in Aizu

YEN5,731,339,000-

Repayment schedule of the principal:

Months of repayment of the principal: at intervals of 6 months
(March and September of every year)

Date of each repayment: the 20th day

Final maturity: 20th day of September, 2010.

Repayment schedule: Repayment shall be made on the 20th day of September, 2003 and thereafter until the 20th day of March 2010 in installments, each amount of which shall be Yen190,000,000-, and on the 20th day of September, Yen140,000,000- shall be repaid.

Interest rate:

2.25% per annum (subject to per diem calculation on the basis of 365 days a year.)

Method of payment of interest:

Date of first payment of interest: 20th day of March 2001.

Months of payment of interest: at intervals of 6 months.
(March and September of every year)

Date of each payment of interest: the 20th day

Method of payment: Interest accrued between each payment day shall be paid at the end of the accrual period.

Terms and Conditions

(Purpose for use of money)

Article 1.

B shall perform the Project in accordance with the project plan at the date of this Agreement and shall use the borrowed money under this Agreement only for the Project.

(Delivery of the funds by bank transfer)

Article 2.

In cases where A delivers the funds under this Agreement by transfer to B's bank deposit account, completion of A's procedure requesting the delivery of the funds to B is deemed as constitution of full and complete delivery to B. Even if B has sustained a loss due to accidents, delays of procedure or other events in the subsequent process, B shall not ask for compensation or other claims.

(Repayment of the obligations by bank transfer)

Article 3.

When the repayment of B's obligations to A is made by transfer to A's account with checks, notes or other securities (hereinafter collectively referred to as the "Securities") to A, B shall ensure that the Securities are paid in full by the due dates of such obligations.

(Repayment of the B's obligations by delivering Securities)

Article 4.

1. When the repayment of B's obligations to A is made by delivering Securities to A, any Securities delivered to A for the payment shall be negotiable for settlement through the clearing house consented by A and B shall ensure that the Securities are paid in full by the due dates of such obligations.

2. In case any of the Securities in the preceding paragraph are dishonored, and returned from A to B, B agrees that no procedure will be taken by A for the preservation of rights on such Securities.

(Prepayment)

Article 5.

1. If the expenses for the Project decreases to less than those for the Project mentioned in the

Conditions (hereinafter referred to as the "Amount mentioned in the Conditions") due to a change of the project plan or for other reasons, B shall, upon A's request, despite the maturities of the loans mentioned in the Conditions, prepay the borrowed money under this Agreement in accordance with the proportion of the amount of decrease to the Amount mentioned in the Conditions.

2. When such decrease of the expenses for the Project under the preceding paragraph amounts to so substantial size of the Amount mentioned in the Conditions that A recognizes that the completion of the purpose of the Project will become difficult, upon A's request, B shall prepay the borrowed money in full under this Agreement despite the maturities of the loans mentioned in the Conditions.

3. When B does not perform the Project without justifiable reason, despite A's instructions, for a reasonable period which A judges to be necessary for performance of the Project, when B does not apply the loans made by A to the payments for the expenses of the Project, or when A recognizes that the purpose of the Project will not be completed because B assigns or leases the object which B obtains as a result of the Project to a third person after B owns it, or for other reasons, upon A's request, B shall, despite the maturities of the loans mentioned in the Conditions, prepay the borrowed money under this Agreement to A in whole or in part.

Article 6.

When B prepays the borrowed money under the preceding article, paragraph 2. of Article 14., B shall pay at the same time the interest on the prepaid amount accrued to the date of such prepayment.

Article 7.

1. When B prepays the borrowed money in part or in whole except in the case when A requests under these Terms and Conditions or in case of the next paragraph, B shall obtain A's consent in writing in advance.

2. B may prepay the borrowed money under this Agreement in part or in whole when B gives A a written notice of prepayment not less than ninety (90) days before the date of prepayment.

3. In case of prepayment under the preceding paragraph, notice of prepayment once received by A shall be irrevocable unless A consents to such revocation.

4. When B prepays the borrowed money in whole or in part on receipt of A's consent described in the first paragraph or under the notice described in paragraph 2., B shall pay at the same time the amounts set forth in each following item:

(1) Interest on the prepaid amount accrued to the date of such prepayment.

(2) The following amount calculated through the formula separately determined by A.

The differences between "the current value at the date of prepayment of the total amount of

the principal and interest which A is to receive under the repayment schedule effective prior to satisfaction of requirements for prepayment" (hereinafter referred to as "X"), and "the current value at the date of prepayment of the total amount of the principal and interest (including the prepaid amount) which A is to receive under the repayment schedule effective subsequent to satisfaction of requirements for prepayment" (hereinafter referred to as "Y"), where X is larger than Y.

(Application of repayment)

Article 8.

When B prepays the borrowed money under this Agreement to A in part or when the amount of each obligation which B has repaid under this Agreement or other loan agreements made by and between A and B is less than that B should repay under these agreements, A shall apply it in accordance with order and methods decided by A.

(Inspection and report of the project)

Article 9.

1. B shall, upon A's request, report A with respect to progress status and payment status of expenses of the Project in accordance with the method as instructed by A.

2. A may at any time inspect progress status of the Project and B's assets, documents, book and other data, when A deems it necessary for confirmation of the use of loaned money under this Agreement.

3. B shall offer necessary convenience to A for the inspection in the preceding paragraph.

(Matters to be filed, exemption, etc.)

Article 10.

1. When B or Semiconductor Components Industries, LLC (hereinafter referred to as the "Guarantor") changes name, corporate name, address, representative, filed seal-impression or other filed matters of B, B and the Guarantor shall file to A thereof in writing forthwith.

2. In the event that any notice given by A or any document, etc. sent by A is delayed or is not received by B or the Guarantor because of B's or the Guarantor's failure of filing provided in the preceding paragraph, such notice or document, etc. shall be deemed as having been received by B or the Guarantor when they are ordinarily so received.

(Matters to be reported or inspected)

Article 11.

1. B, the Guarantor shall, at the time of each settlement of accounts (including mid-year settlement if the company(s) which choose yearly settlement makes up it), submit a business report,

a balance sheet, an income statement, a plan of disposition of profit, a plan of treatment of loss and other documents describing the financial conditions of B, the Guarantor and the ON Semiconductor Corporation (hereinafter referred to as the "Parent Company") as designated by A.

2. B and the Guarantor shall report to A in accordance with the method as instructed by A without delay after the occurrence of important events concerning B's or the Guarantor's management, finance or business (including any change of the controlling shareholders of B, the Guarantor and Parent Company).

3. A may inspect B's or the Guarantor's assets, documents, books and other data when A reasonably deems it necessary for preservation of A's rights. B and the Guarantor shall offer necessary convenience to A for such inspection. B and the Guarantor shall, upon A's reasonable request, submit to A any document designated by A.

(Acceleration of payment)

Article 12.

If any one of the following events should occur and be continuing, B's obligations to A shall, upon A's request, immediately become due and payable and B shall forthwith pay the entire amount of such obligations under this Agreement.

(1) When B does not perform the Project and use the borrowed money under this Agreement for the purpose other than that of the Project;

(2) When B or the Guarantor fails to perform any of its obligations under Article 9., Article 10 or Article 11, and does not perform such obligations despite A's request or when B files or reports thereof falsely;

(3) When B fails to pay any part of the principal or interest thereon;

(4) When B or the Guarantor fails to perform any of its obligations under this Agreement other than those set forth in each of the preceding items, or fails to perform any of its obligations to A under any other agreements;

(5) When B dishonors any note or check;

(6) When attachment with respect to assets which B furnishes or agrees to furnish to A as security is made;

(7) When B or the Guarantor stops payment or an application is filed by or against B for bankruptcy, civil rehabilitation, corporate rehabilitation or corporate reorganization;

(8) When any license, approval, registration or right with respect to the whole or a part of B's or the Guarantor's business or management ceases to be effective or is cancelled, the whole or a part of B's business is suspended, or an authorization required for establishment of A's security interest is not obtained or ceases to be effective.

(9) When B or the Guarantor is dissolved or its business is closed down;
or

(10) When any event that requires preservation of A's rights other than those set forth in each of the preceding items occurs under or in connection with B.

(11) When the Guarantor fails to perform any of its obligations under the Guaranty Agreement with A dated October 27th, 2000 (hereinafter referred to as the "Guaranty Agreement" in this Article) and, if capable of remedy in the reasonable opinion of A, such failure to perform such obligation shall continue unremedied for a period of 30 days; or

(12) When any event of default occurs under or in connection with any obligation of the Guarantor to A other than the Guaranty Agreement.

2. If the request provided in the preceding paragraph is delayed or not received by B for a reason attributable to B such as B's failure of filing a change of address, B's obligations to A shall be deemed as having become due and payable when it is ordinarily so received.

(Negative pledge)
Article 13.

1. B warrants that, as of the date of this Agreement, there is no other Teitoken (including pre-engagement of creation of a Teitoken), pledge (including pre-engagement of creation of a pledge) Sakidoritokken nor other rights which will disturb A's right on the real estate described in the ATTACHMENT and the equipment and other machineries which B obtains as a result of the Project (hereinafter referred to as the "Preserved objects").

2. If B engages in any conduct which respect to the Preserved objects, which might cause damage to A, such as assigning, leasing, creating mortgage or other security interest on, or materially decreasing the value of the Preserved objects, B shall, in advance, obtain A's consent thereto. If A does not make any response to a written request of B for such A's consent within 30 days after receipt of request, A's consent shall be deemed as having been given.

3. B agrees that, if B creates a Teitoken, pledge, Jototanpoken or other rights on the Preserved objects for those other than A, B shall automatically create a Teitoken of the exclusively first ranking or Jototanpoken senior to such rights on the Preserved objects as the security for the obligations under this Agreement, and that B shall forthwith take any necessary procedures for such creation and for creation of a pledge for A on the claim for insurance money with respect to the buildings and the insurable objects mentioned in paragraph 1, in accordance with the methods as instructed by A.

(Procedure taken for any change in Preserved objects)
Article 14.

1. If any loss of, injury to or major change in, any important object appertaining to the Preserved objects should occur, B shall inform A thereof forthwith.

2. When A receives the notice described in the preceding paragraph or when A recognizes that an important change in the Preserved objects has occurred, B shall in accordance with A's request take the alternative measure necessary for the preservation of A's rights, or shall prepay the obligations in whole or in part.

(Addition or replacement of secured or guarantor)

Article 15.

1. When it may be objectively recognized that a reasonable and probable cause necessitates the preservation of the rights under this Agreement, and A specifies the reasons therefor in a document and makes a demand to B with reasonable period, B shall furnish such security or additional security, or such guarantors or additional guarantors, as may be approved by A, notwithstanding existence or such nonexistence of security or guarantor under this Agreement or other agreement.

(Assignment of claims)

Article 16.

1. B agrees in advance that A will assign a part or a whole of claims under this Agreement to any financial institution or other organization in the future.

2. In the event of the preceding paragraph, A may omit to give a notice to B. Even if A's claims to B are assigned to any financial institution or other organization, B may repay all the obligations to A in compliance with the method provided in the Conditions, and A shall transfer the amount repaid by B to the assignee in proportion to the amount which was assigned. A may request B to perform all the obligations.

3. With regard to the claims which A assigned under paragraph 1. of this Article, B agrees that A will perform the procedures of administration and collection of the claims under this Agreement as an attorney-in-fact of the assignee.

(Execution of notarial deed)

Article 17.

B and the Guarantor shall at any time upon A's request commission a notary public in Japan and take necessary procedures to execute a notarial deed containing the acknowledgement of the obligations under this Agreement and the statement of acceptance thereof.

(Burden of expenses)

Article 18.

The expenses for preparation of this Agreement, registration, and all other expenses

(including cost of litigation and legal counsel's fees) incurred in connection with this Agreement shall be borne by B.

(Post default interest)

Article 19.

B shall pay post default interest ("Songaikin") equivalent to 14.5% per annum (subject to per diem calculation on the basis of 365 days per year) of the principal, interest and any other amounts payable in the event of default of any payment obligation, or of advance money A paid for the expenses under the preceding Article.

(Jurisdiction of court)

Article 20

In the event of any litigation pertaining to this Agreement, B hereby submits and consents to the non-exclusive jurisdiction of the Tokyo District Court.

Description of the Real Estate

(Land)

1. Address: 1, Odanichi, Kobuneaza, Oaza, Shiokawa-machi, Yama-gun
Property: Residential Land
Area of the site: 65,096 m(2) 78
1. Address: 50-2, Hatakeda, Kobuneaza, Oaza, Shiokawa-machi, Yama-gun
Property: Residential Land
Area of the site: 18,273 m(2) 51

(Building)

1. Address: 1, Odanichi, Kobuneaza, Oaza, Shiokawa-machi, Yama-gun
Bldg. No.: 1
Category: Facility, Office, Canteen, Warehouse
Floor space: 1F 12,931 m(2) 86
2F 8,419 m(2) 58

(Annex Building)

1. Bldg. No.: 1
Category: Machine room and Workroom
Floor space: 271 m(2) 40
1. Bldg. No.: 2
Category: Machine room
Floor space: 175 m(2) 02
1. Bldg. No.: 4
Category: Napping room
Floor space: 1F 71 m(2) 20
2F 68 m(2) 25

11

1. Bldg. No.: 5
Category: Laboratory
Floor space: 38 m(2) 71
1. Bldg. No.: 6
Category: Tank room
Floor space: 1F 84 m(2) 00
2F 84 m(2) 00
1. Bldg. No.: 7
Category: Machine room
Floor space: 91 m(2) 96
1. Bldg. No.: 9
Category: Warehouse and Facility
Floor space: 389 m(2) 63
1. Bldg. No.: 10
Category: Facility
Floor space: 183 m(2) 23
1. Bldg. No.: 11
Category: Janitor's room
Floor space: 41 m(2) 31
1. Bldg. No.: 12
Category: Warehouse
Floor space: 60 m(2) 00
1. Bldg. No.: 13
Category: Machine room
Floor space: 312 m(2) 00
1. Bldg. No.: 14
Category: Machine room

12

Floor space: 48 m(2) 00

1. Bldg. No.: 15
Category: Warehouse
Floor space: 30 m(2) 98
1. Bldg. No.: 16
Category: Cylinder room
Floor space: 51 m(2) 00
1. Bldg. No.: 17
Category: Storage
Floor space: 19 m(2) 32
1. Bldg. No.: 18
Category: Machine room
Floor space: 89 m(2) 70
1. Bldg. No.: 19
Category: Storage
Floor space: 32 m(2) 50
1. Bldg. No.: 20
Category: Storage
Floor space: 21 m(2) 43
1. Bldg. No.: 21
Category: Storage
Floor space: 13 m(2) 89
1. Bldg. No.: 22
Category: Machine room
Floor space: 1F 222 m(2) 83
2F 80 m(2) 52

(Building)

1. Address: 50-2, Hatakeda, Kobuneaza, Oaza, Shiokawa-machi, Yama-gun
Bldg. No.: 50-2
Category: Machine room
Floor space: 161 m(2) 02

GUARANTY AGREEMENT

Date: October 27, 2000

To: Mr. Masami Kogayu, Governor
Development Bank of Japan

The undersigned (hereinafter referred to as the "Guarantor"), after having accepted the following terms and conditions, hereby guarantees all the obligations of SCG Japan, Ltd. (hereinafter referred to as the "Debtor") to Development Bank of Japan (hereinafter referred to as the "Bank") arising out of the agreement made by and between the Bank and the Debtor dated 27th of October, 2000 (hereinafter referred to as the "Original Agreement"), certain basic provisions of which are more fully described in Attachment A.

