UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 2, 2010

Or

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

For the transition period from to

(Commission File Number) 000-30419

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The number of shares outstanding of the issuer's class of common stock as of the close of business on July 30, 2010:

Title of Each Class	Number of Shares
Common Stock, par value $0.01 per share	**431,124,817**

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

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

	July 2, 2010	December 31, 2009
Assets		
Cash and cash equivalents	$ 467.1	$ 525.7
Short-term investments	—	45.5
Receivables, net	317.2	260.9
Inventories, net	321.5	269.9
Other current assets	50.9	51.5
Deferred income taxes, net of allowances	14.6	15.1
Total current assets	1,171.3	1,168.6
Restricted cash	—	5.9
Property, plant and equipment, net	784.9	705.5
Goodwill	197.3	175.4
Intangible assets, net	327.3	298.7
Other assets	60.2	60.2
Total assets	$ 2,541.0	$ 2,414.3
Liabilities, Stockholders' Equity and Minority Interests		
Accounts payable	$ 240.1	$ 172.9
Accrued expenses	156.9	135.5
Income taxes payable	1.8	5.0
Accrued interest	0.8	0.9
Deferred income on sales to distributors	127.8	98.8
Current portion of long-term debt	120.5	205.9
Total current liabilities	647.9	619.0
Long-term debt	632.9	727.6
Other long-term liabilities	44.6	49.3
Deferred income taxes, net of allowances	16.3	13.8
Total liabilities	1,341.7	1,409.7
Commitments and contingencies (See Note 10)		
ON Semiconductor Corporation stockholders’ equity:		
Common stock ($0.01 par value, 750,000,000 shares authorized, 479,112,259 and 474,427,706 shares issued, 431,046,132 and 427,254,100 shares outstanding, respectively)	4.8	4.7
Additional paid-in capital	2,973.1	2,916.6
Accumulated other comprehensive loss	(63.1)	(64.9)
Accumulated deficit	(1,362.7)	(1,504.4)
Less: treasury stock, at cost; 48,066,127 and 47,173,606 shares, respectively	(374.0)	(367.0)
Total ON Semiconductor Corporation stockholders’ equity	1,178.1	985.0
Minority interests in consolidated subsidiaries	21.2	19.6
Total equity	1,199.3	1,004.6
Total liabilities and equity	$ 2,541.0	$ 2,414.3

See accompanying notes to consolidated financial statements

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

	Quarter Ended		Six Months Ended	
	July 2, 2010	July 3, 2009	July 2, 2010	July 3, 2009
Revenues	$583.3	$419.8	$1,133.5	$798.9
Cost of revenues	339.5	281.6	661.6	548.6
Gross profit	243.8	138.2	471.9	250.3
Operating expenses:				
Research and development	60.1	50.7	125.3	94.3
Selling and marketing	36.5	28.4	72.1	57.4
General and administrative	35.3	30.0	66.8	57.3
Amortization of acquisition-related intangible assets	8.1	7.3	15.9	14.5
Restructuring, asset impairments and other, net	2.3	8.1	6.1	17.7
Total operating expenses	142.3	124.5	286.2	241.2
Operating income	101.5	13.7	185.7	9.1
Other income (expenses), net:				
Interest expense	(14.5)	(15.7)	(30.9)	(33.4)
Interest income	0.1	0.2	0.2	0.6
Other	(3.4)	(0.5)	(6.2)	(2.7)
Loss on debt repurchase	(0.7)	(0.9)	(0.7)	(3.1)
Other income (expenses), net	(18.5)	(16.9)	(37.6)	(38.6)
Income (loss) before income taxes	83.0	(3.2)	148.1	(29.5)
Income tax (provision) benefit	(3.4)	1.0	(4.8)	(6.2)
Net income (loss)	79.6	(2.2)	143.3	(35.7)
Net (income) loss attributable to minority interests	(0.9)	(0.8)	(1.6)	(1.2)
Net income (loss) attributable to ON Semiconductor Corporation	$ 78.7	$ (3.0)	$ 141.7	$ (36.9)
Comprehensive income (loss):				
Net (loss) income	$ 79.6	$ (2.2)	$ 143.3	$ (35.7)
Foreign currency translation adjustments	2.0	0.9	1.8	(14.2)
Amortization of prior service costs of defined benefit plan	—	0.1	—	0.1
Effects of cash flow hedge	—	—	—	0.1
Comprehensive (loss) income	81.6	(1.2)	145.1	(49.7)
Comprehensive (income) loss attributable to minority interest	(0.9)	(0.8)	(1.6)	(1.2)
Comprehensive income (loss) attributable to ON Semiconductor Corporation	$ 80.7	$ (2.0)	$ 143.5	$ (50.9)
Net income (loss) per common share attributable to ON Semiconductor Corporation:				
Basic	$ 0.18	$ (0.01)	$ 0.33	$ (0.09)
Diluted	$ 0.18	$ (0.01)	$ 0.32	$ (0.09)
Weighted average common shares outstanding:				
Basic	430.3	420.7	429.2	417.1
Diluted	439.6	420.7	439.4	417.1

See accompanying notes to consolidated financial statements

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

	Six Months Ended	
	July 2, 2010	July 3, 2009
Cash flows from operating activities:		
Net income (loss)	$ 143.3	$ (35.7)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	80.0	78.7
(Gain) loss on sale and disposal of fixed assets	(3.7)	(0.4)
Non-cash portion of loss on debt repurchase	0.7	0.7
Amortization of debt issuance costs and debt discount	1.4	1.7
Provision for excess inventories	0.1	11.6
Non-cash impairment charges	—	0.2
Non-cash stock compensation expense	29.1	28.8
Non-cash interest	17.0	18.3
Deferred income taxes	3.4	0.2
Other	(0.8)	(1.2)
Changes in assets and liabilities (exclusive of the impact of acquisitions):		
Receivables	(47.0)	(64.3)
Inventories	(34.9)	54.3
Other assets	7.0	12.0
Accounts payable	30.6	(5.0)
Accrued expenses	18.1	(1.6)
Income taxes payable	(3.2)	2.5
Accrued interest	(0.1)	(0.2)
Deferred income on sales to distributors	29.0	(11.4)
Other long-term liabilities	(1.6)	(2.2)
Net cash provided by operating activities	268.4	87.0
Cash flows from investing activities:		
Purchases of property, plant and equipment	(93.5)	(37.0)
Deposits utilized (funds deposited) for purchases of property, plant and equipment	(0.9)	0.1
Purchases of businesses, net of cash acquired	(90.2)	—
Proceeds from sale of held-to-maturity securities	45.5	—
Net cash used in investing activities	(139.1)	(36.9)
Cash flows from financing activities:		
Proceeds from issuance of common stock under the employee stock purchase plan	3.3	2.2
Proceeds from debt issuance	23.2	7.0
Proceeds from exercise of stock options	7.3	4.0
Payment of capital lease obligation	(15.3)	(15.6)
Purchase of treasury stock	(7.0)	(0.9)
Repayment of long-term debt	(199.5)	(101.8)
Net cash used in financing activities	(188.0)	(105.1)
Effect of exchange rate changes on cash and cash equivalents	0.1	(0.3)
Net decreases in cash and cash equivalents	(58.6)	(55.3)
Cash and cash equivalents, beginning of period	525.7	458.7
Cash and cash equivalents, end of period	$ 467.1	$ 403.4
Supplementary disclosure of non-cash investing and financing activities		
Common stock issuance for debt repurchase	$ —	$ 28.5

See accompanying notes to consolidated financial statements

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

Note 1: Background and Basis of Presentation

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

On January 27, 2010, the Company completed the purchase of California Micro Devices Corporation, a Delaware corporation ("CMD"), whereby CMD became a wholly-owned subsidiary of the Company (See Note 4: "Acquisitions" for further discussion). The Company is separately maintaining CMD's systems and much of its control environment until the Company is able to integrate CMD's processes into the Company's own systems and control environment. The Company currently expects to complete this integration of CMD's operations into the Company's systems and control environment by the end of fiscal 2010.

On June 9, 2010, the Company completed the purchase of Sound Design Technologies, Ltd. ("SDT"), whereby SDT became a wholly-owned subsidiary of the Company (see Note 4: "Acquisitions" for further discussion). The Company is separately maintaining SDT's systems and much of its control environment until the Company is able to integrate SDT's processes into the Company's own systems and control environment. The Company currently expects to complete this integration of SDT's operations into the Company's systems and control environment by the end of fiscal 2011.

The accompanying unaudited financial statements as of July 2, 2010, and for the three months and six months ended July 2, 2010 and July 3, 2009, respectively, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of the Company's management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto for the year ended December 31, 2009, included in the Company's Annual Report on Form 10-K. The results for the interim periods are not necessarily indicative of the results of operations that may be expected for the full year.