Article 1.

The Guarantor hereby confirms the obligations of the Debtor under the Original Agreement, and agrees to each article and paragraph of the Original Agreement.

Article 2.

1. The Guarantor, as primary obligor and not as surety only, shall be jointly and severally responsible with the Debtor (this Guaranty being Rentaihosho under the laws of Japan) for the full and prompt payment to the Bank of the entire amount of the Debtor's obligations under, and in accordance with terms of, the Original Agreement, notwithstanding the validity or invalidity of the Agreement on Commissioning Guaranty entered into by and between the Debtor and the Guarantor. Even if any change or amendment is made to the Original Agreement, the Guarantor shall perform its guaranty obligations in accordance with the Debtor's obligations as changed thereby.

2. The Guarantor shall not claim any exemption from its obligations hereunder even if there occurs any increase, decrease, replacement, release of, or any other change with respect to the security or the guaranty described in the Original Agreement.

Article 3.

In the event the Guarantor performs its guaranty obligations, any rights it acquires

from the Bank by virtue of subrogation shall not be exercised without the Bank's consent until the Debtor has paid in full all of its obligations to the Bank under the original Agreement, as it may be amended from time to time. Further, upon the Bank's request, such rights or ranking thereof shall be assigned to the Bank free of charge and all the procedures required therefor shall be taken.

Article 4.

On or prior to the date of the execution of this Guaranty Agreement, the Bank shall have confirmed that the Guarantor is able to provide the documents listed in Attachment B and has executed those documents to which it is a party; and all such documents shall be dated the date of the execution of this Guaranty Agreement and shall otherwise be in form and substance satisfactory to the Bank. In any event, the Bank shall have received the originals of such documents at its Tokyo head office by a date to be designated by the Bank.

Article 5.

1. If any change occurs in the name, the authorized signatories (including the specimen signature(s) thereof), the address, or any other reported matters of the Guarantor, notification thereof shall immediately be given to the Bank in writing, and such change shall become effective upon receipt thereof by the Bank.

2. In the event that any notice given by the Bank or any document, etc. sent by the Bank is delayed or is not received by the Guarantor because of the Guarantor's failure of filing provided in the preceding paragraph, such notice or document, etc. shall be deemed as having been received by the Guarantor when they are ordinarily so received.

Article 6.

All expenses incurred in the preparation of this Guaranty Agreement and all other expenses otherwise incurred in connection with this Guaranty Agreement shall be borne by the Guarantor.

Article 7.

1. This Guaranty Agreement shall be deemed to be a contractual obligation under, and shall be governed by and construed and interpreted in accordance with, the laws of Japan.

2. In the event of any litigation pertaining to this Guaranty Agreement, the Guarantor hereby submits and consents to the non-exclusive jurisdiction of the Tokyo District Court. The Guarantor hereby irrevocably appoints SCG Japan, Ltd./4-32-1, Nishi-

Gotanda, Shinagawa-ku, Tokyo, Japan as its agent to receive service of process in Japan in connection with any suit, action or proceeding relating to this Guaranty Agreement. In the event that agent ceases to be able to act as agent of the Guarantor hereunder or ceases to have an office in Tokyo, Japan and the Guarantor fails to appoint a successor agent acceptable to the Bank, the Guarantor agrees that the Bank shall automatically serve as its agent to receive service of process in Japan.

Article 8.

The Guarantor agrees that this Guaranty Agreement shall be binding upon it and its successors and assigns and may not be assigned without the prior written consent of the Bank.

Article 9.

This Guaranty Agreement shall be prepared in English.

Semiconductor Components Industries, LLC.

By /s/ Dario Sacomani

Name: Dario Sacomani

Title: Sr. Vice President &
Chief Financial Officer

Address of the principal place of the business
:5005 East McDowell Rd.
Phoenix, Arizona 85008

Address of the office registered at time of the current incorporation
:Corporation Trust Center
1209 Orange St.
Wilmington, Delaware

Description of the Original Agreement and
Summary of Borrowing Conditions

The Original Agreement:

Date: October 27, 2000.

Parties: Development Bank of Japan and SCG Japan, Ltd.

Summary of the Borrowing Conditions thereof

- (1) Principal:
Yen2,800,000,000-
- (2) Project for which the loan is required:
Expansion of semiconductor manufacturing facilities at Aizu Plant
- (3) Repayment schedule of the principal:
Months of repayment of the principal: at intervals of 6 months
(March, September of every year)
Date of each repayment: the 20th day
Final maturity: 20th day of September, 2010
Repayment schedule: Repayment shall be made on the 20th day of September, 2003 and thereafter until the 20th day of March, 2010 in installments, each amount of which shall be yen190,000,000-, and on the 20th day of September, 2010, Yen140,000,000- shall be repaid.
- (4) Interest rate:
2.25% per annum (subject to per diem calculation on the basis of 365 days a year.)
- (5) Method of payment of interest:
Date of first payment of interest: 20th day of March 2001.
Months of payment of interest: at intervals of 6 months.
(March, September of every year)
Date of each payment of interest: the 20th day
Method of payment: Interest accrued between each payment day shall be paid at the end of the accrual period.

Documents Required Under Article 4.

1. Copies, certified by a duly authorized officer of the Guarantor, of the Guarantor's certificate of formation, by-laws and limited liability agreement.
2. Copies, certified by a duly authorized officer of the Guarantor, of a consent in writing by the Officers of the Guarantor approving and authorizing the execution, delivery, and performance of the Guaranty Agreement by the Guarantor and authorizing specified officer(s) of the Guarantor to execute and deliver the Guaranty Agreement on behalf of the Guarantor.
3. A certificate signed by a duly authorized officer of the Guarantor as to the incumbency of the Chief Executive Officer or those officer(s) of the Guarantor authorized to sign the Guaranty Agreement and certifying the specimen signatures of such person(s).

X [ILLEGIBLE SIGNATURE]

CERTIFICATION

The undersigned, being a duly appointed Sr. Vice President & Chief Financial Officer of Semiconductor Components Industries, LLC, hereby certifies that the attached document is a copy of the "Limited Liability Company Agreement for Semiconductor Components Industries, LLC, a Delaware Limited Liability Company" signed by the sole member of Semiconductor Components Industries, LLC.

DATED: October 24, 2000

/s/ Dario Sacomani

Name: Dario Sacomani
Title: Sr. Vice President & Chief Financial Officer
Semiconductor Components Industries, LLC

CERTIFICATION

The undersigned, being a duly appointed Sr. Vice President & Chief Financial Officer of Semiconductor Components Industries, LLC, hereby certifies that the attached document is a copy of the "Certificate of Formation of Semiconductor Components Industries, LLC."

DATED: October 24, 2000

/s/ Dario Sacomani

Name: Dario Sacomani

Title: Sr. Vice President & Chief Financial Officer
Semiconductor Components Industries, LLC

CERTIFICATION

The undersigned, Judith A. Boyle, being a duly appointed Assistant Secretary of Semiconductor Components Industries, LLC hereby certifies that:

1. Dario Sacomani is the incumbent Senior Vice President and Chief Financial Officer of Semiconductor Components Industries, LLC as of the date of this certification.

2. The specimen signature below is belonging to Dario Sacomani, Senior Vice President and Chief Financial Officer of Semiconductor Components Industries, LLC.

/s/ Dario Sacomani

Dario Sacomani
Senior Vice President and Chief Financial Officer
of Semiconductor Components Industries, LLC.

3. Dario Sacomani, Senior Vice President and Chief Financial Officer of Semiconductor Components Industries, LLC is authorized to execute and deliver, on behalf of Semiconductor Components Industries, LLC, the Guaranty Agreement between Semiconductor Components Industries, LLC and Development Bank of Japan.

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC

By: /s/ Judith A. Boyle

(Judith A. Boyle)

Its: Assistant Secretary

Dated: October 24th, 2000

ON SEMICONDUCTOR CORPORATION
(FORMERLY KNOWN AS SCG HOLDING CORPORATION)

2000 STOCK INCENTIVE PLAN
(AS ADOPTED BY THE BOARD OF DIRECTORS ON FEBRUARY 17, 2000;
AMENDED AND RESTATED APRIL 21, 2000;
AMENDED AND RESTATED MAY 18, 2001;
AMENDED AND RESTATED MAY 23, 2001)

ARTICLE 1
PURPOSE

1.1 GENERAL. The purpose of the SCG Holding Corporation 2000 Stock Incentive Plan (the "Plan") is to promote the success and enhance the value of SCG Holding Corporation (the "Company") by linking the personal interests of its members of the Board, employees, officers, and executives of, and consultants and advisors to, the Company to those of Company stockholders and by providing such individuals with an incentive for outstanding performance in order to generate superior returns to shareholders of the Company. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, employees, officers, and executives of, and consultants and advisors to, the Company upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

ARTICLE 2
EFFECTIVE DATE

2.1 EFFECTIVE DATE. The Plan is effective as of the date the Plan is approved by the Board (the "Effective Date"). Within 12 months of the Effective Date, the Plan must be approved by the Company's shareholders. The Plan will be deemed to be approved by the shareholders if it receives the affirmative vote of the holders of a majority of the shares of stock of the Company present or represented and entitled to vote at a meeting duly held in accordance with the applicable provisions of the Company's Bylaws or by written consent of a majority of the Company's shareholders in lieu of a meeting. Any awards granted under the Plan prior to shareholder approval are effective when made (unless the Committee specifies otherwise at the time of grant), but no Award may be exercised or settled and no restrictions relating to any Award may lapse before the Plan is approved by the shareholders as provided above. If the shareholders fail to approve the Plan, any Award previously made shall be automatically canceled without any further act.

ARTICLE 3
DEFINITIONS AND CONSTRUCTION

3.1 DEFINITIONS. When a word or phrase appears in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be given the meaning ascribed to it in this Section or in Sections 1.1 or 2.1 unless a clearly different meaning is required by the context. The following words and phrases shall have the following meanings:

(a) "Award" means any Option, Stock Appreciation Right, Restricted Stock Award, Performance Share Award, Performance-Based Award, or Take Ownership Grant granted to a Participant under the Plan.

(b) "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award.

(c) "Board" means the Board of Directors of the Company.

(d) "Cause" means (except as otherwise provided in an Award Agreement) if the Committee, in its reasonable and good faith discretion, determines that the Participant (i) fails to substantially perform his duties (other than as a result of Disability), after the Board or the executive to which the Participant reports delivers to the Participant a written demand for substantial performance that specifically identifies the manner in which the Participant has not substantially performed his duties; (ii) engages in willful misconduct or gross negligence that is materially injurious to the Company or a Subsidiary; (iii) breaches his duty of loyalty to the Company or a Subsidiary; (iv) unauthorized removal from the premises of the Company or a Subsidiary of a document (of any media or form) relating to the Company or a Subsidiary or the customers of the Company or a Subsidiary; or (v) has committed a felony or a serious crime involving moral turpitude. Any rights the Company or any of its Subsidiaries may have hereunder in respect of the events giving rise to Cause shall be in addition to the rights the Company or any of its Subsidiaries may have under any other agreement with the Participant or at law or in equity. If, subsequent to a Participant's termination of employment or services, it is discovered that such Participant's employment or services could have been terminated for Cause, the Participant's employment or services shall, at the election of the Board, in its sole discretion, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred.

(e) "Change of Control" shall mean the occurrence of any of the following events: (i) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the Operating Subsidiary to any Person or group of related persons for purposes of Section 13(d) of the Exchange Act (a "Group"), together with any affiliates thereof other than TPG Semiconductor Holdings LLC, TPG Partners II, L.P., or any of their affiliates (hereafter collectively referred to as "TPG"); (ii) the approval by the holders of Stock and the consummation of any plan or proposal for the liquidation or dissolution of the Company; (iii) (A) any Person or Group (other than TPG) shall become the beneficial owner, directly or indirectly, of shares representing more than 25% of the aggregate voting power of the issued and outstanding stock entitled to vote in the election of directors (the "Voting Stock") of the Company and such Person or Group has the power and authority to vote such shares and (B) TPG beneficially owns (within the meaning of Section 13(d) of the Exchange Act), directly or indirectly, in the aggregate a lesser percentage of the Voting Stock of the Company than such other Person or Group; (iv) the actual replacement of a majority of the Board over a two-year period from the individual directors who constituted the Board at the beginning of such period, and such replacement shall not have been approved by a vote of at least a majority of the Board then still in office who either were members of such Board at the beginning of such period or whose election as a member of such Board was previously so approved or who were nominated by, or designees of, TPG; (v) any Person or

Group other than TPG shall have acquired shares of Voting Stock of the Company such that such Person or Group has the power and authority to elect a majority of the members of the Board of Directors of the Company; or (vi) the consummation of a merger or consolidation of the Company with another entity in which holders of the Stock immediately prior to the consummation of the transaction hold, directly or indirectly, immediately following the consummation of the transaction, 50% or less of the common equity interest in the surviving corporation in such transaction. Notwithstanding the foregoing, in no event shall a Change of Control be deemed to have occurred as a result of an initial public offering of the Stock.

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

(g) "Committee" means the committee of the Board described in

Article 4.

(h) "Covered Employee" means an Employee who is a "covered employee" within the meaning of Section 162(m) of the Code.

(i) "Disability" shall mean (unless otherwise defined in an employment agreement between the Company or any of its Subsidiaries and the Participant or in the Participant's Award Agreement) any illness or other physical or mental condition of a Participant which renders the Participant incapable of performing his customary and usual duties for the Company, or any medically determinable illness or other physical or mental condition resulting from a bodily injury, disease or mental disorder which in the judgment of the Committee is permanent and continuous in nature. The Committee may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Participant's condition.

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(k) "Fair Market Value" means, as of any given date, the fair market value of Stock on a particular date determined by such methods or procedures as may be established from time to time by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock as of any date shall be the closing price for the Stock as reported on the NASDAQ National Market System (or on any national securities exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the closing price on the next preceding date for which a closing price was reported.

(l) "Incentive Stock Option" means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

(m) "Non-Employee Director" means a member of the Board who qualifies as a "Non-Employee Director" as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor definition adopted by the Board.

(n) "Non-Qualified Stock Option" means an Option that is not intended to be an Incentive Stock Option.

(o) "Operating Subsidiary" means Semiconductor Components Industries, LLC.

(p) "Option" means a right granted to a Participant under Article 7 or Article 12 of the Plan to purchase Stock at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.

(q) "Participant" means a person who, as a member of the Board, employee, officer, or executive of, or consultant or advisor providing services to, the Company or any Subsidiary, has been granted an Award under the Plan.

(r) "Performance-Based Awards" means the Performance Share Awards and Restricted Stock Awards granted to selected Covered Employees pursuant to Articles 9 and 10, but which are subject to the terms and conditions set forth in Article 11. All Performance-Based Awards are intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

(s) "Performance Criteria" means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria that will be used to establish Performance Goals are limited to the following: pre- or after-tax net earnings, sales growth, operating earnings, operating cash flow, return on net assets, return on stockholders' equity, return on assets, return on capital, Stock price growth, stockholder returns, gross or net profit margin, earnings per share, price per share of Stock, and market share, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. The Committee shall, within the time prescribed by Section 162(m) of the Code, define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period for such Participant.

(t) "Performance Goals" means, for a Performance Period, the goals established in writing by the Committee for the Performance Period based upon the Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, or an individual. The Committee, in its discretion, may, within the time prescribed by Section 162(m) of the Code, adjust or modify the calculation of Performance Goals for such Performance Period in order to prevent the dilution or enlargement of the rights of Participants (i) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event, or development, or (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions.

(u) "Performance Period" means the one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to, and the payment of, a Performance-Based Award.

(v) "Performance Share" means a right granted to a Participant under Article 9, to receive cash, Stock, or other Awards, the payment of which is contingent upon achieving certain performance goals established by the Committee.

(w) "Plan" means the SCG Holding Corporation 2000 Stock Incentive Plan, as amended.

(x) "Restricted Stock Award" means Stock granted to a Participant under Article 10 that is subject to certain restrictions and to risk of forfeiture.

(y) "Stock" means the common stock of the Company and such other securities of the Company that may be substituted for Stock pursuant to Article 14.

(z) "Stock Appreciation Right" or "SAR" means a right granted to a Participant under Article 8 to receive a payment equal to the difference between the Fair Market Value of a share of Stock as of the date of exercise of the SAR over the grant price of the SAR, all as determined pursuant to Article 8.

(aa) "Subsidiary" means any corporation or other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.

(bb) "Take Ownership Grant" means the Option granted to each eligible Participant pursuant to Article 12.

ARTICLE 4 ADMINISTRATION

4.1 COMMITTEE. The Plan shall be administered by the Board or a Committee appointed by, and which serves at the discretion of, the Board. If the Board appoints a Committee, the Committee shall consist of at least two individuals, each of whom qualifies as (i) a Non-Employee Director, and (ii) an "outside director" under Code Section 162(m) and the regulations issued thereunder. Reference to the Committee shall refer to the Board if the Board does not appoint a Committee.

4.2 ACTION BY THE COMMITTEE. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

4.3 AUTHORITY OF COMMITTEE. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

- (a) Designate Participants to receive Awards;
- (b) Determine the type or types of Awards to be granted to each Participant;

(c) Determine the number of Awards to be granted and the number of shares of Stock to which an Award will relate;

(d) Determine the terms and conditions of any Award granted under the Plan including but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, based in each case on such considerations as the Committee in its sole discretion determines; provided, however, that the Committee shall not have the authority to accelerate the vesting or waive the forfeiture of any Performance-Based Awards;

(e) Amend, modify, or terminate any outstanding Award, with the Participant's consent unless the Committee has the authority to amend, modify, or terminate an Award without the Participant's consent under any other provision of the Plan.

(f) Determine whether, to what extent, and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(g) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(h) Decide all other matters that must be determined in connection with an Award;

(i) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan; and

(j) Interpret the terms of, and any matter arising under, the Plan or any Award Agreement;

(k) Make all other decisions and determinations that may be required under the Plan or as the Committee deems necessary or advisable to administer the Plan.

4.4 DECISIONS BINDING. The Committee's interpretation of the Plan, any Awards granted under the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE 5 SHARES SUBJECT TO THE PLAN

5.1 NUMBER OF SHARES. Subject to adjustment as provided in section 14.1, the aggregate number of shares of Stock reserved and available for grant shall be 13,000,000, plus an additional number of shares of Stock equal to: (i) three and one-half percent (3.5%) of the total outstanding shares of Stock effective as of January 1, 2002; and (ii) by four percent (4.0%) of the total outstanding shares of Stock effective as of January 1, 2003. In determining these increases of shares reserved for issuance under the Plan, relevant calculations shall be made on a non-diluted basis, i.e., excluding all shares previously reserved for issuance under the Plan and any

other equity incentive plan of the Company. Notwithstanding the foregoing, the total number of shares available for grant under the Plan as Incentive Stock Options shall be 10,000,000.

5.2 LAPSED AWARDS. To the extent that an Award terminates, expires, or lapses for any reason, any shares of Stock subject to the Award will again be available for the grant of an Award under the Plan.

5.3 STOCK DISTRIBUTED. Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury Stock or Stock purchased on the open market.

5.4 LIMITATION ON NUMBER OF SHARES SUBJECT TO AWARDS. Notwithstanding any provision in the Plan to the contrary, and subject to the adjustment in Section 14.1, the maximum number of shares of Stock with respect to one or more Awards that may be granted to any one Participant during the Company's fiscal year shall be 1,000,000.

ARTICLE 6 ELIGIBILITY AND PARTICIPATION

6.1 ELIGIBILITY.

(a) GENERAL. Persons eligible to participate in this Plan include all members of the Board, employees, officers, and executives of, and consultants and advisors to, the Company or a Subsidiary, as determined by the Committee.

(b) FOREIGN PARTICIPANTS. Subject to the provisions of Article 16 of the Plan, in order to assure the viability of Awards granted to Participants employed in foreign countries, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements, or alternative versions of the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; provided, however, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 5.1 of the Plan.

6.2 ACTUAL PARTICIPATION. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any right to be granted an Award under this Plan.

ARTICLE 7 STOCK OPTIONS

7.1 GENERAL. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) EXERCISE PRICE. The exercise price per share of Stock under an Option shall be determined by the Committee and set forth in the Award Agreement. It is the

intention under the Plan that the exercise price for any Option shall not be less than the Fair Market Value as of the date of grant; provided, however that the Committee may, in its discretion, grant Options (other than Options that are intended to be Incentive Stock Options or Options that are intended to qualify as performance-based compensation under Code Section 162(m)) with an exercise price of less than Fair Market Value on the date of grant.

(b) TIME AND CONDITIONS OF EXERCISE. The Committee shall determine the time or times at which an Option may be exercised in whole or in part. The Committee shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised. Unless otherwise provided in an Award Agreement, an Option will lapse immediately if a Participant's employment or services are terminated for Cause.

(c) PAYMENT. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation, cash, promissory note, shares of Stock (through actual tender or by attestation), or other property (including broker-assisted "cashless exercise" arrangements), and the methods by which shares of Stock shall be delivered or deemed to be delivered to Participants.

(d) EVIDENCE OF GRANT. All Options shall be evidenced by a written Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

7.2 INCENTIVE STOCK OPTIONS. Incentive Stock Options shall be granted only to employees and the terms of any Incentive Stock Options granted under the Plan must comply with the following additional rules:

(a) EXERCISE PRICE. The exercise price per share of Stock shall be set by the Committee, provided that the exercise price for any Incentive Stock Option may not be less than the Fair Market Value as of the date of the grant.

(b) EXERCISE. In no event, may any Incentive Stock Option be exercisable for more than ten years from the date of its grant.

(c) LAPSE OF OPTION. An Incentive Stock Option shall lapse under the following circumstances.

(1) The Incentive Stock Option shall lapse ten years from the date it is granted, unless an earlier time is set in the Award Agreement.

(2) The Incentive Stock Option shall lapse upon termination of employment for Cause or for any other reason, other than the Participant's death or Disability, unless otherwise provided in the Award Agreement.

(3) If the Participant terminates employment on account of Disability or death before the Option lapses pursuant to paragraph (1) or (2) above, the Incentive Stock Option shall lapse, unless it is previously exercised, on the earlier of (i) the date on which the Option would have lapsed had the Participant not become Disabled or lived

and had his employment status (i.e., whether the Participant was employed by the Company on the date of his Disability or death or had previously terminated employment) remained unchanged; or (ii) 12 months after the date of the Participant's termination of employment on account of Disability or death. Upon the Participant's Disability or death, any Incentive Stock Options exercisable at the Participant's Disability or death may be exercised by the Participant's legal representative or representatives, by the person or persons entitled to do so under the Participant's last will and testament, or, if the Participant fails to make testamentary disposition of such Incentive Stock Option or dies intestate, by the person or persons entitled to receive the Incentive Stock Option under the applicable laws of descent and distribution.

(d) INDIVIDUAL DOLLAR LIMITATION. The aggregate Fair Market Value (determined as of the time an Award is made) of all shares of Stock with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed \$100,000.00 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Stock Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Stock Options.

(e) TEN PERCENT OWNERS. An Incentive Stock Option shall be granted to any individual who, at the date of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of Stock of the Company only if such Option is granted at a price that is not less than 110% of Fair Market Value on the date of grant and the Option is exercisable for no more than five years from the date of grant.

(f) EXPIRATION OF INCENTIVE STOCK OPTIONS. No Award of an Incentive Stock Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(g) RIGHT TO EXERCISE. During a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant.

ARTICLE 8 STOCK APPRECIATION RIGHTS

8.1 GRANT OF SARS. The Committee is authorized to grant SARs to Participants on the following terms and conditions:

(a) RIGHT TO PAYMENT. Upon the exercise of a Stock Appreciation Right, the Participant to whom it is granted has the right to receive the excess, if any, of:

(1) The Fair Market Value of a share of Stock on the date of exercise; over

(2) The grant price of the Stock Appreciation Right as determined by the Committee, which shall not be less than the Fair Market Value of a share of Stock on the date of grant in the case of any SAR related to any Incentive Stock Option.

(b) OTHER TERMS. All awards of Stock Appreciation Rights shall be evidenced by an Award Agreement. The terms, methods of exercise, methods of settlement, form of consideration payable in settlement, and any other terms and conditions of any Stock Appreciation Right shall be determined by the Committee at the time of the grant of the Award and shall be reflected in the Award Agreement.

ARTICLE 9 PERFORMANCE SHARES

9.1 GRANT OF PERFORMANCE SHARES. The Committee is authorized to grant Performance Shares to Participants on such terms and conditions as may be selected by the Committee. The Committee shall have the complete discretion to determine the number of Performance Shares granted to each Participant. All Awards of Performance Shares shall be evidenced by an Award Agreement.

9.2 RIGHT TO PAYMENT. A grant of Performance Shares gives the Participant rights, valued as determined by the Committee, and payable to, or exercisable by, the Participant to whom the Performance Shares are granted, in whole or in part, as the Committee shall establish at grant or thereafter. Subject to the terms of the Plan, the Committee shall set performance goals and other terms or conditions to payment of the Performance Shares in its discretion which, depending on the extent to which they are met, will determine the number and value of Performance Shares that will be paid to the Participant.

9.3 OTHER TERMS. Performance Shares may be payable in cash, Stock, or other property, and have such other terms and conditions as determined by the Committee and reflected in the Award Agreement.

ARTICLE 10 RESTRICTED STOCK AWARDS

10.1 GRANT OF RESTRICTED STOCK. The Committee is authorized to make Awards of Restricted Stock to Participants in such amounts and subject to such terms and conditions as determined by the Committee. All Awards of Restricted Stock shall be evidenced by a Restricted Stock Award Agreement.

10.2 ISSUANCE AND RESTRICTIONS. Restricted Stock shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

10.3 FORFEITURE. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited, provided, however, that the Committee may provide in any Restricted Stock Award Agreement that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in

part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock.

10.4 CERTIFICATES FOR RESTRICTED STOCK. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

ARTICLE 11
PERFORMANCE-BASED AWARDS

11.1 PURPOSE. The purpose of this Article 11 is to provide the Committee the ability to qualify the Performance Share Awards under Article 9 and the Restricted Stock Awards under Article 10 as "performance-based compensation" under Section 162(m) of the Code. If the Committee, in its discretion, decides to grant a Performance-Based Award to a Covered Employee, the provisions of this Article 11 shall control over any contrary provision contained in Articles 9 or 10.

11.2 APPLICABILITY. This Article 11 shall apply only to those Covered Employees selected by the Committee to receive Performance-Based Awards. The Committee may, in its discretion, grant Restricted Stock Awards or Performance Share Awards to Covered Employees that do not satisfy the requirements of this Article 11. The designation of a Covered Employee as a Participant for a Performance Period shall not in any manner entitle the Participant to receive an Award for the period. Moreover, designation of a Covered Employee as a Participant for a particular Performance Period shall not require designation of such Covered Employee as a Participant in any subsequent Performance Period and designation of one Covered Employee as a Participant shall not require designation of any other Covered Employees as a Participant in such period or in any other period.

11.3 DISCRETION OF COMMITTEE WITH RESPECT TO PERFORMANCE AWARDS. With regard to a particular Performance Period, the Committee shall have full discretion to select the length of such Performance Period, the type of Performance-Based Awards to be issued, the kind and/or level of the Performance Goal, and whether the Performance Goal is to apply to the Company, a Subsidiary or any division or business unit thereof.