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

Note 2: Goodwill and Intangible Assets

Goodwill

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

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

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

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

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

A reconciliation of the cost of the goodwill from each of the below acquisition transactions to the carrying value as of July 2, 2010 and December 31, 2009 for each reporting unit that contains goodwill, is as follows, in millions:

			Balance as of December 31, 2009				For the Six Months Ended July 2, 2010			Balance as of July 2, 2010			
Acquisition	Operating Segment	Reporting Unit	Goodwill	Accumulated Amortization	Accumulated Impairment Losses	Carrying Value	Goodwill Acquired	Purchase Price Adjustments	Impairment Losses	Goodwill	Accumulated Amortization	Accumulated Impairment Losses	Carrying Value
Cherry acquisition:													
	Automotive & Power Group:												
		Analog Automotive	$ 21.8	$ (4.2)	$ —	$ 17.6	$ —	$ —	$ —	$ 21.8	$ (4.2)	$ —	$ 17.6
	Computing & Consumer Products:												
		Signal & Interface	29.1	(5.6)	—	23.5	—	—	—	29.1	(5.6)	—	23.5
Leshan additional interest:													
	Standard Products:												
		Small Signal	3.8	—	—	3.8	—	—	—	3.8	—	—	3.8
AMIS acquisition:													
	Digital & Mixed-Signal Product Group:												
		Industrial	238.7	—	(214.7)	24.0	—	—	—	238.7	—	(214.7)	24.0
		Foundry	146.2	—	(131.4)	14.8	—	—	—	146.2	—	(131.4)	14.8
		Medical	79.7	—	(59.9)	19.8	—	—	—	79.7	—	(59.9)	19.8
		Military/Aerospace	44.8	—	—	44.8	—	—	—	44.8	—	—	44.8
Catalyst acquisition:													
	Standard Products:												
		Memory Products	14.1	—	—	14.1	—	—	—	14.1	—	—	14.1
PulseCore acquisition:													
	Digital & Mixed-Signal Product Group:												
		Protection Products	13.0	—	—	13.0	—	(4.1)	—	8.9	—	—	8.9
CMD acquisition:													
	Standard Products:												
		Filter Products	—	—	—	—	20.3	(0.2)	—	20.1	—	—	20.1
SDT acquisition													
	Digital & Mixed-Signal Product Group:												
		Medical	—	—	—	—	5.9	—	—	5.9	—	—	5.9
			$ 591.2	$ (9.8)	$ (406.0)	$ 175.4	$ 26.2	$ (4.3)	$ —	$ 613.1	$ (9.8)	$ (406.0)	$ 197.3

Certain adjustments to goodwill were recorded during the quarter and six months ended July 2, 2010 for the finalization of contingent tax liabilities and receipt of claims on escrow from certain acquisitions.

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

Intangible Assets

The Company's acquisitions resulted in intangible assets consisting of values assigned to intellectual property, assembled workforce, customer relationships, non-compete agreements, patents, developed technology, trademarks, acquired software and in-process research and development. These are stated at cost less accumulated amortization and are amortized over their economic useful life ranging from 2 to 18 years using the straight-line method and are reviewed for impairment when facts or circumstances suggest that the carrying value of these assets may not be recoverable.

Intangible assets, net were as follows as of July 2, 2010 and December 31, 2009 (in millions):

	July 2, 2010				
	Original Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Carrying Value	Useful Life (in Years)
Intellectual property	$ 13.9	$ (6.2)	$ —	$ 7.7	5-12
Assembled workforce	6.7	(5.4)	—	1.3	5
Customer relationships	250.6	(42.0)	(27.2)	181.4	5-18
Non-compete agreements	0.5	(0.4)	—	0.1	1-3
Patents	16.7	(3.5)	—	13.2	12
Developed technology	107.9	(17.5)	—	90.4	5-12
Trademarks	11.0	(1.4)	—	9.6	15
In-process research and development	23.4	—	—	23.4	8
Acquired software	1.0	(0.8)	—	0.2	2
Total intangibles	$431.7	$ (77.2)	$ (27.2)	$ 327.3	

	December 31, 2009				
	Original Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Carrying Value	Useful Life (in Years)
Intellectual property	$ 13.9	$ (5.3)	$ —	$ 8.6	5-12
Assembled workforce	6.7	(4.7)	—	2.0	5
Customer relationships	244.8	(33.2)	(27.2)	184.4	5-18
Non-compete agreements	0.5	(0.3)	—	0.2	1-3
Patents	16.7	(2.9)	—	13.8	12
Developed technology	89.4	(12.2)	—	77.2	5-12
Trademarks	11.0	(0.9)	—	10.1	15
In-process research and development	2.0	—	—	2.0	8
Acquired software	1.0	(0.6)	—	0.4	2
Total intangibles	$386.0	$ (60.1)	$ (27.2)	$ 298.7	

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

Amortization expense for intangible assets amounted to $8.7 million and $17.1 million for the quarter and six months ended July 2, 2010, of which $0.6 million and $1.2 million was included in cost of revenues; and $7.8 million and $15.6 million for the quarter and six months ended July 3, 2009, of which $0.5 million and $1.1 million was included in cost of revenues. Amortization expense for intangible assets, with the exception of $23.4 million of in-process research and development assets that will be amortized once the corresponding projects have been completed, is expected to be as follows over the next five years, and thereafter (in millions):

	Intellectual Property	Assembled Workforce	Customer Relationships Assets	Non-compete Agreements	Patents	Developed Technology	Trademarks	Software	Total
Remainder of 2010	$ 0.9	$ 0.6	$ 9.0	$ 0.1	$ 0.7	$ 5.4	$ 0.3	$ 0.2	$ 17.2
2011	1.1	0.7	17.9	—	1.3	10.6	0.8	—	32.4
2012	0.7	—	17.9	—	1.3	10.6	0.8	—	31.3
2013	0.7	—	13.2	—	1.3	10.6	0.8	—	26.6
2014	0.6	—	13.2	—	1.3	10.4	0.8	—	26.3
Thereafter	3.7	—	110.2	—	7.3	42.8	6.1	—	170.1
Total estimated amortization expense	$ 7.7	$ 1.3	$ 181.4	$ 0.1	$ 13.2	$ 90.4	$ 9.6	$ 0.2	$303.9

Note 3: New Accounting Pronouncements Adopted

Adoption of Accounting Standards Update No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements"

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"), which amends the disclosure guidance with respect to fair value measurements. Specifically, the new guidance requires disclosure of amounts transferred in and out of Levels 1 and 2 fair value measurements, a reconciliation presented on a gross basis rather than a net basis of activity in Level 3 fair value measurements, greater disaggregation of the assets and liabilities for which fair value measurements are presented and more robust disclosure of the valuation techniques and inputs used to measure Level 2 and 3 fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, with the exception of the new guidance around the Level 3 activity reconciliations, which is effective for fiscal years beginning after December 15, 2010. The adoption of this pronouncement did not have a material impact on the Company's consolidated financial statements.

Note 4: Acquisitions

Acquisition of Sound Design Technologies LTD

On June 9, 2010, the Company completed the purchase of SDT, whereby SDT became a wholly-owned subsidiary of the Company. The Company paid approximately $22.0 million in cash for all outstanding stock, and has recorded a contingent liability of $1.8 million representing the estimated fair value pursuant to its obligations under an earnout agreement if SDT is able to meet certain revenue objectives in 2010 through 2012. The range of potential earn-out payments during the period from 2010 to 2012 is from zero to $10.0 million. SDT is a leading designer and manufacturer of ultra-low-power semiconductor solutions for hearing aids and portable, battery-powered DSP applications, and a leading provider of advanced high density interconnected technologies used in custom minimizing packages. SDT's advanced manufacturing expertise in chip-scale capacitors and high density packaging will expand the Company's capabilities in delivering advanced, highly miniaturized packaging technology. SDT's results of operations have been included in the consolidated financial statements since the date of the acquisition.

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

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

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

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

The remaining $2.4 million of acquired intangible assets have a weighted-average useful life of approximately 10 years. The intangible assets that make up the amount include: customer relationships of $1.7 million (15.5-year weighted average useful life) and developed technology of $0.7 million (5-year weighted average useful life).

Of the total purchase price of approximately $23.8 million, approximately $5.9 million was allocated to goodwill. Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net tangible and intangible assets. Among the factors that contributed to a purchase price in excess of the fair value of the net tangible and intangible assets were the potential synergies expected to be derived from combining SDT’s design and manufacturing business with the Company’s medical business. The Company expects these relationships to provide the capability of selling advanced technology of next generation products to the market place. Goodwill will not be amortized but instead tested for impairment at least annually (more frequently if certain indicators are present). The $5.9 million of goodwill was assigned to the digital and mixed signal product group, none of which is expected to be deductible for tax purposes.

The initial allocation of purchase price is based on management estimates and assumptions, and other information compiled by management, which utilized established valuation techniques appropriate for the high technology industry, which were the income approach, cost approach or market approach, depending upon which

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

was the most appropriate based on the nature and reliability of the data available. The income approach is predicated upon the value of future cash flows that an asset is expected to generate. The cost approach takes into account the cost to replace (or reproduce) the asset and the effects on the asset's value of physical, functional and/or economic obsolescence that has occurred with respect to the asset. The market approach is a technique used to estimate value from an analysis of actual transactions or offerings for economically comparable assets available as of the valuation date. As of July 2, 2010, management of the Company had not received all information necessary to finalize the allocation of the purchase price. Management expects to complete this during the 2010 fiscal year. Such adjustments are not expected to be material.

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

Acquisition of California Micro Devices Corporation

On January 27, 2010, the Company completed the purchase of CMD, whereby CMD became a wholly-owned subsidiary of the Company. At the effective time of the merger, the Company purchased all of CMD's issued and outstanding shares of common stock at a purchase price of $4.70 per share, for a total cash payment of approximately $109.5 million and $3.7 million of estimated fair value of stock options and restricted stock for total consideration of $113.2 million. Total acquisition-related costs were approximately $2.0 million. CMD is primarily engaged in application specific integrated passive (ASIP) devices in the wireless, computing and consumer electronics end-markets. In addition, CMD's expertise in protection solutions for the high brightness LED (HBLED) market, and its strengths in inductor capacitor-based EMI (electromagnetic interface) filtering and low capacitance ESD (electrostatic discharge) protection, complement the Company's existing portfolio of protection and lighting solutions.