11.4 PAYMENT OF PERFORMANCE AWARDS. Unless otherwise provided in the relevant Award Agreement, a Participant must be employed by the Company or a Subsidiary on the last day of the Performance Period to be eligible for a Performance Award for such Performance Period. Furthermore, a Participant shall be eligible to receive payment under a Performance-Based Award for a Performance Period only if the Performance Goals for such period are achieved. In determining the actual size of an individual Performance-Based Award, the Committee may reduce or eliminate the amount of the Performance-Based Award earned for the Performance Period, if in its sole and absolute discretion, such reduction or elimination is appropriate.

11.5 MAXIMUM AWARD PAYABLE. The maximum Performance-Based Award payable to any one Participant under the Plan for a Performance Period is 1,000,000 shares of Stock, or in the event the Performance-Based Award is paid in cash, such maximum Performance-Based Award shall be determined by multiplying 1,000,000 by the Fair Market Value of one share of Stock as of the date of grant of the Performance-Based Award.

ARTICLE 12
TAKE OWNERSHIP GRANTS

12.1 TAKE OWNERSHIP GRANTS. The Take Ownership Grants shall be awarded to Participants selected by the Committee and shall be subject to the following terms and conditions:

(a) EFFECTIVE DATE OF GRANTS. The effective date of the Take Ownership Grants shall be on the day on which the Company's initial public offering of Stock is consummated; provided, however, that Take Ownership Grants shall not be made to those persons who are not United States residents if the jurisdiction in which any such person resides prohibits such Grants or makes it impractical for the Company to make such Grants.

(b) EXERCISE PRICE FOR GRANTS. Notwithstanding any other provision hereof, the exercise price per share of Stock under the Take Ownership Grants shall be the price at which the Company's Stock is offered under its initial public offering of Stock ("IPO Price"), provided, however, that, with respect to Participants who do not reside in the United States, if the day on which the Company receives approval by the applicable foreign jurisdiction to offer Stock to Participants residing in that jurisdiction is later than the day on which the Company's initial public offering becomes effective, the exercise price per share of Stock under the Take Ownership Grants shall be the Fair Market Value on the day on which the Company receives approval by the applicable foreign jurisdiction to offer Stock to such Participants.

(c) AMOUNT OF THE TAKE OWNERSHIP GRANTS. Each Participant selected to receive a Take Ownership Grant shall be entitled to receive an Option to purchase 50 shares of Stock. Such Option shall be designated as a Non-Qualified Stock Option.

(d) TIME AND CONDITIONS OF EXERCISE. The Take Ownership Grants shall become fully exercisable on the second anniversary of the date of grant.

(e) PAYMENT. The Committee shall determine the methods by which the exercise price of the Take Ownership Grants may be paid, the form of payment, including, without limitation, cash, promissory note, shares of Stock (through actual tender or by attestation), or other property (including broker-assisted "cashless exercise" arrangements), and the methods by which shares of Stock shall be delivered or deemed to be delivered to Participants.

(f) EVIDENCE OF GRANT. All Take Ownership Grants shall be evidenced by a written Award Agreement between the Company and the Participant. The Award Agreement shall provide that upon a Participant's termination of employment or service with the Company or a Subsidiary for any reason, the Participant may, at any time within 90 days after the effective date of the Participant's termination, exercise the Take Ownership Grant to the

extent that the Participant was entitled to exercise the Take Ownership Grant at the date of termination, provided that in no event shall the Take Ownership Grant be exercisable after its expiration date, as provided in the Award Agreement. The Award Agreement shall also include such other provisions as determined by the Committee.

ARTICLE 13
PROVISIONS APPLICABLE TO AWARDS

13.1 STAND-ALONE AND TANDEM AWARDS. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone, in addition to, or in tandem with, any other Award granted under the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

13.2 EXCHANGE PROVISIONS. The Committee may at any time offer to exchange or buy out any previously granted Award for a payment in cash, Stock, or another Award, based on the terms and conditions the Committee determines and communicates to the Participant at the time the offer is made.

13.3 TERM OF AWARD. The term of each Award shall be for the period as determined by the Committee, provided that in no event shall the term of any Incentive Stock Option or a Stock Appreciation Right granted in tandem with the Incentive Stock Option exceed a period of ten years from the date of its grant.

13.4 FORM OF PAYMENT FOR AWARDS. Subject to the terms of the Plan and any applicable law or Award Agreement, payments or transfers to be made by the Company or a Subsidiary on the grant or exercise of an Award may be made in such forms as the Committee determines at or after the time of grant, including without limitation, cash, promissory note, Stock, other Awards, or other property, or any combination, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case determined in accordance with rules adopted by, and at the discretion of, the Committee.

13.5 LIMITS ON TRANSFER. No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Subsidiary. Except as otherwise provided by the Committee, no Award shall be assignable or transferable by a Participant other than by will or the laws of descent and distribution.

13.6 BENEFICIARIES. Notwithstanding Section 13.5, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights under the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If

the Participant is married, a designation of a person other than the Participant's spouse as his beneficiary with respect to more than 50 % of the Participant's interest in the Award shall not be effective without the written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto under the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

13.7 STOCK CERTIFICATES. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing shares of Stock pursuant to the exercise of any Awards, unless and until the Board has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed or traded. All Stock certificates delivered under the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with Federal, state, or foreign jurisdiction, securities or other laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Committee may place legends on any Stock certificate to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Board may require that a Participant make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements.

13.8 ACCELERATION UPON A CHANGE OF CONTROL. At the time of the grant of an Option, Stock Appreciation Right or other Award or any time thereafter, the Board shall have the authority and discretion, but shall not have any obligation, to provide for the acceleration of the vesting and exercisability of any outstanding Option, Stock Appreciation Right or other Award upon a Change in Control.

ARTICLE 14 CHANGES IN CAPITAL STRUCTURE

14.1 GENERAL.

(a) SHARES AVAILABLE FOR GRANT. In the event of any change in the number of shares of Stock outstanding by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares or similar corporate change, the maximum aggregate number of shares of Stock with respect to which the Committee may grant Awards shall be appropriately adjusted by the Committee. In the event of any change in the number of shares of Stock outstanding by reason of any other event or transaction, the Committee may, but need not, make such adjustments in the number and class of shares of Stock with respect to which Awards may be granted as the Committee may deem appropriate.

(b) OUTSTANDING AWARDS - INCREASE OR DECREASE IN ISSUED SHARES WITHOUT CONSIDERATION. Subject to any required action by the shareholders of the Company, in the event of any increase or decrease in the number of issued shares of Stock resulting from a subdivision or consolidation of shares of Stock or the payment of a stock

dividend (but only on the shares of Stock), or any other increase or decrease in the number of such shares effected without receipt or payment of consideration by the Company, the Committee shall proportionally adjust the number of shares of Stock subject to each outstanding Award and the exercise price per share of Stock of each such Award.

(c) OUTSTANDING AWARDS - CERTAIN MERGERS. Subject to any required action by the shareholders of the Company, in the event that the Company shall be the surviving corporation in any merger or consolidation (except a merger or consolidation as a result of which the holders of shares of Stock receive securities of another corporation), each Award outstanding on the date of such merger or consolidation shall pertain to and apply to the securities which a holder of the number of shares of Stock subject to such Award would have received in such merger or consolidation.

(d) OUTSTANDING AWARDS - CERTAIN OTHER TRANSACTIONS. In the event of (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company's assets, (iii) a merger or consolidation involving the Company in which the Company is not the surviving corporation or (iv) a merger or consolidation involving the Company in which the Company is the surviving corporation but the holders of shares of Stock receive securities of another corporation and/or other property, including cash, the Committee shall, in its absolute discretion, have the power to:

(1) cancel, effective immediately prior to the occurrence of such event, each Award outstanding immediately prior to such event (whether or not then exercisable), and, in full consideration of such cancellation, pay to the Participant to whom such Award was granted an amount in cash, for each share of Stock subject to such Award, respectively, equal to the excess of (A) the value, as determined by the Committee in its absolute discretion, of the property (including cash) received by the holder of a share of Stock as a result of such event over (B) the exercise of such Award; or

(2) provide for the exchange of each Award outstanding immediately prior to such event (whether or not then exercisable) for an option, a stock appreciation right, restricted stock award, performance share award or performance-based award with respect to, as appropriate, some or all of the property for which such Award is exchanged and, incident thereto, make an equitable adjustment as determined by the Committee in its absolute discretion in the exercise price or value of the option, stock appreciate right, restricted stock award, performance share award or performance-based award or the number of shares or amount of property subject to the option, stock appreciation right, restricted stock award, performance share award or performance-based award or, if appropriate, provide for a cash payment to the Participant to whom such Award was granted in partial consideration for the exchange of the Award.

(e) OUTSTANDING AWARDS - OTHER CHANGES. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in Article 14, the Committee may, in its absolute discretion, make such adjustments in the number and class of shares subject to Awards outstanding on the date on

which such change occurs and in the per share exercise price of each Award as the Committee may consider appropriate to prevent dilution or enlargement of rights.

(f) NO OTHER RIGHTS. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to an Award or the exercise price of any Award.

ARTICLE 15
AMENDMENT, MODIFICATION, AND TERMINATION

15.1 AMENDMENT, MODIFICATION, AND TERMINATION. With the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; provided, however, that to the extent necessary and desirable to comply with any applicable law, regulation, or stock exchange rule, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

15.2 AWARDS PREVIOUSLY GRANTED. Except as otherwise provided in the Plan, including without limitation, the provisions of Article 14, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant.

ARTICLE 16
PROVISIONS RELATING TO FRENCH EMPLOYEES

Notwithstanding any other provisions of the Plan to the contrary, the following provisions shall apply to Awards granted to any employee who is a French citizen or who works primarily in France as of the grant date (referred to herein as "French Employee").

16.1 CONSULTANTS. Notwithstanding anything to the contrary herein, no French Employee who would otherwise be considered a consultant under French law may be granted an Award under the Plan.

16.2 TERMINATION FOR CAUSE. The last sentence of Section 3.1(d) (definition of Cause) shall not apply to French Employees.

16.3 TEN PERCENT OWNERS. Notwithstanding Section 6.1(a) above, no Award shall be granted to any French Employee who holds more than ten percent of the Stock on the grant date.

16.4 EXERCISE PRICE. Notwithstanding Section 7.1(a) above, all Awards granted to French Employees shall be granted at an exercise price per share equal to Fair Market Value per share as of the grant date.

16.5 TIME LIMITATIONS. No Options shall be granted to any French Employee five years after the later of (a) the date the Company's stockholders initially approved the Plan, or (b) the date the Plan has been subsequently re-authorized, in its original form or as amended from time to time by the Board, by the Company's stockholders.

16.6 VESTING OF OPTIONS. Notwithstanding Section 7.1(b) above, no portion of any Award granted to a French Employee shall become exercisable before the five-year anniversary of the grant date.

16.7 EFFECT OF PARTICIPANT'S DEATH. Notwithstanding Section 7.1(b) or any other provision hereof, upon a French Employee's death, the vested portion of such Participant's Award shall remain exercisable for a period of six months after the date of his death and shall be exercisable by his heirs.

16.8 EXCHANGE OF OPTIONS. Notwithstanding Section 13.2 above, the Company shall not terminate any portion of an Award granted to any French Employee.

16.9 ADJUSTMENT OF OPTIONS. Notwithstanding Section 14.1 herein, any adjustment made to any Award granted to a French Employee shall comply with applicable French law.

ARTICLE 17
GENERAL PROVISIONS

17.1 NO RIGHTS TO AWARDS. No Participant, employee, or other person shall have any claim to be granted any Award under the Plan, and neither the Company nor the Committee is obligated to treat Participants, employees, and other persons uniformly.

17.2 NO STOCKHOLDERS RIGHTS. No Award gives the Participant any of the rights of a stockholder of the Company unless and until shares of Stock are in fact issued to such person in connection with such Award.

17.3 WITHHOLDING. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of this Plan. With the Committee's consent, a Participant may elect to have the Company withhold from those Stock that would otherwise be received upon the exercise of any Option, a number of shares having a Fair Market Value equal to the minimum statutory amount necessary to satisfy the Company's applicable federal, state, local and foreign income and employment tax withholding obligations.

17.4 NO RIGHT TO EMPLOYMENT OR SERVICES. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employ of the Company or any Subsidiary.

17.5 UNFUNDED STATUS OF AWARDS. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

17.6 INDEMNIFICATION. To the extent allowable under applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act under the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her provided he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

17.7 RELATIONSHIP TO OTHER BENEFITS. No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary.

17.8 EXPENSES. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

17.9 TITLES AND HEADINGS. The titles and headings of the Sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

17.10 FRACTIONAL SHARES. No fractional shares of stock shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up or down as appropriate.

17.11 SECURITIES LAW COMPLIANCE. With respect to any person who is, on the relevant date, obligated to file reports under Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be void to the extent permitted by law and voidable as deemed advisable by the Committee.

17.12 GOVERNMENT AND OTHER REGULATIONS. The obligation of the Company to make payment of awards in Stock or otherwise shall be subject to all applicable laws, rules, and regulations, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register under the Securities Act of 1933, as

amended, any of the shares of Stock paid under the Plan. If the shares paid under the Plan may in certain circumstances be exempt from registration under the Securities Act of 1933, as amended, the Company may restrict the transfer of such shares in such manner as it deems advisable to ensure the availability of any such exemption.

17.13 GOVERNING LAW. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of Delaware.

ON SEMICONDUCTOR CORPORATION
(FORMERLY KNOWN AS SCG HOLDING CORPORATION)

2000 EMPLOYEE STOCK PURCHASE PLAN
(AS ADOPTED BY THE BOARD OF DIRECTORS ON FEBRUARY 17, 2000;
AMENDED AND RESTATED APRIL 21, 2000;
AMENDED AND RESTATED MAY 23, 2001)

1. PURPOSE. The purpose of this SCG Holding Corporation 2000 Employee Stock Purchase Plan (the "Plan") is to encourage stock ownership by eligible employees of SCG Holding Corporation (the "Company") and its Subsidiaries and thereby provide employees with an incentive to contribute to the profitability and success of the Company. The Plan is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code and will be maintained for the exclusive benefit of eligible employees of the Company and its Subsidiaries.

2. DEFINITIONS. For purposes of the Plan, in addition to the terms defined in Section 1, the following terms are defined:

(a) "Board" means the Board of Directors of the Company.

(b) "Cash Account" means the account maintained on behalf of a Participant by the Company for the purpose of holding cash contributions withheld from payroll pending investment in Stock.

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

(d) "Custodian" means Solomon Smith Barney or any successor or replacement appointed by the Board or its delegatee under Section 3(a).

(e) "Earnings" means a Participant's salary or wages, including bonuses, for services performed for the Company and its Subsidiaries and received by a Participant for services rendered during an Offering Period.