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

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

Of the $40.3 million of acquired intangible assets, $18.6 million was assigned to IPRD assets that will be amortized over the useful life upon successful completion of the projects. The value assigned to IPRD was determined by considering the importance of products under development to the overall development plan, estimating costs to develop the purchased IPRD into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. The fair value of IPRD was determined using the income approach. The income approach recognizes that the current value of an asset or liability is premised on the expected receipt or payment of future economic benefits generated over its remaining life. A discount rate of 13.2% was used in the present value calculations, and was derived from a weighted-average cost of capital analysis, adjusted to reflect additional risks inherent in the acquired research and development operations. Total IPRD is composed of four primary projects, with approximately $1.0 million of costs expected to be incurred until completion. The expected completion date is 2011.

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

Of the total purchase price paid of $113.2 million, approximately $20.3 million in cash was allocated to goodwill. Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net tangible and intangible assets. Among the factors that contributed to a purchase price in excess of the fair value of the net tangible and intangible assets was the acquisition of an assembled workforce of experienced semiconductor engineers. The Company expects these experienced engineers to provide the capability of developing and integrating advanced technology into next generation products. Goodwill will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). The $20.3 million of goodwill was assigned to the standard products group, none of which is expected to be deductible for tax purposes.

The initial allocation of the purchase price is based on management estimates and assumptions, and other information compiled by management, which utilized established valuation techniques appropriate for the high-technology industry, which were either the income approach, cost approach or market approach, depending upon which was the most appropriate based on the nature and reliability of the data available. The income approach is predicated upon the value of the future cash flows that an asset will generate over its economic life. The cost approach takes into account the cost to replace (or reproduce) the asset and the effect on the asset’s value of physical, functional and/or economic obsolescence that has occurred with respect to the asset. The market approach is a technique used to estimate value from an analysis of actual transactions or offerings for economically comparable assets available as of the valuation date. As of July 2, 2010, management of the Company had not received all information necessary to finalize the allocation of the purchase price. Management expects to complete this during the 2010 fiscal year. Such adjustments are not expected to be material.

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

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

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

The Company had $12.4 million of accrued liabilities for estimated costs to exit certain activities of AMIS, of which $0.7 million were for employee separation costs and $11.7 million were for exit costs outstanding as of December 31, 2009. During the six months ended July 2, 2010, the Company paid employee separation costs related to the involuntary termination or relocation of employees performing overlapping or duplicative functions throughout AMIS by $0.5 million. Additionally, the Company paid exit costs associated with the decommissioning costs resulting from the shutdown of the fabrication facility of $1.1 million.

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The following is a rollforward of the accrued liabilities for estimated costs to exit certain activities of AMIS from December 31, 2009 through July 2, 2010:

	December 31, 2009	Adjustments	Usage	July 2, 2010
Estimated employee separation costs:				
December 31, 2009 through July 2, 2010	$ 0.7	$ —	$(0.5)	$ 0.2
Estimated costs to exit:				
December 31, 2009 through July 2, 2010	$ 11.7	$ —	$(1.1)	$10.6

See Note 14: “Subsequent Events” for discussion of the recently announced pending acquisition of SANYO Semiconductor Co., Ltd.

Note 5: Restructuring, Asset Impairments and Other, Net

The activity related to the Company’s restructuring, asset impairments and other, net for programs that were either initiated in 2010 or had not been completed as of December 31, 2009, are as follows (in millions):

Restructuring

Restructuring Activities Related to the 2010 Acquisition of SDT

In June 2010, the Company acquired SDT and announced plans to integrate and restructure the overlapping operations of SDT and the Company, in part for cost savings purposes (see Note 4: “Acquisitions” for further discussion). As part of these plans, certain duplicative positions were or are expected to be eliminated. During the second quarter of 2010, a total of 36 employees, including 3 former executive officers of SDT, were notified that their positions were being eliminated or consolidated. As of July 2, 2010, 35 of these individuals had been terminated. It is anticipated that the remaining terminations will be completed by the end of the third quarter of fiscal 2010.

During the quarter ended July 2, 2010, the Company recorded employee separation charges of approximately $2.0 million related to these terminations. These charges have been included in restructuring, asset impairment and other, net on the consolidated statement of operations for the quarter and six months ended July 2, 2010. All terminations associated with this plan are expected to be completed by the end of the third quarter of fiscal 2010, with the related termination benefits paid out by the end of the third quarter of fiscal 2010.

	Balance at Beginning of Period	Charges	Usage	Adjustments	Balance at End of Period
Cash employee separation charges:					
Six Months Ended July 2, 2010	$ —	$ 2.0	$(0.3)	$ —	$ 1.7

Restructuring Activities Related to the 2010 Acquisition of CMD

Cumulative charges of $2.9 million, net of adjustments have been recognized through July 2, 2010, related to the January 2010 announced plans to integrate and restructure the overlapping operations of CMD and the Company, in part for cost savings purposes (see Note 4: “Acquisitions” for further discussion).

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Cumulative employee separation charges of $2.8 million, net of adjustments have been recognized through July 2, 2010. A total of 14 employees, including five former executive officers of CMD, were notified during the first and second quarters of 2010 that their positions were being eliminated or consolidated, of which 13 of these individuals have been terminated. During the quarter and six months ended July 2, 2010, the Company recorded employee separation charges of approximately $0.2 million and $2.8 million, respectively, related to these terminations. These charges have been included in restructuring, asset impairment and other, net on the consolidated statement of operations for the quarter and six months ended July 2, 2010. All terminations associated with this plan are expected to be completed by the end of the fourth quarter of fiscal 2010, with the related termination benefits paid out by the end of the first quarter of fiscal 2012.

Cumulative exit costs of $0.1 million have been recognized through July 2, 2010, related to charges incurred to terminate certain lease agreements. During the quarter and six months ended July 2, 2010, the Company recognized $0.1 million in charges on the statement of operations related to this activity. All payments related to these exit activities are expected to be completed by the end of the third quarter of fiscal 2011.

	Balance at Beginning of Period	Charges	Usage	Adjustments	Balance at End of Period
Cash employee separation charges:					
Six Months Ended July 2, 2010	$ —	$ 2.8	$(1.1)	$ —	$ 1.7
Exit Costs:					
Six Months Ended July 2, 2010	$ —	$ 0.1	$—	$ —	$ 0.1

Restructuring Activities Related to the 2009 Design Centers Closures

Cumulative charges of $1.5 million, net of adjustments, have been recognized through July 2, 2010, related to the 2009 Design Center closures. During the third quarter of 2009, the Company announced plans to consolidate into fewer product development centers for cost savings purposes by closing several design centers. A total of 47 employees were notified during the third quarter of 2009 that their positions with the Company were being terminated. Additionally, during the quarter and six months ended July 2, 2010, 16 employees were notified that their positions with the Company were being eliminated or consolidated, of which six have been terminated. During the quarter and six months ended July 2, 2010, the Company recorded employee separation charges of $0.2 million and $0.1 million in exit costs related to this activity. These charges have been included in restructuring, asset impairment and other, net on the consolidated statement of operations for the quarter and six months ended July 2, 2010. All terminations and related payments associated with these plans were completed during the second quarter of fiscal 2010.

	Balance at Beginning of Period	Charges	Usage	Adjustments	Balance at End of Period
Cash employee separation charges:					
Six Months Ended July 2, 2010	$ 0.3	$ 0.2	$(0.5)	$ —	$ —
Exit Costs:					
Six Months Ended July 2, 2010	$ 0.1	$ 0.1	$(0.2)	$ —	$ —

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Restructuring Activities Related to the 2009 Global Workforce Reduction

Cumulative employee separation charges of $13.0 million, net of adjustments, have been recognized through July 2, 2010, related to the first quarter of 2009 announced plans to reduce worldwide personnel for cost savings purposes. A total of 570 employees were notified during 2009, of which 569 of these individuals have been terminated. These charges have been included in restructuring, asset impairment and other, net on the consolidated statement of operations for the six months ended July 2, 2010. All terminations associated with this plan are expected to be completed by the end of the fourth quarter of 2010, with substantially all related termination benefits paid out by the end of the fourth quarter of fiscal 2010.

	Balance at Beginning of Period	Charges	Usage	Adjustments	Balance at End of Period
Cash employee separation charges:					
Six Months Ended July 2, 2010	$ 0.7	$ —	$(0.6)	$ 0.1	$ 0.2

Other

The Company made a $0.8 million cash payment in settlement of various litigation matters with the former minority interest shareholders of a Czech subsidiary acquired by the Company. These settlement charges have been included in restructuring, asset impairment and other, net in the consolidated statement of operations for the six months ended July 2, 2010.

A reconciliation of the activity in the tables above to the “Restructuring, asset impairments and other, net” caption on the consolidated statement of operations for the quarter and six months ended July 2, 2010, is as follows (in millions):

	Quarter Ended July 2, 2010	Six Months Ended July 2, 2010
Restructuring		
Charges:		
Cash employee separation charges	$ 2.1	$ 4.9
Exit costs	0.2	0.3
Less: net adjustments to reserves	—	0.1
Other		
Charges	—	0.8
	$ 2.3	$ 6.1

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Note 6: Balance Sheet Information

	July 2, 2010	December 31, 2009
Receivables, net:		
Accounts receivable	$ 325.6	$ 270.2
Less: Allowance for doubtful accounts	(8.4)	(9.3)
	$ 317.2	$ 260.9
Inventories, net:		
Raw materials	$ 38.1	$ 35.4
Work in process	194.6	151.6
Finished goods	88.8	82.9
	$ 321.5	$ 269.9
Property, plant and equipment, net:		
Land	$ 44.4	$ 42.0
Buildings	444.4	429.7
Machinery and equipment	1,538.7	1,420.2
Total property, plant and equipment	2,027.5	1,891.9
Less: Accumulated depreciation	(1,242.6)	(1,186.4)
	$ 784.9	$ 705.5
Accrued expenses:		
Accrued payroll	$ 74.3	$ 55.9
Sales related reserves	35.2	32.7
Restructuring reserves	14.5	13.6
Accrued pension liability	0.1	0.2
Other	32.8	33.1
	$ 156.9	$ 135.5
Accumulated other comprehensive loss:		
Foreign currency translation adjustments	$ (62.8)	$ (64.6)
Unrealized prior service cost of defined benefit pension plan	(0.1)	(0.1)
Prior service cost from pension legal plan amendment	(0.2)	(0.2)
	$ (63.1)	$ (64.9)

The activity related to the Company's warranty reserves for the six months ended July 2, 2010 and July 3, 2009, respectively is as follows (in millions):

	Six Months Ended	
	July 2, 2010	July 3, 2009
Beginning Balance	$ 3.2	$ 3.9
Provision	0.4	0.2
Usage	(0.1)	(0.5)
Ending Balance	$ 3.5	$ 3.6

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The Company maintains defined benefit plans for some of its foreign subsidiaries. The Company recognizes the aggregate amount of all overfunded plans as an asset and the aggregate amount of all underfunded plans as a liability in its financial statements. As of July 2, 2010 and December 31, 2009, the total accrued pension liability for underfunded plans was $19.4 million and $19.0 million, respectively, of which the current portion of $0.4 million and $0.3 million, respectively, was classified as accrued expenses. As of July 2, 2010 and December 31, 2009, the total pension asset for overfunded plans was $15.3 million and $16.2 million, respectively. The components of the Company's net periodic pension expense for the quarters and six months ended July 2, 2010 and July 3, 2009, respectively, are as follows (in millions):

	Quarter Ended		Six Months Ended	
	July 2, 2010	July 3, 2009	July 2, 2010	July 3, 2009
Service Cost	$ 1.0	$ 1.1	$ 2.0	$ 1.6
Interest cost	0.8	0.5	1.6	1.0
Expected return on plan assets	(0.8)	(0.3)	(1.6)	(0.6)
Amortization of prior service cost	0.1	0.1	0.2	0.2
Other (Gains)/Losses	—	0.6	—	0.6
Total net periodic pension cost	$ 1.1	$ 2.0	$ 2.2	$ 2.8

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Note 7: Long-Term Debt

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

	July 2, 2010	December 31, 2009
Senior Bank Facilities:		
Term Loan, interest payable monthly at 2.00063%	$ —	$ 170.2
Zero Coupon Convertible Senior Subordinated Notes due 2024 (1)	84.3	96.9
1.875% Convertible Senior Subordinated Notes due 2025 (2)	79.3	76.5
2.625% Convertible Senior Subordinated Notes due 2026 (3)	399.3	389.0
2.25% Loan with Japanese bank due 2010, interest payable semi-annually	1.6	3.6
Loan with Philippine banks due 2010 through 2012, interest payable quarterly at 1.29781% and 1.28438%, respectively	17.1	18.7
Loan with Philippine bank due 2010 through 2013, interest payable quarterly at 1.28625% and 1.00563%, respectively	9.7	10.5
Loan with Philippine bank due 2010 through 2013, interest payable quarterly at 1.78706% and 1.50375%, respectively	5.5	5.9
Loan with Philippine banks due 2010 through 2014, interest payable quarterly at 6.03063% prepaid in Q2 2010	—	10.3
Short-term loan with Chinese bank due 2010, interest payable quarterly at 3.44506% and 3.2725%, respectively	7.0	7.0
Short-term loan with Chinese bank due 2010, interest payable quarterly at 2.794% and 2.7825%, respectively	7.0	7.0
Short-term loan with Chinese bank due 2010, interest payable quarterly at 2.794% and 2.7825%, respectively	6.0	6.0
Short-term loan with Chinese bank due 2010, interest payable quarterly at 5.25063%	—	7.0
Short-term loan with Chinese bank due 2010, interest payable quarterly at 4.32375% and 4.28063%, respectively	7.0	7.0
Short-term loan with Chinese bank due 2010, interest payable quarterly at 2.55481% and 2.2525%, respectively	12.0	12.0
Loan with British finance company, interest payable monthly at 1.76% and 1.75%, respectively	19.6	23.1
Loan with Hong Kong bank, interest payable weekly at 2.18063%	23.0	—
1.875% Loan with Japanese bank due 2010 through 2013, interest payable semi-annually	2.4	2.6
Short-term loan with Japanese bank due 2010, interest payable monthly at .98% and 1.06%, respectively	1.7	1.6
Capital lease obligations	70.9	78.6
	753.4	933.5
Less: Current maturities	(120.5)	(205.9)
	632.9	727.6

(1) The Zero Coupon Convertible Senior Subordinated Notes due 2024 may be put back to the Company at the option of the holders of the notes on April 15, 2012, 2014 and 2019 or called at the option of the Company on or after April 15, 2012.

(2) The 1.875% Convertible Senior Subordinated Notes due 2025 may be put back to the Company at the option of the holders of the notes on December 15 of 2012, 2015 and 2020 or called at the option of the Company on or after December 15, 2012.

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(3) The 2.625% Convertible Senior Subordinated Notes due 2026 may be put back to the Company at the option of the holders of the notes on December 15 of 2013, 2016 and 2021 or called at the option of the Company on or after December 15, 2013.

Annual maturities relating to the Company's long-term debt as of July 2, 2010 are as follows (in millions):

	Maturities
Remainder 2010	$ 78.6
2011	58.2
2012	199.9
2013	412.2
2014	0.9
Thereafter	3.6
Total	$ 753.4

Loss on Debt Repurchase

During the quarter ended July 2, 2010, the Company incurred a loss on debt repurchase of $0.8 million as the result of the write-off of unamortized capitalized closing costs, related to the $169.8 million prepayment of the senior bank facilities and a $0.1 million gain as a result of a modification of the Zero Coupon Convertible Senior Subordinated Notes due 2024.

June 2010 Hong Kong Loan

In June 2010, one of the Company's Asian subsidiaries entered into a loan with a Hong Kong bank, pursuant to which the bank purchased accounts receivables, with recourse. In accordance with Generally Accepted Accounting Principles in the United States the purchased assets remained on the Company's balance sheet as of July 2, 2010. The loan, which had a balance of $23.0 million as of July 2, 2010, bears interest payable weekly at 2-month LIBOR plus 1.75%. The loan amount is subject to an eligible borrowing calculation as defined in the loan agreement.

Modification of the Zero Coupon Convertible Senior Subordinated Notes due 2024

In April 2010, the Company amended the Indenture for its Zero Coupon Convertible Senior Subordinated Notes due 2024.

The amendments include:

- One additional opportunity to require the Company to purchase the notes on April 15, 2012. The terms of this put option are otherwise identical to pre-existing terms of the notes whereby holders of the notes had the option to require the Company to purchase the notes on April 15, 2010; and
- Eliminating the Company's ability to redeem the notes at its option from April 15, 2010 until April 15, 2012.

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

ASC 470, requires the issuer of convertible debt instruments with cash settlement features to separately account for the liability and equity components of the instrument. Thus, the liability component of the new convertible debt was recognized at the present value of its cash flows discounted using a discount rate equivalent to the borrowing rate at the date of the modification of the Convertible Notes for similar debt instruments without conversion feature. The equity component of the new convertible debt was recorded as additional paid in capital and represents the difference between the fair value of the modified Convertible Notes and the liability component. It also requires an accretion of the debt discount resulting from the allocation of a portion of the modified fair value to equity over the life of the Convertible Notes, which is expected to be the next put date.