(f) "Fair Market Value" means the closing price of the Stock on the relevant date as reported on NASDAQ (or any national securities exchange or quotation system on which the Stock is then listed), or if there were no sales on that date the closing price on the next preceding date for which a closing price was reported; provided, however, that for any Offering Period beginning on the IPO Date, the Fair Market Value of the Stock on the first day of such Offering Period shall be deemed to be the price at which the Company's Stock is offered under its initial public offering of Stock.

(g) "IPO Date" means the date on which the Company's initial public offering of Stock is consummated.

(h) "Offering Period" means the period beginning on the IPO Date and ending on the last day of the next calendar quarter, and every three-month period thereafter. For

Participants who do not reside in the United States, if the day on which the Company receives approval by the applicable foreign jurisdiction to offer common stock to Participants residing in that jurisdiction is later than the day on which the Company's initial public offering becomes effective, the Offering Period means the period beginning on the day on which the Company receives approval by the applicable foreign jurisdiction to offer common stock to such Participants and ending on the last day of the next calendar quarter, and every three-month period thereafter.

(i) "Participant" means an employee of the Company or a Subsidiary who is participating in the Plan.

(j) "Purchase Right" means a Participant's option to purchase Stock that is deemed to be outstanding during an Offering Period. A Purchase Right represents an "option" under Section 423 of the Code.

(k) "Stock" means the common stock of the Company.

(l) "Stock Account" means the account maintained on behalf of the Participant by the Custodian for the purpose of holding Stock acquired under the Plan.

(m) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain as set forth in Code Section 424(f).

3. ADMINISTRATION.

(a) Board Administration. The Plan will be administered by the Board. The Board may delegate its administrative duties and authority (other than its authority to amend the Plan) to any Board committee or to any officers or employees or committee thereof as the Board may designate (in which case references to the Board will be deemed to refer to the administrator to which such duties and authority have been delegated). The Board will have full authority to adopt, amend, suspend, waive, and rescind rules and regulations and appoint agents as it deems necessary or advisable to administer the Plan, to correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and rules and regulations thereunder, to furnish to the Custodian such information as the Custodian may require, and to make all other decisions and determinations under the Plan (including determinations relating to eligibility). No person acting in connection with the administration of the Plan will, in that capacity, participate in deciding any matter relating to his or her participation in the Plan.

(b) The Custodian. The Custodian will act as custodian under the Plan, and will perform duties under the Plan and in any agreement between the Company and the Custodian. The Custodian will establish and maintain Participants Stock Accounts and any subaccounts as may be necessary or desirable to administer the Plan.

(c) Waivers. The Board may waive or modify any requirement that a notice or election be made or filed under the Plan a specified period in advance on an individual case or by adopting a rule or regulation under the Plan, without amending the Plan.

(d) Other Administrative Provisions. The Company will furnish information from its records as directed by the Board, and such records, including a Participant's Earnings, will be conclusive on all persons unless determined by the Board to be incorrect. Each Participant and other person claiming benefits under the Plan must furnish to the Company in writing an up-to-date mailing address and any other information as the Board or Custodian may reasonably request. Any communication, statement, or notice mailed with postage prepaid to any such Participant or other person at the last mailing address filed with the Company will be deemed sufficiently given when mailed and will be binding upon the named recipient. The Plan will be administered on a reasonable and nondiscriminatory basis and uniform rules will apply to all persons similarly situated. All Participants will have equal rights and privileges (subject to the terms of the Plan) with respect to Purchase Right outstanding during any given Offering Period in accordance with Code Section 423(b)(5).

4. STOCK SUBJECT TO PLAN. Subject to adjustment as provided below, the total number of shares of Stock reserved and available for issuance or which may be otherwise acquired upon exercise of Purchase Rights under the Plan will be 5,500,000. If, at the end of any Offering Period, the number of shares of Stock with respect to which Purchase Rights are to be exercised exceeds the number of shares of Stock then available under the Plan, the Board shall make a pro rata allocation of the shares of Stock remaining available for purchase in as uniform a manner as shall be practicable and as it shall determine to be equitable. Any shares of Stock delivered by the Company under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares or shares of Stock purchased on the open market. The number and kind of such shares of Stock subject to the Plan will be proportionately adjusted, as determined by the Board, in the event of any extraordinary dividend or other distribution, recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event affecting the Stock.

5. ENROLLMENT AND CONTRIBUTIONS.

(a) Eligibility. An employee of the Company or any Subsidiary designated by the Board may be enrolled in the Plan for any Offering Period if such employee is employed by the Company or a Subsidiary authorized to participate in the Plan on the first day of the Offering Period, unless one of the following applies to the employee:

- (i) such person has been employed by the Company or a Subsidiary less than 90 days; or
- (ii) such person is customarily employed by the Company or a Subsidiary for 20 hours or less a week; or

- (iii) such person is customarily employed by the Company or a Subsidiary for not more than five months in any calendar year;
- (iv) such person would, immediately upon enrollment, be deemed to own, for purposes of Section 423(b)(3) of the Code, an aggregate of five percent or more of the total combined voting power or value of all outstanding shares of all classes of the Stock of the Company or any Subsidiary.

Notwithstanding the above, solely for purposes of the first Offering Period under the Plan, an employee who is employed by the Company or a Subsidiary on the first day of such Offering Period and who is otherwise eligible to participate in the Plan shall not be required to satisfy the 90 day employment period specified in 5(a)(i) above.

The Company will notify an employee of the date as of which he or she is eligible to enroll in the Plan, and will make available to each eligible employee the necessary enrollment forms. Notwithstanding the above, any individual who is employed by the Company or a Subsidiary designated by the Board and who is working outside of the United States shall not be eligible to participate in the Plan if the laws of the country in which the employee is working makes the offer of the Purchase Right or the delivery of Stock under the Plan impractical. Additionally, the offer of the Purchase Right and the delivery of Stock under the Plan shall be effective for any individual who is employed by the Company or a Subsidiary and who is working outside of the United States only after the Company has complied with the applicable laws of the country in which the employee is working.

(b) Initial Enrollment. An employee who is eligible under Section 5(a) (or who will become eligible on or before a given Offering Period) may, after receiving current information about the Plan, initially enroll in the Plan by executing and filing with the Company a properly completed enrollment form, including the employee's election as to the rate of payroll contributions for the Offering Period. To be effective for any Offering Period, such enrollment form must be filed at least two weeks (or such other period determined by the Board) preceding such Offering Period.

(c) Automatic Re-enrollment for Subsequent Offering Periods. A Participant whose enrollment in, and payroll contributions under, the Plan continues throughout a Offering Period will automatically be re-enrolled in the Plan for the next Offering Period unless (i) the Participant terminates enrollment before the next Offering Period in accordance with Section 7(a), or (ii) the Participant is ineligible to participate under Section 5(a). The initial rate of payroll contributions for a Participant who is automatically re-enrolled for a Offering Period will be the same as the rate of payroll contribution in effect at the end of the preceding Offering Period, unless the Participant files a new enrollment form designating a different rate of payroll contributions and such new enrollment form is received no later than two weeks (or such other period determined by the Board) prior to the beginning of the next Offering Period.

(d) Payroll Contributions. A Participant will make contributions under the Plan by means of payroll deductions from each payroll period which ends during the Offering Period,

at the rate elected by the Participant in his or her enrollment form in effect for that Offering Period (except that such rate may be changed during the Offering Period to the extent permitted below). The rate of payroll contributions elected by a Participant may not be less than one percent (1%) nor more than ten percent (10%) of the Participant's Earnings for each payroll period, and only whole percentages may be elected; provided, however, that the Board may specify a lower minimum rate and higher maximum rate, subject to Section 8(c). Notwithstanding the above, a Participant's payroll contributions will be adjusted downward by the Company as necessary to ensure that the limit on the amount of Stock purchased for an Offering Period set forth in Section 6(a)(iii) is not exceeded. A Participant may elect to increase, decrease, or discontinue payroll contributions for a future Offering Period by filing a new enrollment form designating a different rate of payroll contributions, which form must be received at least two weeks (or such other period determined by the Board) prior to the beginning of an Offering Period to be effective for that Offering Period. In addition, a Participant may elect to discontinue payroll contributions during an Offering Period by filing a new enrollment form, such change to be effective for the next payroll after the Participant's new enrollment form is received.

(e) Crediting Payroll Contributions to Cash Accounts. All payroll contributions by a Participant under the Plan will be credited to a Cash Account maintained by the Company on behalf of the Participant. The Company will credit payroll contributions to each Participant's Cash Account as soon as practicable after the contributions are withheld from the Participant's Earnings.

(f) No Interest on Cash Accounts. No interest will be credited or paid on cash balances in Participant's Cash Accounts pending investment in Stock.

6. PURCHASES OF STOCK

(a) Purchase Rights. Enrollment in the Plan for any Offering Period by a Participant will constitute a grant by the Company of a Purchase Right to such Participant for such Offering Period. Each Purchase Right will be subject to the following terms:

- (i) The purchase price of each share of Stock purchased for each Offering Period will equal 85% of the lesser of the Fair Market Value of a share of Stock on the first day of an Offering Period, or the Fair Market Value of a share of Stock on the last day of an Offering Period.
- (ii) Except as limited in (iii) below, the number of shares of Stock that may be purchased upon exercise of the Purchase Right for a Offering Period will equal the number of shares (including fractional shares) that can be purchased at the purchase price specified in Section 6(a)(i) with the aggregate amount credited to the Participant's Cash Account as of the last day of an Offering Period.

- (iii) The number of shares of Stock subject to a Participant's Purchase Right for any Offering Period will not exceed the lesser of: (1) 500 shares of Stock, or (2) the number derived by dividing \$6,250 by 100% of the Fair Market Value of one share of Stock on the first day of the Offering Period for the Offering Period.
- (iv) The Purchase Right will be automatically exercised on the last day of the Offering Period.
- (v) Payments by a Participant for Stock purchased under a Purchase Right will be made only through payroll deduction in accordance with Section 5(d) and (e).
- (vi) The Purchase Right will expire on the earlier of the last day of the Offering Period or the date on which the Participant's enrollment in the Plan terminates.

(b) Purchase of Stock. At or as promptly as practicable after the last day of an Offering Period, amounts credited to each Participant's Cash Account will be applied by the Company to purchase Stock, in accordance with the terms of the Plan. Shares of Stock will be purchased from the Company or in the open market, as the Board determines. The Company will aggregate the amounts in all Cash Accounts when purchasing Stock, and shares purchased will be allocated to each Participant's Stock Account in proportion to the cash amounts withdrawn from such Participant's Cash Account. After completing purchases for each Offering Period (which will be completed in not more than 15 calendar days after the last day of an Offering Period), all shares of Stock so purchased for a Participant will be credited to the Participant's Stock Account.

(c) Dividend Reinvestment; Other Distributions. Cash dividends on any Stock credited to a Participant's Stock Account will be automatically reinvested in additional shares of Stock; such amounts will not be available in the form of cash to Participants. The Company will aggregate all purchases of Stock in connection with dividend reinvestment for a given dividend payment date. Purchases of Stock for purposes of dividend reinvestment will be made as promptly as practicable (but not more than 15 calendar days) after a dividend payment date. The purchases will be made directly from the Company at 100% of the Fair Market Value of a share of Stock on the dividend payment date or on the open market. Any shares of Stock distributed as a dividend or distribution in respect of shares of Stock or in connection with a split of the Stock credited to a Participant's Stock Account will be credited to such Account.

(d) Withdrawals and Transfers. Shares of Stock may be withdrawn from a Participant's Stock Account, in which case one or more certificates for whole shares may be issued in the name of, and delivered to, the Participant, with such Participant receiving cash in lieu of fractional shares based on the Fair Market Value of a share of Stock on the day preceding the date of withdrawal. Alternatively, whole shares of Stock may be withdrawn from a Participant's Stock Account by means of a transfer to a broker-dealer or financial institution that maintains an account for the Participant, together with the transfer of cash in lieu of fractional

shares based on the Fair Market Value of a share of Stock on the day preceding the date of withdrawal. Participants may not designate any other person to receive shares of Stock withdrawn or transferred under the Plan. A Participant seeking to withdraw or transfer shares of Stock must give instructions to the Custodian in such manner and form as may be prescribed by the Custodian, which instructions will be acted upon as promptly as practicable. Withdrawals and transfers will be subject to any fees imposed in accordance with Section 8(a).

(e) Excess Account Balances. If any amounts remain in a Cash Account following the date on which the Company purchases Stock for an Offering Period as a result of the limitation set forth in Section 6(a)(iii) or for any other reason, such amounts will be returned to the Participant as promptly as practicable.

7. TERMINATION AND DISTRIBUTIONS.

(a) Termination of Enrollment. A Participant's enrollment in the Plan will terminate upon (i) the beginning of any payroll period or Offering Period that begins after he or she files a written notice of termination of enrollment with the Company, provided that such Participant will continue to be deemed to be enrolled with respect to any completed Offering Period for which purchases have not been completed, (ii) such time as the Participant becomes ineligible to participate under Section 5(a) of the Plan, or (iii) the termination of the Participant's employment by the Company and its Subsidiaries. An employee whose enrollment in the Plan terminates may again enroll in the Plan as of any subsequent Offering Period that is at least 90 days after such termination of enrollment if he or she satisfies the eligibility requirements of Section 5(a) as of such Offering Period. A Participant's election to discontinue payroll contributions will not constitute a termination of enrollment.

(b) Distribution. As soon as practicable after a Participant's enrollment in the Plan terminates, amounts in the Participant's Cash Account which resulted from payroll contributions will be repaid to the Participant. The Custodian will continue to maintain the Participant's Stock Account for the Participant until the earlier of such time as the Participant directs the sale of all Stock in the Account, withdraws, or transfers all Stock in the Account, or one year after the Participant ceases to be employed by the Company and its Subsidiaries. If a Participant's termination of enrollment results from his or her death, all amounts payable will be paid to his or her estate.

8. GENERAL.

(a) Costs. Costs and expenses incurred in the administration of the Plan and maintenance of Accounts will be paid by the Company, to the extent provided in this Section 8(a). Any brokerage fees and commissions for the purchase of Stock under the Plan (including Stock purchased upon reinvestment of dividends and distributions) will be paid by the Company, but any brokerage fees and commissions for the sale of Stock under the Plan by a Participant will be borne by such Participant. The rate at which such fees and commissions will be charged to Participants will be determined by the Custodian or any broker-dealer used by the Custodian (including an affiliate of the Custodian), and communicated from time to time to Participants. In addition, the Custodian may impose or pass through a reasonable fee for the withdrawal of Stock

in the form of stock certificates (as permitted under Section 6(d)), and reasonable fees for other services unrelated to the purchase of Stock under the Plan, to the extent approved in writing by the Company and communicated to Participants.