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

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Debt Guarantees

The Company is the sole issuer of the Zero Coupon Convertible Senior Subordinated Notes due 2024, the 1.875% Convertible Senior Subordinated Notes due 2025 and the 2.625% Convertible Senior Subordinated Notes due 2026 (collectively, the "Notes"). The Company's domestic subsidiaries, except those domestic subsidiaries acquired through the acquisitions of AMIS, Catalyst Semiconductor, Inc. ("Catalyst"), PulseCore Holdings (Cayman) Inc. ("PulseCore"), and CMD (collectively, the "Guarantor Subsidiaries"), fully and unconditionally guarantee on a joint and several basis the Company's obligations under the Notes. The Guarantor Subsidiaries include SCI LLC, Semiconductor Components Industries of Rhode Island, Inc., as well as holding companies whose net assets consist primarily of investments in the joint venture in Leshan, China and equity interests in the Company's other foreign subsidiaries. The Company's other remaining subsidiaries (collectively, the "Non-Guarantor Subsidiaries") are not guarantors of the Notes. Condensed consolidated financial information for the issuer of the Notes, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries is as follows (in millions):

	Issuer	Guarantor				
	ON Semiconductor Corporation [(1)]	SCI LLC	Other Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
As of July 2, 2010						
Cash and cash equivalents	$ —	$ 123.6	$ —	$ 343.5	$ —	$ 467.1
Receivables, net	—	53.5	—	263.7	—	317.2
Inventories, net	—	40.8	—	275.4	5.3	321.5
Other current assets	—	9.3	—	41.6	—	50.9
Deferred income taxes	—	5.5	—	9.1	—	14.6
Total current assets	—	232.7	—	933.3	5.3	1,171.3
Property, plant and equipment, net	—	170.9	2.5	615.2	(3.7)	784.9
Deferred income taxes	—	—	—	—	—	—
Goodwill and other intangible assets	—	191.1	37.2	332.6	(36.3)	524.6
Investments and other assets	1,742	1,471.0	49.6	25.5	(3,227.9)	60.2
Total assets	$ 1,743.4	$2,065.7	$ 89.3	$ 1,906.6	$ (3,262.6)	$2,541.0
Accounts payable	$ —	$ 43.3	$ 0.1	$ 196.7	$ —	$ 240.1
Accrued expenses and other current liabilities	—	85.5	0.8	191.3	1.7	280.0
Deferred income on sales to distributors	—	36.3	—	91.5	—	127.8
Total current liabilities	—	165.1	0.9	479.5	1.7	647.9
Long-term debt	562.9	34.3	—	35.7	—	632.9
Other long-term liabilities	—	18.6	0.4	25.6	—	44.6
Deferred Income Taxes	—	6.3	—	10.0		16.3
Intercompany	0.3	(48.9)	(45.8)	(111.1)	205.5	—
Total liabilities	563.9	175.4	(44.5)	439.7	207.2	1,341.7
Total ON Semiconductor Corporation stockholders' equity (deficit)	1,178.1	1,890.3	133.8	1,466.9	(3,491.0)	1,178.1
Minority interests in consolidated subsidiaries	—	—	—	—	21.2	21.2
Total stockholders' equity	1,178.1	1,890.3	133.8	1,466.9	(3,469.8)	1,199.3
Total liabilities and stockholders' equity	$ 1,742.0	$2,065.7	$ 89.3	$ 1,906.6	$ (3,262.6)	$2,541.0

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	Issuer	Guarantor				
	ON Semiconductor Corporation (1)	SCI LLC	Other Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
As of December 31, 2009						
Cash and cash equivalents	$ —	$ 286.0	$ —	$ 239.7	$ —	$ 525.7
Short-term investments	—	—	—	45.5	—	45.5
Receivables, net	—	47.9	—	213.0	—	260.9
Inventories, net	—	34.2	—	230.5	5.2	269.9
Other current assets	—	7.1	—	44.4	—	51.5
Deferred income taxes	—	5.5	—	9.6	—	15.1
Total current assets	—	380.7	—	782.7	5.2	1,168.6
Restricted cash	—	—	—	5.9	—	5.9
Property, plant and equipment, net	—	149.7	2.8	557.0	(4.0)	705.5
Goodwill and intangible assets, net	—	197.1	37.3	278.1	(38.4)	474.1
Investments and other assets	1,548.3	1,210.7	45.8	29.0	(2,773.6)	60.2
Total assets	$ 1,548.3	$1,938.2	$ 85.9	$ 1,652.7	$ (2,810.8)	$2,414.3
Accounts payable	$ —	$ 25.0	$ 0.1	$ 147.8	$ —	$ 172.9
Accrued expenses and other current liabilities	97.6	74.3	0.8	172.9	1.7	347.3
Deferred income on sales to distributors	—	26.9	—	71.9	—	98.8
Total current liabilities	97.6	126.2	0.9	392.6	1.7	619.0
Long-term debt	465.4	213.0	—	49.2	—	727.6
Other long-term liabilities	—	20.0	0.4	28.9	—	49.3
Deferred Income Taxes	—	7.6	—	6.2	—	13.8
Intercompany	0.3	(127.5)	(52.4)	(25.9)	205.5	—
Total liabilities	563.3	239.3	(51.1)	451.0	207.2	1,409.7
Total ON Semiconductor Corporation stockholders' equity (deficit)	985.0	1,698.9	137.0	1,201.7	(3,037.6)	985.0
Minority interests in consolidated subsidiaries	—	—	—	—	19.6	19.6
Total stockholders' equity	985.0	1,698.9	137.0	1,201.7	(3,018.0)	1,004.6
Total liabilities and stockholders' equity	$ 1,548.3	$1,938.2	$ 85.9	$ 1,652.7	$ (2,810.8)	$2,414.3

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	Issuers	Guarantor Subsidiaries				
	ON Semiconductor Corporation [1]	SCI LLC	Other Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
For the Quarter ended July 2, 2010						
Revenues	$ —	$167.6	$ —	$ 729.8	$ (314.1)	$583.3
Cost of revenues	—	119.1	0.6	538.2	(318.4)	339.5
Gross profit	—	48.5	(0.6)	191.6	4.3	243.8
Research and development	—	10.4	2.2	47.5	—	60.1
Selling and marketing	—	15.0	0.2	21.3	—	36.5
General and administrative	—	5.7	0.2	29.4	—	35.3
Amortization of acquisition related intangible assets	—	4.2	—	4.9	(1.0)	8.1
Restructuring, asset impairments and other, net	—	—	—	2.3	—	2.3
Total operating expenses	—	35.3	2.6	105.4	(1.0)	142.3
Operating income (loss)	—	13.2	(3.2)	86.2	5.3	101.5
Interest expense, net	(12.5)	(1.7)	—	(0.2)	—	(14.4)
Loss on debt repurchase	—	(0.7)	—	—	—	(0.7)
Other	0.1	(0.8)	—	(2.7)	—	(3.4)
Equity in earnings	91.1	76.8	2.3	—	(170.2)	—
Income (loss) before income taxes and minority interests	78.7	86.8	(0.9)	83.3	(164.9)	83.0
Income tax provision	—	2.0	—	(5.4)	—	(3.4)
Net income (loss)	78.7	88.8	(0.9)	77.9	(164.9)	79.6
Net income (loss) attributable to minority interest	—	—	—	0.1	(1.0)	(0.9)
Net income (loss) attributable to ON Semiconductor Corporation	$ 78.7	$ 88.8	$ (0.9)	$ 78.0	$ (165.9)	$ 78.7

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	Issuers	Guarantor Subsidiaries				
	ON Semiconductor Corporation [1]	SCI LLC	Other Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
For the quarter ended July 3, 2009						
Revenues	$ —	$114.8	$ 5.4	$ 547.3	$ (247.7)	$419.8
Cost of revenues	—	98.2	0.4	468.4	(285.4)	281.6
Gross profit	—	16.6	5.0	78.9	37.7	138.2
Research and development	—	9.9	1.9	38.9	—	50.7
Selling and marketing	—	11.4	0.2	16.8	—	28.4
General and administrative	—	1.2	0.2	28.6	—	30.0
Amortization of acquisition related intangible assets	—	3.4	—	4.9	(1.0)	7.3
Restructuring, asset impairments and other, net	—	1.1	0.1	6.9	—	8.1
Total operating expenses	—	27.0	2.4	96.1	(1.0)	124.5
Operating income (loss)	—	(10.4)	2.6	(17.2)	38.7	13.7
Interest expense, net	(12.7)	(1.3)	—	(1.5)	—	(15.5)
Loss on debt prepayment	(0.9)	—	—	—	—	(0.9)
Other	—	0.2	—	(0.7)	—	(0.5)
Equity in earnings	10.6	16.3	2.0	0.2	(29.1)	—
Income (loss) before income taxes and minority interests	(3.0)	4.8	4.6	(19.2)	9.6	(3.2)
Income tax provision	—	3.8	—	(2.8)	—	1.0
Minority interests	—	—	—	—	(0.8)	(0.8)
Net income (loss)	$ (3.0)	$ 8.6	$ 4.6	$ (22.0)	$ 8.8	$ (3.0)