(b) Statements to Participants. The Participant's statement will reflect payroll contributions, purchases, sales, and withdrawals and transfers of shares of Stock and other Plan transactions by appropriate adjustments to the Participant's Accounts. The Custodian will, not less frequently than quarterly, provide or cause to be provided a written statement to the Participant showing the transactions in his or her Stock Account and the date thereof, the number of shares of Stock credited or sold, the aggregate purchase price paid or sales price received, the purchase or sales price per share, the brokerage fees and commissions paid (if any), the total shares held for the Participant's Stock Account (computed to at least three decimal places), and such other information as agreed to by the Custodian and the Company.

(c) Compliance with Section 423. It is the intent of the Company that this Plan comply in all respects with applicable requirements of Section 423 of the Code and regulations thereunder. Accordingly, if any provision of this Plan does not comply with such requirements, such provision will be construed or deemed amended to the extent necessary to conform to such requirements.

9. GENERAL PROVISIONS.

(a) Compliance With Legal and Other Requirements. The Plan, the granting and exercising of Purchase Rights hereunder, and the other obligations of the Company and the Custodian under the Plan will be subject to all applicable federal and state laws, rules, and regulations, and to such approvals by any regulatory or governmental agency as may be required. The Company may, in its discretion, postpone the issuance or delivery of Stock upon exercise of Purchase Rights until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule, or regulation, or the laws of any country in which employees of the Company and a Subsidiary who are nonresident aliens and who are eligible to participate reside, or other required action with respect to any automated quotation system or stock exchange upon which the Stock or other Company securities are designated or listed, or compliance with any other contractual obligation of the Company, as the Company may consider appropriate. In addition, the Company may require any Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Stock in compliance with applicable laws, rules, and regulations, designation or listing requirements, or other contractual obligations.

(b) Limits on Encumbering Rights. No right or interest of a Participant under the Plan, including any Purchase Right, may be pledged, encumbered, or hypothecated to or in favor of any party, subject to any lien, obligation, or liability of such Participant, or otherwise assigned, transferred, or disposed of except pursuant to the laws of descent or distribution, and any right of a Participant under the Plan will be exercisable during the Participant's lifetime only by the Participant.

(c) No Right to Continued Employment. Neither the Plan nor any action taken hereunder, including the grant of a Purchase Right, will be construed as giving any employee the right to be retained in the employ of the Company or any of its Subsidiaries, nor will it interfere in any way with the right of the Company or any of its Subsidiaries to terminate any employee's employment at any time.

(d) Taxes. The Company or any Subsidiary is authorized to withhold from any payment to be made to a Participant, including any payroll and other payments not related to the Plan, amounts of withholding and other taxes due in connection with any transaction under the Plan, and a Participant's enrollment in the Plan will be deemed to constitute his or her consent to such withholding. In addition, Participants may be required to advise the Company of sales and other dispositions of Stock acquired under the plan in order to permit the Company to comply with tax laws and to claim any tax deductions to which the Company may be entitled with respect to the Plan. This provision and other Plan provisions do not set forth an explanation of the tax consequences to Participants under the Plan. A brief summary of the tax consequences will be included in disclosure documents to be separately furnished to Participants.

(e) Changes to the Plan. The Board may amend, alter, suspend, discontinue, or terminate the Plan without the consent of shareholders or Participants, except that any such action will be subject to the approval of the Company's shareholders within one year after such Board action if such shareholder approval is required by any federal or state law or regulation or the rules of any automated quotation system or stock exchange on which the Stock may then be quoted or listed, or if such shareholder approval is necessary in order for the Plan to continue to meet the requirements of Section 423 of the Code, and the Board may otherwise, in its discretion, determine to submit other such actions to shareholders for approval. However, without the consent of an affected Participant, no amendment, alteration, suspension, discontinuation, or termination of the Plan may materially and adversely affect the rights of such Participant with respect to outstanding Purchase Rights relating to any Offering Period that has been completed prior to such Board action. The foregoing notwithstanding, upon termination of the Plan the Board may (i) elect to terminate all outstanding Purchase Rights at such time as the Board may designate, and all amounts contributed to the Plan which remain in a Participant's Cash Account will be returned to the Participant (without interest) as promptly as practicable, or (ii) shorten the Offering Period to such period determined by the Board and use amounts credited to a Participant Cash Account to purchase Stock.

(f) No Rights to Participate; No Shareholder Rights. No Participant or employee will have any claim to participate in the Plan with respect to Offering Periods that have not commenced, and the Company will have no obligation to continue the Plan. No Purchase Right will confer on any Participant any of the rights of a shareholder of the Company unless and until Stock is duly issued or transferred and delivered to the Participant (or credited to the Participant's Stock Account).

(g) Fractional Shares. Unless otherwise determined by the Board, purchases of Stock under the Plan executed by the Custodian may result in the crediting of fractional shares of Stock to the Participant's Stock Account. Such fractional shares will be computed to at least three decimal places. Fractional shares will not, however, be issued by the Company, and

certificates representing fractional shares will not be delivered to Participants under any circumstances.

(h) Plan Year. The Plan will operate on a plan year that begins on January 1 and ends December 31 in each year.

(i) Governing Law. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan will be determined in accordance with the laws of the State of Arizona, without giving effect to principles of conflicts of laws, and applicable federal law.

(j) Effective Date. The Plan will become effective on the IPO Date, subject to the Plan being approved by shareholders of the Company, at a meeting by a vote sufficient to meet the requirements of Section 423(b)(2) of the Code. If the Plan is not approved in accordance with Section 423(b)(2) of the Code, each Participant's Purchase Right shall be void and amounts credited to the Participant's Cash Account shall be promptly returned to the Participant.

WAIVER, CONSENT AND AMENDMENT dated as of August 13, 2001 to the Credit Agreement dated as of August 4, 1999, as amended and restated as of April 3, 2000, as amended (the "Credit Agreement"), among ON SEMICONDUCTOR CORPORATION (formerly known as SCG HOLDING CORPORATION, "Holdings"), SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC (the "Borrower"), the LENDERS party thereto, THE CHASE MANHATTAN BANK, as administrative agent, collateral agent and syndication agent, and CREDIT LYONNAIS NEW YORK BRANCH, CREDIT SUISSE FIRST BOSTON and LEHMAN COMMERCIAL PAPER INC., as co-documentation agents.

A. Pursuant to the Credit Agreement, the Lenders have extended credit to the Borrower, and have agreed to extend credit to the Borrower, in each case pursuant to the terms and subject to the conditions set forth therein.

B. Holdings and the Borrower have requested that the Lenders agree to amend and waive certain provisions of the Credit Agreement pursuant to the terms and subject to the conditions set forth herein.

C. The undersigned Lenders are willing so to waive such provisions and to amend the Credit Agreement pursuant to the terms and subject to the conditions set forth herein.

D. Capitalized terms used but not defined herein have the meanings assigned to them in the Credit Agreement, as amended hereby.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and subject to the conditions set forth herein, the parties hereto hereby agree as follows:

SECTION 1. Waiver. The undersigned Lenders hereby waive any Default arising from the failure of the Borrower to comply with the requirements of Section 6.12 or 6.13 of the Credit Agreement during the period from and including June 29, 2001 to and including December 31, 2002.

SECTION 2. Amendments to Section 1.01 (Defined Terms). Section 1.01 of the Credit Agreement is hereby amended as follows:

(a) by deleting in its entirety the definition of the term "Applicable Rate" and substituting the following therefor:

"Applicable Rate" means, for any day (a) with respect to any Loan, (i) 3.00% per annum, in the case of an ABR Loan, or 4.00% per annum, in the case of a Eurodollar Loan, plus (ii) either (A) 2.00% per annum prior to and including September 30, 2001, or (B) 3.00% per annum from and including October 1, 2001 to and including the Supplemental Interest Termination Date, or (C) 1.00% per annum on and after the date that the aggregate principal amount of outstanding Loans plus the LC Exposure is less than \$750,000,000 (notwithstanding whether clause (A) or (B) above would otherwise apply) to and including the Supplemental Interest Termination Date, and (b) with respect to the commitment fees payable hereunder, 0.50% per annum; provided that all Supplemental Interest shall cease to accrue on the Supplemental Interest Termination Date and, if the Supplemental Interest Termination Date does not occur on March 31, 2003, then any Supplemental Interest that accrues after March 31, 2003, shall be reduced to a rate per annum determined by multiplying the rate otherwise applicable pursuant to clause (a)(ii) above by a fraction, the numerator of which shall be equal to the total amount of Supplemental Interest accrued prior to March 31, 2003, that remains unpaid on March 31, 2003 (giving effect to any payments made on March 31, 2003), and the denominator of which shall be equal to the total amount of Supplemental Interest accrued prior to March 31, 2003.

(b) by deleting in its entirety the definition of the term

"Consolidated EBITDA" and substituting the following therefor:

"Consolidated EBITDA" means, for any period (subject to Section 1.05), Consolidated Net Income for such period plus (a) without duplication and to the extent deducted in determining such Consolidated Net Income, the sum of (i) consolidated interest expense for such period, (ii) consolidated income tax expense for such period, (iii) all amounts attributable to depreciation and amortization for such period, (iv) the aggregate amount of letter of credit fees accrued during such period, (v) all extraordinary charges during such period, (vi) noncash expenses during such period resulting from the grant of stock options to management and employees of Holdings, the Borrower or any of the Subsidiaries, (vii) the aggregate amount of deferred financing expenses for such period, (viii) all other noncash expenses or losses of Holdings, the Borrower or any of the Subsidiaries for such period (excluding any such charge that constitutes an accrual of or a reserve for cash charges for any future period), (ix) any non-recurring fees, expenses or charges realized by Holdings, the Borrower or any of the Subsidiaries for such period related to any offering of capital stock or incurrence of Indebtedness, (x) noncash dividends on the Cumulative Preferred Stock, (xi) cash restructuring charges (A) during the fiscal year ending on December 31, 2001 and the portion of the fiscal year ending on June 30, 2002 (or any fiscal quarter of such portion) not in excess of \$131,000,000 in the aggregate (for all such periods), and (B) during any fiscal year (or any fiscal quarter of any such fiscal year) ending on or prior to December 31, 2002 (or any quarter of such fiscal year) not in excess of an additional \$10,000,000 in the aggregate (for all such periods), (xii) the amount of cash fees, service and product payments, dividends and other distributions actually paid to the Borrower or a Subsidiary by the

OnMOS Joint Venture during such period and (xiii) fees and expenses of Alvarez & Marsal, Inc., paid by or reimbursed by the Borrower pursuant to Section 9.03 hereof and minus (b) without duplication and to the extent included in determining such Consolidated Net Income, (i) any extraordinary gains for such period, (ii) all noncash items increasing Consolidated Net Income for such period (excluding any items that represent the reversal of any accrual of, or cash reserve for, anticipated cash charges in any prior period) and (iii) all gains during such period attributable to any sale or disposition of assets (other than in the ordinary course of business), all determined on a consolidated basis in accordance with GAAP. For purposes of calculating the Leverage Ratio as of any date, if the Borrower or any consolidated Subsidiary has made any Permitted Acquisition or sale, transfer, lease or other disposition of assets outside of the ordinary course of business permitted by Section 6.05 during the period of four consecutive fiscal quarters ending on the date on which the most recent fiscal quarter ended, Consolidated EBITDA for the relevant period for testing compliance shall be calculated after giving pro forma effect thereto, as if such Permitted Acquisition or sale, transfer, lease or other disposition of assets outside of the ordinary course of business (and any related incurrence, repayment or assumption of Indebtedness with any new Indebtedness being deemed to be amortized over the applicable testing period in accordance with its terms) had occurred on the first day of the relevant period for testing compliance.

(c) by deleting in its entirety the definition of the term "Interest Payment Date" and substituting the following therefor:

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each calendar month, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than one month's duration, each day prior to the last day of such Interest Period that occurs at intervals of one month's duration after the first day of such Interest Period, and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

(d)(i) by deleting the phrase "other than Indebtedness permitted by Section 6.01" at the end of clause (c) of the definition of the term "Prepayment Event" and substituting the phrase "excluding any Indebtedness (other than, prior to the Transition Date, Permitted Convertible Debt) permitted by Section 6.01"; and

(ii) by inserting the following text at the end of the definition of the term "Prepayment Event":

(d) prior to the Transition Date, the issuance by Holdings, the Borrower or any Subsidiary of any Equity Interests, other than (i) any such issuance by the Borrower or any Subsidiary to Holdings or the Borrower or to another Subsidiary, (ii) the issuance of Equity Interests expressly permitted by Section 6.01(d), (iii) the issuance of common stock or preferred stock of Holdings pursuant to the TPG Equity Purchase and (iv) Equity Interests issued in the form, or upon the exercise of, options to acquire common stock of Holdings issued to members of management and employees of Holdings, the Borrower or any Subsidiary and options or warrants in respect of the capital stock of Holdings issued as compensation to consultants to Holdings, the Borrower or any Subsidiary.

(e) by adding the following text at the end of the definition of the term "Consolidated Net Income":

For purposes of calculating Consolidated EBITDA and Excess Cash Flow, Consolidated Net Income shall be calculated excluding all income, expenses, gains, losses and other items of the OnMOS Joint Venture.

(f) by deleting in its entirety clause (a) of the definition of the term "Excess Cash Flow" and substituting the following therefor:

(a) Consolidated Net Income for such fiscal year, adjusted to exclude any gains or losses attributable to Prepayment Events, plus (without duplication) the amount of cash dividends or other distributions actually paid to the Borrower or a Subsidiary by the OnMOS Joint Venture during such period; plus

(g) by adding the text "(plus, without duplication, any Supplemental Interest deducted in calculating Consolidated EBITDA)" after the text "Consolidated EBITDA" in the definition of the term "Leverage Ratio".

(h) to add each of the following defined terms in the appropriate alphabetical order:

"Facilities Transfer" means the transfer by the Borrower and/or one or more of its Subsidiaries of the packaging and testing facilities located in Carmona, Philippines, Seremban, Malaysia and Guadalajara, Mexico, which transfer may involve one or more transactions or series of transactions taking the form of (i) sales, leases or other transfers or dispositions of assets, (ii) sales or other transfers or dispositions of capital stock and/or debt securities of Subsidiaries that directly or indirectly own such facilities, (iii) other types of transfers or dispositions, (iv) facilities closures or (v) any one or combination of the foregoing.