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	Issuers	Guarantor Subsidiaries				
	ON Semiconductor Corporation (1)	SCI LLC	Other Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
For the six months ended July 2, 2010						
Revenues	$ —	$ 339.7	$ —	$ 1,421.1	$ (627.3)	$1,133.5
Cost of revenues	—	231.1	1.3	1,056.9	(627.7)	661.6
Gross profit	—	108.6	(1.3)	364.2	0.4	471.9
Research and development	—	23.6	4.7	97.0	—	125.3
Selling and marketing	—	29.6	0.4	42.1	—	72.1
General and administrative	—	8.0	0.4	58.4	—	66.8
Amortization of acquisition related intangible assets	—	8.2		9.7	(2.0)	15.9
Restructuring, asset impairments and other, net	—	—	—	6.1	—	6.1
Total operating expenses	—	69.4	5.5	213.3	(2.0)	286.2
Operating income (loss)	—	39.2	(6.8)	150.9	2.4	185.7
Interest expense, net	(25.6)	(4.5)	—	(0.6)	—	(30.7)
Gain (loss) on debt prepayment	—	(0.7)				(0.7)
Other	0.1		—	(6.3)	—	(6.2)
Equity in earnings	167.2	120.1	3.8	—	(291.1)	—
Income (loss) before income taxes and minority interests	141.7	154.1	(3.0)	144.0	(288.7)	148.1
Income tax provision	—	7.3	—	(12.1)	—	(4.8)
Net income (loss)	141.7	161.4	(3.0)	131.9	(288.7)	143.3
Net income (loss) attributable to minority interest	—	—	—	0.1	(1.7)	(1.6)
Net income (loss) attributable to ON Semiconductor Corporation	$ 141.7	$ 161.4	$ (3.0)	$ 132.0	$ (290.4)	$ 141.7
Net cash provided by operating activities	$ —	$ 123.9	$ —	$ 144.5	$ —	$ 268.4
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(28.3)	—	(65.2)	—	(93.5)
Funds deposited for purchases of property, plant and equipment	—	—	—	(0.9)	—	(0.9)
Proceeds from sales of held-to-maturity securities	—	—	—	45.5	—	45.5
Purchase of a business, net of cash acquired	—	—	—	(90.2)	—	(90.2)
Proceeds from sales of property, plant and equipment	—	—	—	—	—	—
Net cash used in investing activities	—	(28.3)	—	(110.8)	—	(139.1)
Cash flows from financing activities:						
Intercompany loans	—	(358.1)	—	358.1	—	—
Intercompany loan repayments	—	282.9	—	(282.9)	—	—
Proceeds from debt issuance	—	—	—	23.2		23.2
Proceeds from issuance of common stock under the employee stock purchase plan	—	3.3	—	—	—	3.3
Proceeds from exercise of stock options		7.3	—	—	—	7.3
Repurchase of Treasury Stock	—	(7.0)	—	—	—	(7.0)
Payment of capital lease obligation	—	(13.0)	—	(2.3)	—	(15.3)
Repayment of long term debt	—	(173.4)	—	(26.1)	—	(199.5)
Net cash used in financing activities	—	(258.0)	—	70	—	(188.0)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	0.1	—	0.1
Net increase (decrease) in cash and cash equivalents	—	(162.4)	—	103.8	—	(58.6)
Cash and cash equivalents, beginning of period	—	286.0	—	239.7	—	525.7
Cash and cash equivalents, end of period	$ —	$ 123.6	$ —	$ 343.5	$ —	$ 467.1

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	Issuer	Guarantor				
	ON Semiconductor Corporation (1)	SCI LLC	Other Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
For the six months ended July 3, 2009						
Revenues	$ —	$ 208.4	$ 5.4	$ 1,033.5	$ (448.4)	$ 798.9
Cost of revenues	—	185.1	0.7	825.3	(462.5)	548.6
Gross profit	—	23.3	4.7	208.2	14.1	250.3
Research and development	—	29.6	4.3	60.5	(0.1)	94.3
Selling and marketing	—	21.8	0.6	35.0	—	57.4
General and administrative	—	(31.6)	0.3	46.2	42.4	57.3
Amortization of acquisition related intangible assets	—	4.8	—	10.6	(0.9)	14.5
Restructuring, asset impairments and other, net	—	2.5	—	15.2	—	17.7
Total operating expenses	—	27.1	5.2	167.5	41.4	241.2
Operating income (loss)	—	(3.8)	(0.5)	40.7	(27.3)	9.1
Interest expense, net	(27.1)	(2.4)	—	(3.4)	0.1	(32.8)
Other	—	(0.8)	—	(1.9)	—	(2.7)
Loss on dept prepayment	(3.1)	—	—	—	—	(3.1)
Equity in earnings	(6.7)	(4.8)	2.8	119.4	(110.7)	—
Income (loss) before income taxes, and minority interests	(36.9)	(11.8)	2.3	154.8	(137.9)	(29.5)
Income tax provision	—	2.3	—	(8.5)	—	(6.2)
Minority interests	—	—	—	—	(1.2)	(1.2)
Net income (loss)	$ (36.9)	$ (9.5)	$ 2.3	$ 146.3	$ (139.1)	$ (36.9)
Net cash provided by (used in) operating activities	$ —	$(231.0)	$ —	$ 318.0	$ —	$ 87.0
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	(7.2)	—	(29.8)	—	(37.0)
Deposits utilized for purchases of property, plant and equipment	—	—	—	0.1	—	0.1
Net cash provided by (used in) investing activities	—	(7.2)	—	(29.7)	—	(36.9)
Cash flows from financing activities:						
Intercompany loans	—	156.6	—	(156.6)	—	—
Intercompany loan repayments	—	41.5	—	(41.5)	—	—
Proceeds from debt issuance	—	—	—	7.0	—	7.0
Proceeds from issuance of common stock under the employee stock purchase plan	—	2.2	—	—	—	2.2
Proceeds from exercise of stock options and warrants	—	4.0	—	—	—	4.0
Repurchase of treasury stock	—	(0.9)	—	—	—	(0.9)
Payment of capital lease obligation	—	(11.6)	—	(4.0)	—	(15.6)
Payment of debt issuance costs	—	—	—	—	—	—
Repayment of long term debt	—	(66.3)	—	(35.5)	—	(101.8)
Net cash provided by (used in) financing activities	—	125.5	—	(230.6)	—	(105.1)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(0.3)	—	(0.3)
Net increase (decrease) in cash and cash equivalents	—	(112.7)	—	57.4	—	(55.3)
Cash and cash equivalents, beginning of period	—	213.4	—	245.3	—	458.7
Cash and cash equivalents, end of period	$ —	$ 100.7	$ —	$ 302.7	$ —	$ 403.4

(1) The Company is a holding Company and has no operations apart from those of its operating subsidiaries. Additionally, the Company does not maintain a bank account; rather SCI LLC, its primary domestic operating subsidiary, processes all of its cash receipts and disbursements on its behalf.

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See also Note 10: "Commitments and Contingencies—Other Contingencies" for further discussion of the Company's guarantees.

Note 8: Equity

Income per share calculations for the quarter and six months ended July 2, 2010 and July 3, 2009, respectively, are as follows (in millions, except per share data):

	Quarter Ended		Six Months Ended	
	July 2, 2010	July 3, 2009	July 2, 2010	July 3, 2009
Net income (loss) applicable to ON Semiconductor Corporation	$ 78.7	$ (3.0)	$141.7	$ (36.9)
Diluted net income (loss) applicable to ON Semiconductor Corporation	$ 78.7	$ (3.0)	$141.7	$ (36.9)
Basic weighted average common shares outstanding	430.3	420.7	429.2	417.1
Add: Incremental shares for:				
Dilutive effect of stock options	9.3	—	10.2	—
Diluted weighted average common shares outstanding	439.6	420.7	439.4	417.1
Income (loss) per common share attributable to ON Semiconductor Corporation				
Basic:	$ 0.18	$ (0.01)	$ 0.33	$ (0.09)
Diluted:	$ 0.18	$ (0.01)	$ 0.32	$ (0.09)

Basic income (loss) per share is computed by dividing net income by the weighted average number of common shares outstanding during the period.

The number of incremental shares from the assumed exercise of stock options is calculated by applying the treasury stock method. For the quarter and six months ended July 3, 2009, the effects of stock option shares and restricted stock units were not included because the related impact would have been anti-dilutive, as the Company generated a net loss. Common shares relating to employee stock options where the exercise price exceeded the average market price of the Company's common shares or the assumed exercise would have been anti-dilutive were also excluded from the diluted earnings per share calculation. The excluded option shares were 14.4 million and 27.0 million for the quarters ended July 2, 2010 and July 3, 2009, respectively, and 14.0 million and 32.5 million for the six months ended July 2, 2010 and July 3, 2009, respectively.

For the quarter and six months ended July 2, 2010, the assumed conversion of the 1.875% convertible senior subordinated notes was also excluded in determining diluted net income per share. The 1.875% convertible senior subordinated notes are convertible into cash up to the par value of $95.0 million, based on a conversion price of $7.00 per share. The excess of fair value over par value is convertible into stock. As of July 2, 2010, the Company's common stock traded below $7.00; thus, the effects of an assumed conversion would have been anti-dilutive and therefore were excluded.

For the quarter and six months ended July 2, 2010 and July 3, 2009, the assumed conversion of the zero coupon convertible senior subordinated notes was also excluded in determining diluted net income per share. The zero coupon convertible senior subordinated notes are convertible into cash up to the par value of $96.2 million and $99.4 million, based on a conversion price of $9.82 per share at July 2, 2010 and July 3, 2009, respectively. The excess of fair value over par value is convertible into stock. As of July 2, 2010 and July 3, 2009, the Company's common stock traded below $9.82; thus, the effects of an assumed conversion would have been anti-dilutive and therefore were excluded.

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For the quarter and six months ended July 2, 2010 and July 3, 2009, the assumed conversion of the 2.625% convertible senior subordinated notes was also excluded in determining diluted net income per share. The 2.625% convertible senior subordinated notes are convertible into cash up to the par value of $484.0 million, based on a conversion price of $10.50 per share. The excess of fair value over par value is convertible into stock. As of July 2, 2010 and July 3, 2009, the Company’s common stock traded below $10.50; thus, the effects of an assumed conversion would have been anti-dilutive and therefore were excluded.

Additionally, warrants held by non-employees to purchase 5.3 million shares of the Company’s common stock, which were obtained from the AMIS acquisition, were outstanding as of July 2, 2010 and July 3, 2009, but were not included in the computation of diluted net income per share as the effect would have been anti-dilutive under the treasury stock method.

Treasury stock is recorded at cost and is presented as a reduction of stockholders’ equity in the accompanying consolidated financial statements. Shares withheld upon the vesting of restricted stock units to pay applicable employee withholding taxes are considered common stock repurchases. Upon vesting, the Company currently does not collect the applicable employee withholding taxes from employees. Instead, the Company automatically withholds, from the restricted stock units that vest, the portion of those shares with a fair market value equal to the amount of the employee withholding taxes due, which is accounted for as a repurchase of common stock. The Company then pays the applicable withholding taxes in cash. The amounts remitted in the quarter ended July 2, 2010 were $3.2 million for which the Company withheld 416,402 shares of common stock, that were underlying the restricted stock units that vested. None of these shares had been reissued or retired as of July 2, 2010, but may be reissued or retired by the Company at a later date.

At December 31, 2009, the minority interest balance was $19.6 million. This balance increased to $21.2 million at July 2, 2010 due to the minority interest’s $0.9 million and $1.6 million share of the earnings for the quarter and six months, respectively, which has been reflected in the Company’s consolidated statement of operations for the quarter and six months ended July 2, 2010.

At December 31, 2008, the minority interest balance was $17.3 million. This balance increased to $18.5 million at July 3, 2009 due to the minority interest’s $0.8 million and $1.2 million share of the earnings for the quarter and six months, respectively, which has been reflected in the Company’s consolidated statement of operations for the quarter and six months ended July 3, 2009.

See Note 14: “Subsequent Events” for discussion of potential issuance of common stock relating to the pending SANYO Semiconductor acquisition.

Note 9: Employee Stock Benefit Plans

At December 31, 2009 there was an aggregate of 20.6 million shares of common stock available for grant under the Company’s stock option and restricted stock unit plans which subsequently expired on February 17, 2010. An amended and restated stock incentive plan was approved by the Company’s shareholders at the annual shareholder meeting on May 18, 2010. At July 2, 2010 there was an aggregate of 26.9 million shares of common stock available for grant under the Company’s new amended and restated stock incentive plan.

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Stock Options

The weighted-average estimated fair value of stock options granted during the quarters and six months ended July 2, 2010 was $2.94 per share and $3.09 per share, respectively. The weighted-average estimated fair value of stock options granted during the quarter and six months ended July 3, 2009 was $4.10 per share and $3.28 per share, respectively. The weighted-average assumptions associated with the stock options granted during the periods are as follows:

	Quarter Ended	
	July 2, 2010	July 3, 2009
Volatility	48.5%	49.9%
Risk-free interest rate	2.2%	2.8%
Expected term	4.9 years	5.3 years

	Six Months Ended	
	July 2, 2010	July 3, 2009
Volatility	47.4%	73.6%
Risk-free interest rate	2.3%	1.9%
Expected term	5.1 years	5.1 years

Pre-vesting forfeitures were estimated to be approximately 12% for the quarter and six months ended July 2, 2010, and 12% for the quarter and six months ended July 3, 2009, based on historical experience.

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

	Six Months Ended July 2, 2010			
	Number of Shares	Weighted-Average Exercise Price	Weighted -- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (In-The-Money)
Outstanding at December 31, 2009	29.4	$ 7.48		
Assumed in acquisitions	2.9	8.23		
Grants	0.3	7.05		
Exercised	(1.3)	5.68		
Cancellations	(1.7)	12.49		
Outstanding at July 2, 2010	29.6	$ 7.33	5.2	$ 15.6
Exercisable at July 2, 2010	23.1	$ 7.40	4.5	$ 13.4

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Additional information about stock options outstanding at July 2, 2010 with exercise prices less than or above $6.31 per share, the closing price of the Company's common stock at July 2, 2010, is as follows (number of shares in millions):

	Exercisable		Unexercisable		Total	
Exercise Prices	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Less than $6.31	9.1	$ 4.84	3.4	$ 5.65	12.5	$ 5.06
Above $6.31	14.0	$ 9.06	3.1	$ 8.71	17.1	$ 9.00
Total outstanding	23.1	$ 7.40	6.5	$ 7.11	29.6	$ 7.33

Restricted Stock Units and Awards

Restricted stock units that vest over two to four years with service-based requirements as well as restricted stock units that vest based on performance-based requirements are payable in shares of the Company's common stock upon vesting. The following table presents a summary of the status of the Company's restricted stock units granted to certain officers, directors, and employees of the Company as of July 2, 2010, and changes during the quarter and six months ended July 2, 2010 (number of shares in millions):

	Quarter Ended July 2, 2010	
	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested shares of restricted stock units at December 31, 2009	15.1	$ 4.17
Granted	2.8	8.12
Released	(2.8)	4.08
Forfeited	(0.3)	4.57
Nonvested shares of restricted stock units at July 2, 2010	14.8	$ 6.65

During the six months ended July 2, 2010, the Company granted 0.1 million shares in restricted stock awards with a weighted average grant date fair value of $8.16 per share to members of the Board of Directors. The awards vested and were issued immediately upon the effective date of the grant.

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Employee Stock Purchase Plans

As of July 2, 2010, there were 5.8 million shares available for issuance under the 2000 Employee Stock Purchase Plan ("ESPP"). The weighted-average fair value of shares issued under the ESPP during the quarters and six months ended July 2, 2010 and July 3, 2009 were $1.82 per share and $1.48 per share, and $1.95 per share and $2.06 per share, respectively. The weighted-average assumptions used in the pricing model are as follows:

	Quarter Ended		Six Months Ended	
Employee Stock Purchase Plan	**July 2, 2010**	**July 3, 2009**	**July 2, 2010**	**July 3, 2009**
Expected life (in years)	0.25	0.25	0.25	0.25
Risk-free interest rate	0.2%	0.2%	0.1%	0.2%
Volatility	38.0%	96.0%	42.0%	108.0%

Share-Based Compensation Expense

Total share-based compensation expense, related to the Company's stock options, restricted stock units, restricted stock awards and employee stock purchase plan, recognized for the quarter and six months ended July 2, 2010 and July 3, 2009, respectively, was comprised as follows (in millions, except per share data):

	Quarter Ended		Six Months Ended	
	July 2, 2010	**July 3, 2009**	**July 2, 2010**	**July 3, 2009**
Cost of revenues	$ 3.3	$ 4.2	$ 6.6	$ 7.1
Research and development	2.7	3.1	5.2	5.5
Selling and marketing	2.0	2.8	4.6	4.8
General and administrative	7.0	6.0	12.3	11.4
Restructuring	0.4	—	0.4	—
Share-based compensation expense before income taxes	15.4	16.1	29.1	28.8
Related income tax benefits (1)	—	—	—	—
Share-based compensation expense, net of taxes	$15.4	$16.1	$ 29.1	$ 28.8

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

At July 2, 2010, total unrecognized share-based compensation expense, net of estimated forfeitures, related to non-vested stock options and non-vested restricted stock units granted prior to that date was $15.1 million and $29.1 million, respectively. The total intrinsic value of stock options exercised during the quarter and six months ended July 2, 2010 was $1.3 million and $3.0 million respectively. The Company recorded cash received from the exercise of stock options of $2.8 million and $7.3 million and cash from issuance of shares under the ESPP of $1.7 million and $3.3 million and recorded no related tax benefits during the quarter and six months ended July 2, 2010, respectively. Upon option exercise, restricted stock units vesting or completion of a purchase under the ESPP, the Company issues new shares of stock.

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Note 10: Commitments and Contingencies

Leases

The following is a schedule by year of future minimum lease obligations under non-cancelable operating leases as of July 2, 2010 (in millions):

Remainder of 2010	$ 8.8
2011	15.6
2012	13.3
2013	10.1
2014	6.1
Thereafter	21.9
Total (1)	$ 75.8

(1) Minimum payments have not been reduced by minimum sublease rentals of $0.1 million due in the future under subleases.

Other Contingencies

The Company's headquarters and manufacturing facility in Phoenix, Arizona is located on property that is a "Superfund" site, a property listed on the National Priorities List and subject to clean-up activities under the Comprehensive Environmental Response, Compensation, and Liability Act. Motorola is actively involved in the cleanup of on-site solvent contaminated soil and groundwater and off-site contaminated groundwater pursuant to consent decrees with the State of Arizona. As part of the August 4, 1999 recapitalization, Motorola has retained responsibility for this contamination, and has agreed to indemnify the Company with respect to remediation costs and other costs or liabilities related to this matter.

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

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

As a result of the acquisition of AMIS, the Company is a "primary responsible party" to an environmental remediation and cleanup at AMIS' former corporate headquarters in Santa Clara, California. Costs incurred by AMIS include implementation of the clean-up plan, operations and maintenance of remediation systems, and other project management costs. However, AMIS' former parent company, a subsidiary of Nippon Mining, contractually agreed to indemnify AMIS and the Company for any obligation relating to environmental remediation and cleanup at this location. The Company has not offset the receivable from Nippon Mining's subsidiary against the estimated liability on the consolidated balance sheets. Therefore, a receivable from Nippon Mining's subsidiary is recorded on the accompanying consolidated balance sheets as of July 2, 2010 related to this matter for approximately $0.1 million. The Company does not believe that the liability and receivable amounts are material to the Company's consolidated financial position, results of operations or cash flows.

A bank guarantee issued on behalf of the Company under a non-reusable commitment credit with the bank has an outstanding amount of $4.2 million as of July 2, 2010. The Belgian bank that issued the guarantee has the right to create a mortgage on the real property of one of the Company's European subsidiaries in the amount of $3.0 million but had not done so as of July 2, 2010. The Company also has outstanding guarantees and letters of credit outside of its non-reusable commitment credit totaling $12.6 million as of July 2, 2010.