"Interest Expense Coverage Ratio" shall have the meaning assigned to such term in Section 6.12.

"Liquidity Amount" means, at any time, the aggregate amount of cash and Permitted Investments owned by the Borrower and its consolidated subsidiaries at such time, excluding (i) cash or Permitted Investments owned by the OnMOS Joint Venture and (ii) cash or Permitted Investments subject to any Lien in favor of any Person other than the Collateral Agent for the benefit of the Secured Parties.

"OnMOS Joint Venture" means a Person organized (or to be organized) in a jurisdiction outside the United States to which Subsidiaries of Holdings will contribute the assets and operations of their TMOS business.

"Partial Facilities Transfer" shall have the meaning assigned to such term in Section 6.15.

"Permitted Convertible Debt" means Indebtedness of Holdings in respect of subordinated convertible debt securities (i) that is unsecured and subordinated to the Obligations on terms no less favorable to the Lenders than the terms of the Subordinated Debt, (ii) that does not provide for scheduled payments of principal earlier than 91 days after the final scheduled repayment of principal of the Term Loans, (iii) that is convertible into common equity of Holdings and (iv) the other terms (excluding the aggregate principal amount and conversion rate thereof) of which are reasonably satisfactory to the Administrative Agent in all material respects.

"Qualified Liquidity Financing" means the issuance by Holdings of preferred stock, common stock or warrants in respect of preferred stock or common stock to TPG, or the incurrence by Holdings or the Borrower of Indebtedness for borrowed money owed to TPG, in each case for cash consideration; provided that (a) any such Indebtedness shall be unsecured, (b) the terms of any such preferred stock or Indebtedness shall not include any covenants, redemption provisions, events of default or other terms that would entitle the holder thereof to make any claim or assert any right or remedy prior to payment in full of the Obligations and termination of the Commitments and (c) prior to any such issuance of preferred stock or incurrence of Indebtedness, TPG and Holdings or the Borrower, as applicable, shall have entered into an agreement with the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent, effectively subordinating any and all obligations in respect of such preferred stock or Indebtedness to the Obligations and providing that, prior to repayment in full of all the Obligations and termination of the Commitments, the holder or holders of such preferred stock or Indebtedness, as applicable, shall not be entitled to receive any cash payments in respect thereof or to exercise any rights or remedies (other than, in the case of clauses (b) and (c) above, rights and remedies the exercise of which would not constitute or result in a Default).

"Senior Leverage Ratio" means, on any date, the ratio of (a) Total Senior Indebtedness as of such date to (b) Consolidated EBITDA (plus, without duplication, any Supplemental Interest deducted in calculating Consolidated EBITDA) for the period of four consecutive fiscal quarters of Holdings ended on such date.

"Supplemental Interest" means the portion of any interest accrued in respect of any Loan attributable to clause (a)(ii) of the definition of the term Applicable Rate.

"Supplemental Interest Termination Date" means (a) if all Supplemental Interest accrued to but excluding March 31, 2003, has been paid on or prior to March 31, 2003, then March 31, 2003, or (b) otherwise, June 30, 2003.

"Total Senior Indebtedness" means, as of any date, the aggregate principal amount of Indebtedness of Holdings, the Borrower and the Subsidiaries outstanding on such date, determined on a consolidated basis, excluding the Subordinated Debt, any Permitted Convertible Debt, the Junior Subordinated Note, Qualified Liquidity Financing and any other Indebtedness that is effectively subordinated to the Obligations on terms no less favorable to the Lenders than the terms of the Subordinated Debt.

"TPG Equity Purchase" means the purchase by TPG of common stock or preferred stock of Holdings for cash consideration in an amount equal to \$100,000,000 and the immediate contribution by Holdings to the Borrower of such cash as common equity; provided that, in the case of any such purchase of preferred stock, (a) the terms of such preferred stock shall not include any covenants, redemption provisions, events of default or other terms that would entitle the holder thereof to make any claim or assert any right or remedy prior to payment in full of the Obligations and termination of the Commitments and (b) prior to any such issuance of preferred stock, TPG and Holdings shall have entered into an agreement with the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent, effectively subordinating any and all obligations in respect of such preferred stock to the Obligations and providing that, prior to the repayment in full of all the Obligations and termination of the Commitments, the holder or holders of such preferred stock shall not be entitled to receive any cash payments in respect thereof or to exercise any rights (other than in the case of clauses (a) and (b) above, rights and remedies the exercise of which would not constitute or result in a Default).

"Transition Date" means the date on which the Borrower shall have delivered to the Administrative Agent financial statements demonstrating that as of the end of the immediately preceding fiscal quarter of Holdings (a) the Leverage Ratio was less than or equal to 3.75 to 1.00, (b) the Senior Leverage Ratio was less than or equal to 2.75 to 1.00 and (c) the Interest Expense Coverage Ratio for the period of four consecutive fiscal quarters ending on the last day of such quarter was greater than or equal to 2.50 to 1.00.

SECTION 3. Amendments to Section 2.11 (Prepayment of Loans). Section 2.11 of the Credit Agreement is hereby amended as follows:

(a) Paragraph (c) of Section 2.11 of the Credit Agreement is deleted in its entirety and replaced with the following:

(c) (i) Prior to the Transition Date, in the event and on each occasion that any Net Proceeds are received by or on behalf of Holdings, the Borrower or any Subsidiary in respect of any Prepayment Event, the Borrower shall, within ten Business Days after such Net Proceeds are received, prepay

Term Borrowings in an aggregate amount equal to (A) 100% (or 50%, in the case of Net Proceeds from the sale of Equity Interests in the OnMOS Joint Venture) of such Net Proceeds if such Net Proceeds result from an event described in clause (a) of the definition of the term "Prepayment Event", (B) 100% of such Net Proceeds if such Net Proceeds result from an event (other than the issuance of Permitted Convertible Debt) described in clause (b) or (c) of the definition of the term "Prepayment Event" and (C) 75% of such Net Proceeds if such Net Proceeds result from the issuance of Permitted Convertible Debt or an event described in clause (d) of the definition of the term "Prepayment Event".

(ii) After the Transition Date, in the event and on each occasion that any Net Proceeds are received by or on behalf of Holdings, the Borrower or any Subsidiary in respect of any Prepayment Event, the Borrower shall, within ten Business Days after such Net Proceeds are received, prepay Term Borrowings in an aggregate amount equal to such Net Proceeds, provided that, in the case of any event described in clause (a) of the definition of the term "Prepayment Event" (other than the sale, transfer or other disposition of Receivables in connection with a Permitted Receivables Financing), if the Borrower shall deliver to the Administrative Agent a certificate of a Financial Officer to the effect that Holdings, the Borrower and the Subsidiaries intend to apply the Net Proceeds from such event (or a portion thereof specified in such certificate), within 180 days after receipt of such Net Proceeds, to acquire real property, equipment or other assets to be used in the business of the Borrower and the Subsidiaries, and certifying that no Default has occurred and is continuing, then no prepayment shall be required pursuant to this paragraph in respect of the Net Proceeds in respect of such event (or the portion of such Net Proceeds specified in such certificate, if applicable) except to the extent of any such Net Proceeds therefrom that have not been so applied by the end of such 180-day period, at which time a prepayment shall be required in an amount equal to such Net Proceeds that have not been so applied.

(b) Paragraph (d) of Section 2.11 of the Credit Agreement is amended by deleting the text "50%" and replacing it with the text "75% (or, after the Transition Date, 50%)".

SECTION 4. Amendment to Section 2.13 (Interest). Paragraph (d) of Section 2.13 of the Credit Agreement is hereby amended by adding the following text at the end of such paragraph:

Notwithstanding the foregoing, Supplemental Interest shall not be required to be paid at the time required by the preceding sentence, except that (A) 50% of the total amount of Supplemental Interest accrued prior to March 31, 2003 shall be payable on March 31, 2003 (to the extent not previously paid) and (B) if the Supplemental Interest Termination Date does not occur on March 31, 2003, then all Supplemental Interest remaining unpaid on June 30, 2003, shall be payable in full on June 30, 2003; provided that all unpaid Supplemental Interest shall be payable upon repayment in full of the Loans.

SECTION 5. Amendments to Section 5.01 (Financial Statements and Other Information). Section 5.01 of the Credit Agreement is hereby amended as follows:

(a) Clause (c) of Section 5.01 is amended by deleting the text "Sections 6.12 and 6.13" and inserting the text "Sections 6.12, 6.13, and, prior to the Transition Date, 6.14, 6.15 and 6.16" therefor.

(b) Clause (f) of Section 5.01 is amended by deleting the text "and" following the ";".

(c) Clause (g) of Section 5.01 is amended by substituting the text "; and" for the text ".".

(d) Section 5.01 is further amended by inserting the following new clause (h):

(h) in respect of each fiscal month ending on or prior to the earlier of (i) the Transition Date and (ii) March 31, 2003, (A) within 30 days after the end of each of the first two fiscal months of each fiscal quarter of Holdings, (1) Holdings' unaudited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for each such month in substantially the form of Schedule 5.01(h) and (2) a letter executed by a Financial Officer describing the results of the Borrower's business for such fiscal month and for the then elapsed portion of the fiscal year and (B) within 45 days after the end of the last fiscal month of each fiscal quarter of Holdings, (1) Holdings' unaudited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter, in substantially the form of Schedule 5.01(h), (2) a letter executed by a Financial Officer describing the results of the Borrower's business for such fiscal month and for the then elapsed portion of the fiscal year and (3) a variance analysis setting forth Holdings' consolidated financial results for such quarter relative to the figures set forth in Holdings' financial plan provided to the Lenders in attendance at the June 28, 2001 bank meeting held at the offices of the Administrative Agent, including an updated 6-month cash reforecast based upon Holdings' consolidated financial results for such quarter.

SECTION 6. Amendments to Section 6.01 (Indebtedness; Certain Equity Securities). Section 6.01 of the Credit Agreement is hereby amended as follows:

(a) Clause (ix) of Section 6.01(a) is hereby deleted in its entirety and replaced by "(ix) Permitted Convertible Debt;".

(b) Section 6.01 is hereby further amended by inserting the following new paragraphs (e) and (f):

(e) Notwithstanding anything contained in Section 6.01(a), (b) or (c), (i) Holdings may issue preferred stock, or Holdings or the Borrower may incur Indebtedness, in each case pursuant to a Qualified Liquidity

Financing and (ii) Holdings may issue preferred stock pursuant to the TPG Equity Purchase.

(f) Notwithstanding anything contained in Section 6.01(a), the OnMOS Joint Venture may incur Indebtedness that is guaranteed by Mosel in an aggregate principal amount not exceeding \$10,000,000 at any time outstanding, provided that such Indebtedness shall not be Guaranteed by, or otherwise be recourse to, any of Holdings, the Borrower or the Subsidiaries (other than the OnMOS Joint Venture or any subsidiaries of the OnMOS Joint Venture). Any such Indebtedness of the OnMOS Joint Venture shall be deemed not to be Indebtedness of Holdings, the Borrower and the Subsidiaries for the purpose of calculating Funded Indebtedness and Total Senior Indebtedness and any interest expense with respect to such Indebtedness shall be excluded from consolidated interest expense for the purpose of calculating Consolidated Cash Interest Expense.

SECTION 7. Amendments to Section 6.04 (Investments, Loans, Advances, Guarantees and Acquisitions). Section 6.04 of the Credit Agreement is hereby amended as follows:

(a) Clause (h) of Section 6.04 is hereby amended by adding the text "after the Transition Date," at the beginning thereof.

(b) Clause (s) of Section 6.04 is hereby amended by deleting the text "and" at the end thereof.

(c) Clause (t) of Section 6.04 is amended by (i) deleting the text "\$100,000,000" and replacing it with the text "\$40,000,000 (or, after the Transition Date, \$100,000,000)" and (ii) by deleting the text "." at the end thereof and replacing it with the text "; and".

(d) Section 6.04 is further amended by adding the following new Clause (u):

(u) the creation by the Borrower of a limited liability company organized under the laws of a jurisdiction in the United States of America and the Borrower's contribution to the OnMOS Joint Venture through such limited liability company of (i) \$51 in exchange for a 51% interest therein and (ii) the assets and operations of the TMOS business of the Subsidiaries and Holdings; provided that promptly following the contribution of such assets and operations to the OnMOS Joint Venture contemplated by this clause (u), the Borrower shall deliver to the Administrative Agent copies of all definitive documentation regarding such investment, certified by a Financial Officer as complete and correct.

SECTION 8. Amendments to Section 6.05 (Asset Sales). Section 6.05 of the Credit Agreement is hereby amended as follows:

(a) by deleting clause (d) in its entirety and replacing it with the text "(d) the Borrower may consummate the Facilities Transfer;".

(b) by deleting the text "\$50,000,000" in clause (e) and replacing it with the text "\$30,000,000 (or, after the Transition Date, \$50,000,000)".

(c) by inserting the text ", except for sales of Equity Interests in the OnMOS Joint Venture to the extent such sales do not result in the failure of the Borrower to comply with Section 6.17" immediately following the text "Subsidiary" and before the text ")" in clause (e).

(d) by adding the text "and" at the end of clause (e) thereof;

(e) by adding the following new paragraph at the end thereof:

(f) sales, transfers and other dispositions of assets listed on Schedule 6.05 hereto.

(f) by deleting in its entirety the final proviso thereto and substituting the following text therefor:

provided that (i) all sales, transfers, leases and other dispositions permitted hereby shall be made for fair value (other than those permitted by clause (b) above) and for consideration of at least 80% cash or cash equivalents (other than those permitted by clause (b) and (f) above) and (ii) the fair value of all consideration (other than cash and cash equivalents) received in respect of dispositions permitted by clause (f) above does not exceed \$15,000,000.

SECTION 9. Amendment to Section 6.09 (Transactions with Affiliates). Section 6.09 of the Credit Agreement is hereby amended:

(a) by deleting the text "and (i)" and replacing it with the text ", (i)" and deleting the text "." at the end thereof; and

(b) by adding the following new text at the end of Section 6.09:

and (j) any ancillary agreements entered into between Holdings, the Borrower or any Subsidiary and the OnMOS Joint Venture at any time that Holdings owns directly and indirectly less than 80% of the economic interest of the OnMOS Joint Venture; provided, however, that, prior to the Transition Date, all management fees payable to TPG or its Affiliates shall accrue and not be payable in cash, it being understood that any such fees may be paid by the issuance of common stock of or warrants in respect of common stock of Holdings and any other fees may be paid in cash

SECTION 10. Amendment to Section 6.12 (Interest Expense Coverage Ratio). Section 6.12 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

SECTION 6.12. Interest Expense Coverage Ratio. (a) The Borrower will not permit the ratio of (i) Consolidated EBITDA (plus, without duplication, any Supplemental Interest deducted in calculating Consolidated EBITDA) to (ii) Consolidated Cash Interest Expense (excluding any Supplemental Interest otherwise included therein) (the "Interest Expense

Coverage Ratio"), in each case for any period of four consecutive fiscal quarters ending on any date during any period set forth below, to be less than the ratio set forth below opposite such period:

Period -----	Ratio -----
January 1, 2003 to and including December 31, 2003	2.00 to 1.00
January 1, 2004 to and including July 2, 2004	2.25 to 1.00
July 3, 2004 to and including December 31, 2004	2.50 to 1.00
January 1, 2005 to and including July 1, 2005	2.75 to 1.00
July 2, 2005 and thereafter	3.00 to 1.00

(b) For purposes of calculating the Interest Expense Coverage Ratio under clause (a) of this Section 6.12, Consolidated EBITDA for the period of four consecutive fiscal quarters of Holdings (i) ended March 31, 2003 shall be deemed to be equal to Consolidated EBITDA for the fiscal quarter then ended multiplied by 4, (ii) ended June 30, 2003 shall be deemed to be equal to Consolidated EBITDA for the two consecutive fiscal quarters then ended multiplied by 2 and (iii) ended September 30, 2003 shall be deemed to be equal to Consolidated EBITDA for the three consecutive fiscal quarters then ended multiplied by 4/3.

SECTION 11. Amendment to Section 6.13 (Leverage Ratio). Section 6.13 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

SECTION 6.13. Leverage Ratio. (a) The Borrower will not permit the Leverage Ratio as of the end of any fiscal quarter during any period set forth below to exceed the ratio set forth opposite such period:

Period -----	Ratio -----
January 1, 2003 to and including June 30, 2003	5.00 to 1.00
July 1, 2003 to and including December 31, 2003	4.75 to 1.00
January 1, 2004 to and including July 2, 2004	4.50 to 1.00
July 3, 2004 to and including December 31, 2004	4.25 to 1.00
January 1, 2005 to and including July 1, 2005	4.00 to 1.00
July 2, 2005 and thereafter	3.75 to 1.00

(b) For purposes of calculating the Leverage Ratio under clause (a) of this Section 6.13, Consolidated EBITDA for the period of

four consecutive fiscal quarters of Holdings (i) ended March 31, 2003 shall be deemed to be equal to Consolidated EBITDA for the fiscal quarter then ended multiplied by 4, (ii) ended June 30, 2003 shall be deemed to be equal to Consolidated EBITDA for the two consecutive fiscal quarters then ended multiplied by 2 and (iii) ended September 30, 2003 shall be deemed to be equal to Consolidated EBITDA for the three consecutive fiscal quarters then ended multiplied by 4/3. In addition, for purposes of this Section 6.13, the Funded Indebtedness component of the Leverage Ratio shall be calculated excluding any Supplemental Interest otherwise included therein.

SECTION 12. Amendment to Section 6.14 (Capital Expenditures).

Section 6.14 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

SECTION 6.14. Capital Expenditures. The Borrower and Subsidiaries shall not incur or make any Capital Expenditures:

(a) prior to the Transition Date, during any period set forth below in an amount exceeding the amount set forth opposite such period:

Period - - - - -	Maximum Capital Expenditures -----
July 1, 2001 to December 31, 2001	\$35,000,000
January 1, 2002 to March 31, 2003	\$52,500,000
April 1, 2003 to December 31, 2003	\$87,500,000
Each fiscal year thereafter	\$150,000,000

Notwithstanding the foregoing, if the actual amount of Capital Expenditures incurred or made by the Borrower and its Subsidiaries during the period from July 1, 2001 to December 31, 2001, is less than \$35,000,000, then the Borrower and its Subsidiaries may incur or make additional Capital Expenditures during the period January 1, 2002 to March 31, 2003, in excess of \$52,500,000, but such additional Capital Expenditures during such period shall not exceed the lesser of (i) \$15,000,000 and (ii) the excess of \$35,000,000 over the actual amount of Capital Expenditures incurred or made from July 1, 2001, to December 31, 2001.

(b) after the Transition Date, in an amount exceeding \$150,000,000 in any fiscal year, provided that such \$150,000,000 permitted amount shall be increased with respect to any fiscal year by an amount equal to the portion of Excess Cash Flow for the immediately preceding fiscal year that is not required to be applied to make prepayments of Loans pursuant to Section 2.11(d).

After the Transition Date the amount of Capital Expenditures permitted to be made by the immediately preceding paragraph (b) in respect of any fiscal year shall be increased by (i) the unused amount of Capital Expenditures that were permitted to be made during the immediately preceding fiscal year pursuant to the immediately preceding paragraph (b) (without giving effect to the proviso to such paragraph) minus (ii) an amount equal to the unused permitted Capital Expenditures carried forward to such preceding fiscal year.

For purposes of determining compliance with this Section, Capital Expenditures incurred or made by the OnMOS Joint Venture and its subsidiaries shall be disregarded.

SECTION 13. Addition of New Section 6.15 to the Credit Agreement. The Credit Agreement is hereby amended by adding the following new section following Section 6.14:

SECTION 6.15. Minimum Consolidated EBITDA. (a) The Borrower will not permit Consolidated EBITDA for any period set forth below to be less than the amount set forth opposite such period (subject to adjustment pursuant to paragraph (b) below):

Period - - - - -	Amount - - - - -
July 1, 2001 to and including December 31, 2001	\$(15,000,000)
July 1, 2001 to and including March 31, 2002	\$0.0
July 1, 2001 to and including June 30, 2002	\$35,000,000
October 1, 2001 to and including September 30, 2002	\$80,000,000
January 1, 2002 to and including December 31, 2002	\$120,000,000

(b) Following the completion of the Facilities Transfer, the amounts set forth in paragraph (a) above shall be reduced (i) for the period from July 1, 2001 to and including December 31, 2001, by \$31,400,000, (ii) for the period from July 1, 2001 to and including March 31, 2002, by \$47,100,000 and (iii) for each of the periods (A) from July 1, 2001 to and including June 30, 2002, (B) from October 1, 2001 to and including September 30, 2002 and (C) from January 1, 2002 to and including December 31, 2002, by \$62,800,000.

For purposes of this paragraph (b), Consolidated EBITDA for any period during which the Facilities Transfer is completed shall be calculated after giving pro forma effect to the Borrower's consummation of the Facilities

Transfer, as if the consummation of the Facilities Transfer had occurred on the first day of the relevant period for testing compliance.

Following any transfer in partial completion of the Facilities Transfer (a "Partial Facilities Transfer"), the Borrower and the Administrative Agent shall agree to reduce the amount set forth in paragraph (a) above in respect of the period during which such Partial Facilities Transfer occurred, provided that (i) any such reduction shall be based on the ratio of (A) Consolidated EBITDA attributable to all of the business of Holdings, the Borrower and the Subsidiaries transferred pursuant to such Partial Facilities Transfer to (B) the Consolidated EBITDA attributable to all assets of the business of Holdings, the Borrower and its Subsidiaries that may be transferred pursuant to the Facilities Transfer, (ii) any such reduction shall not exceed the amount of the reduction set forth for the relevant period in paragraph (b) above that would be allowed for the relevant period and (iii) there shall be such a reduction in respect of no more than one Partial Facilities Transfer.

SECTION 14. Addition of New Section 6.16 to the Credit Agreement.

The Credit Agreement is hereby amended by adding the following new section following Section 6.15:

SECTION 6.16. Minimum Cash and Cash Equivalents. Prior to the Transition Date, the Borrower will not permit the Liquidity Amount for any period of five consecutive Business Days ending on or after the date hereof (calculated at the close of business on each Business Day), to be less than \$50,000,000.

SECTION 15. Addition of New Section 6.17 to the Credit Agreement.

The Credit Agreement is hereby amended by adding the following new section following Section 6.16:

SECTION 6.17. OnMOS Joint Venture Interest. At all times after consummation of its investment in the OnMOS Joint Venture the Borrower shall own (directly or indirectly) at least 51% of the voting power represented by the outstanding Equity Interests of the OnMOS Joint Venture.

SECTION 16. Schedules. The Credit Agreement is hereby amended by adding a new Schedule 5.01(h) and a new Schedule 6.05 in the respective forms attached to this Amendment.

SECTION 17. Amendments to Section 7.01 (Events of Default). Section 7.01 is hereby amended as follows:

(a) Clause (n) is hereby amended by deleting the text "or" at the end thereof.

(b) Clause (o) is hereby amended by adding the text "or" at the end thereof.

(c) Section 7.01 is hereby further amended by inserting the following new paragraph (p) at the end thereof:

(p) the TPG Equity Purchase shall not have been consummated on or prior to September 7, 2001;

SECTION 18. Amendment to Section 9.04 (Successors and Assigns). Paragraph (b) of Section 9.04 of the Credit Agreement is hereby amended by deleting the text "\$5,000,000" and replacing it with the text "\$1,000,000".

SECTION 19. Consent to Consultant. For the period from the date hereof through the earlier of (a) the Transition Date and (b) March 31, 2003, the Borrower consents to the engagement of (on terms to be agreed upon), and agrees to pay (in accordance with Section 9.03 of the Credit Agreement) the reasonable fees and reasonable out-of-pocket expenses (not to exceed \$250,000 in the aggregate) of, Alvarez & Marsal, Inc., a third party consulting firm engaged by counsel to the Administrative Agent to evaluate and monitor the Borrower's business plan and perform other services requested by counsel to the Administrative Agent with respect to the Borrower. The Borrower will cooperate with Alvarez & Marsal, Inc., in connection with its performance of services for counsel to the Administrative Agent (including providing access to the records (financial and otherwise), properties, books, contracts and personnel of the Borrower and its Subsidiaries).

SECTION 20. Amendment Fee. In consideration of the agreements of the Lenders contained in this Amendment, the Borrower agrees to pay to the Administrative Agent, for the account of each Lender that delivers an executed counterpart of this Amendment at or prior to 12:00 (noon) on August 13, 2001, an amendment fee in an amount equal to 0.25% of the sum of such Lender's Revolving Commitment and outstanding Term Loans; provided that such fee shall not be payable unless and until this Amendment becomes effective as provided in Section 20.

SECTION 21. Representations and Warranties. Each of Holdings and the Borrower represents and warrants to the Administrative Agent and to each of the Lenders that:

(a) This Amendment has been duly authorized, executed and delivered by each of Holdings and the Borrower and constitutes a legal, valid and binding obligation of Holdings and the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) After giving effect to this Amendment, each of the representations and warranties of Holdings and the Borrower set forth in the Loan Documents is true and correct on and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties are true and correct as of such earlier date.

(c) Immediately after giving effect to this Amendment, no Default shall have occurred and be continuing.

SECTION 22. Conditions to Effectiveness. This Amendment shall become effective as of the date first above written when (i) the Administrative Agent shall have received counterparts of this Amendment that, when taken together, bear the signatures of (a) Holdings, (b) the Borrower and (c) the Required Lenders, (ii) all fees and expenses required to be paid or reimbursed by the Borrower under or in connection with this Amendment or the Credit Agreement and (in the case of expenses to be reimbursed, including fees, charges and disbursements of counsel or other advisors) invoiced in writing to the Borrower on or prior to August 13, 2001, shall have been paid or reimbursed, as applicable (including all fees and disbursements of counsel previously invoiced), (iii) the Administrative Agent and the Borrower shall have received a written acknowledgment from TPG that all management fees (other than fees permitted by the final proviso to Section 6.09) payable to TPG or its Affiliates by Holdings, the Borrower or any Subsidiary shall accrue and not be payable until such time as the Obligations shall have been repaid in full and (iv) Holdings shall have received a written commitment to make, on or prior to September 7, 2001, the TPG Equity Purchase and a copy of such written commitment shall have been delivered to the Administrative Agent.

SECTION 23. Credit Agreement. Except as specifically waived or amended hereby, the Credit Agreement shall continue in full force and effect in accordance with the provisions thereof as in existence on the date hereof. After the date hereof, any reference to the Credit Agreement shall mean the Credit Agreement as amended or modified hereby. This Amendment shall be a Loan Document for all purposes.

SECTION 24. APPLICABLE LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 25. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one agreement. Delivery of an executed signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually signed counterpart of this Amendment.

SECTION 26. Expenses. The Borrower agrees to reimburse the Administrative Agent for its reasonable out-of-pocket expenses in connection with this Amendment, including the fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent.

SECTION 27. Headings. The Section headings used herein are for convenience of reference only, are not part of this Amendment and are not to affect the construction of, or to be taken into consideration in interpreting, this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first written above.

ON SEMICONDUCTOR CORPORATION,

by /s/

Name: Authorized Officer
Title:

SEMICONDUCTOR COMPONENTS
INDUSTRIES, LLC,

by /s/

Name: Authorized Officer
Title:

THE CHASE MANHATTAN BANK,
individually and as administrative
agent,

by /s/

Name: Authorized Officer
Title:

CREDIT LYONNAIS NEW YORK BRANCH,
individually and as co-documentation
agent,

by /s/

Name: Authorized Officer
Title:

CREDIT SUISSE FIRST BOSTON
individually and as co-documentation
agent,

by /s/

Name: Authorized Officer
Title:

LEHMAN COMMERCIAL PAPER INC.,
individually and as co-documentation
agent,

by /s/

Name:

Title: Authorized Officer

SIGNATURE PAGE TO THE WAIVER, CONSENT AND AMENDMENT DATED AS OF AUGUST 13, 2001 TO THE CREDIT AGREEMENT AMONG ON SEMICONDUCTOR CORPORATION, SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC, THE LENDERS PARTY THERETO, THE CHASE MANHATTAN BANK, AS ADMINISTRATIVE AGENT, COLLATERAL AGENT AND SYNDICATION AGENT, AND CREDIT LYONNAIS NEW YORK BRANCH, CREDIT SUISSE FIRST BOSTON AND LEHMAN COMMERCIAL PAPER INC., AS CO-DOCUMENTATION AGENTS.

Name of Institution

by /s/

Name:

Title: Authorized Officer