As part of securing financing in the normal course of business, the Company issued guarantees related to its capital lease obligations which totaled approximately $21.7 million as of July 2, 2010. In addition, SCI LLC, the Company's primary domestic operating subsidiary, guarantees on an unsecured basis approximately $1.6 million of a loan by one of its Japanese subsidiaries. For its operating leases, the Company expects to make cash payments and similarly incur expenses totaling $75.8 million as future payments are made. The Company had not recorded any liability in connection with these operating leases, letters of credit and guarantee arrangements.

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

Indemnification Contingencies

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

The Company is a party to various agreements with Motorola which were entered into in connection with the Company's separation from Motorola. Pursuant to these agreements, the Company has agreed to indemnify Motorola for losses due to, for example, breach of representations and warranties and covenants, damages arising from assumed liabilities or relating to allocated assets, and for specified environmental matters. The Company's obligations under these agreements may be limited in terms of time and/or amount and payment by the Company is conditioned on Motorola making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge Motorola's claims.

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

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In connection with the acquisition of the LSI's Gresham, Oregon wafer fabrication facility, and ADI's PTC Business, we entered into various agreements with LSI and ADI, respectively. Pursuant to certain of these agreements, we agreed to indemnify LSI and ADI, respectively, for certain things limited in most instances by time and/or monetary amounts.

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

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

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

Legal Matters

The Company currently is involved in a variety of legal matters that arise in the normal course of business. Based on information currently available, management does not believe that the ultimate resolution of these matters, including the matters described or referred to in the next paragraphs, will have a material effect on the Company's financial condition, results of operations or cash flows. However, because of the nature and inherent uncertainties of litigation, should the outcome of these actions be unfavorable, the Company's business, consolidated financial position, results of operations or cash flows could be materially and adversely affected.

Securities Class Action Litigation

During the period July 5, 2001 through July 27, 2001, the Company was named as a defendant in three shareholder class action lawsuits that were filed in federal court in New York City against the Company and certain of its former officers, current and former directors and the underwriters of the Company's initial public offering. The lawsuits allege violations of the federal securities laws and have been docketed in the U.S. District Court for the Southern District of New York ("District Court") as: *Abrams v. ON Semiconductor Corp., et al., C.A. No 01-CV-6114; Breuer v. ON Semiconductor Corp., et al., C.A. No. 01-CV-6287;* and *Cohen v. ON Semiconductor Corp., et al.,* C.A. No. 01-CV-6942. On April 19, 2002, the plaintiffs filed a single consolidated amended complaint that supersedes the individual complaints originally filed. The amended complaint alleges, among other things, that the underwriters of the Company's initial public offering improperly required their customers to pay the underwriters' excessive commissions and to agree to buy additional shares of the Company's common stock in the aftermarket as conditions of receiving shares in the Company's initial public offering. The amended complaint further alleges that these supposed practices of the underwriters should have been disclosed in the Company's initial public offering prospectus and registration statement. The amended complaint alleges violations of both the registration and antifraud provisions of the federal securities laws and seeks unspecified damages. The Company understands that various other plaintiffs have filed substantially similar class action cases against approximately 300 other publicly-traded companies and their public offering underwriters in New York City, which have all been transferred, along with the case against the Company, to a single federal district court judge for purposes of coordinated case management. The Company believes that the claims against the Company are without merit and have defended, and intend to continue to defend, the litigation vigorously. The litigation process is inherently uncertain, however, and the Company cannot guarantee that the outcome of these claims will be favorable for it.

On July 15, 2002, together with the other issuer defendants, the Company filed a collective motion to dismiss the consolidated, amended complaints against the issuers on various legal grounds common to all or most of the issuer defendants. The underwriters also filed separate motions to dismiss the claims against them. In addition, the parties have stipulated to the voluntary dismissal without prejudice of the Company's individual former officers and current and former directors who were named as defendants in the Company's litigation, and they are no longer parties to the litigation. On February 19, 2003, the District Court issued its ruling on the motions to dismiss filed by the underwriter and issuer defendants. In that ruling the District Court granted in part and denied in part those motions. As to the claims brought against the Company under the antifraud provisions of the securities laws, the District Court dismissed all of these claims with prejudice, and refused to allow plaintiffs the opportunity to re-plead these claims. As to the claims brought under the registration provisions of the securities laws, which do not require that intent to defraud be pleaded, the District Court denied the motion to dismiss these claims as to the Company and as to substantially all of the other issuer defendants as well. The District Court also denied the underwriter defendants' motion to dismiss in all respects.

In June 2003, upon the determination of a special independent committee of the Company's Board of Directors, the Company elected to participate in a proposed settlement with the plaintiffs in this litigation. Had it been approved by the District Court, this proposed settlement would have resulted in the dismissal, with prejudice, of all claims in the litigation against the Company and against any of the other issuer defendants who elected to participate in the proposed settlement, together with the current or former officers and directors of participating issuers who were named as individual defendants. This proposed issuer settlement was conditioned on, among other things, a ruling by the District Court that the claims against the Company and against the other issuers who had agreed to the settlement would be certified for class action treatment for purposes of the proposed settlement, such that all investors included in the proposed classes in these cases would be bound by the terms of the settlement unless an investor opted to be excluded from the settlement in a timely and appropriate fashion.

On December 5, 2006, the U.S. Court of Appeals for the Second Circuit ("Court of Appeals") issued a decision in *In re Initial Public Offering Securities Litigation* that six purported class action lawsuits containing allegations substantially similar to those asserted against the Company could not be certified as class actions due, in part, to the Court of Appeals' determination that individual issues of reliance and knowledge would predominate over issues common to the proposed classes. On January 8, 2007, the plaintiffs filed a petition seeking rehearing *en banc* of this ruling. On April 6, 2007, the Court of Appeals denied the plaintiffs' petition for rehearing of the Court of Appeals' December 5, 2006 ruling. The Court of Appeals, however, noted that the plaintiffs remained free to ask the District Court to certify classes different from the ones originally proposed which might meet the standards for class certification that the Court of Appeals articulated in its December 5, 2006 decision. In light of the Court of Appeals' December 5, 2006 decision regarding certification of the plaintiffs' claims, the District Court entered an order on June 25, 2007 terminating the proposed settlement between the plaintiffs and the issuers, including the Company.

On August 14, 2007, the plaintiffs filed amended complaints in the six focus cases. The issuer defendants and the underwriter defendants separately moved to dismiss the claims against them in the amended complaints in the six focus cases. On March 26, 2008, the District Court issued an order in which it denied in substantial part the motions to dismiss the amended complaints in the six focus cases.

On February 25, 2009, the parties advised the District Court that they had reached an agreement-in-principle to settle the litigation in its entirety. A stipulation of settlement was filed with the District Court on April 2, 2009. On June 9, 2009, the District Court preliminarily approved the proposed global settlement. Notice was provided to the class, and a settlement fairness hearing, at which members of the class had an opportunity to object to the proposed settlement, was held on September 10, 2009. On October 6, 2009, the District Court issued an order granting final approval to the settlement. That order remains subject to appeal. Several appeals have been filed objecting to the definition of the settlement class and fairness of the settlement, and those appeals remain pending. The settlement calls for a total payment of $586 million from all defendants, including underwriters, of which $100 million is allocated to the approximately 300 issuer defendants. Under the settlement, the Company's insurers are to pay the full amount of settlement share allocated to the Company, and the Company would bear no financial liability. The Company, as well as the officer and director defendants (current and former) who were previously dismissed from the action pursuant to tolling agreements, are to receive complete dismissals from the case. While the Company can make no assurances or guarantees as to the outcome of these proceedings, based upon the Company's current knowledge, the Company believes that the final result of this action will have no material effect on the Company's consolidated financial position, results of operations or cash flows.

Other Litigation

On January 27, 2010, the Company completed its acquisition of all of the outstanding shares of common stock of CMD through a cash tender offer of $4.70 per share which was then followed by the merger of Purchaser (defined below) and CMD, in accordance with the December 14, 2009 definitive merger agreement ("Merger Agreement") which the Company previously announced it had entered into with CMD ("Transaction"). Shortly after the Company signed the Merger Agreement and announced the tender offer, the Company was named as a defendant in three purported class action lawsuits, described below, filed in California and Delaware against it, CMD, CMD's Board of Directors and Pac-10 Acquisition Corporation, its direct, wholly-owned subsidiary ("Purchaser").

On December 14, 2009, a purported class action lawsuit was filed in the Superior Court of Santa Clara County, California ("Court") captioned *Robert Varrenti, et al. v. Robert Dickinson, Edward Ross, John Sprague, David Wittrock, David Sear, Jon Castor, John Fichthorn, J. Michael Gullard, Kenneth Potashner, California Micro Devices, ON Semiconductor Corporation and Pac-10 Acquisition Corporation* (No. 109CV159469). On December 29, 2009, the plaintiff filed an amended complaint. On December 21, 2009, a second purported class action lawsuit was filed in the Court of Chancery in the State of Delaware captioned *Annamarie Medeiros et al. v. California Micro Devices, Jon S. Castor, Robert V. Dickinson, Edward C. Ross, John Fichthorn, J. Michael Gullard, Kenneth Potashner, David L. Wittrock, Pac-10 Acquisition Corporation and ON Semiconductor Corporation* (No. 5159). On January 4, 2010, a third purported class action lawsuit was filed in the Court of Chancery in the State of Delaware captioned *Sanjay Israni, et al. v. California Micro Devices, Robert V. Dickinson, Edward C. Ross, Jon S. Castor, John Fichthorn, J. Michael Gullard, Kenneth Potashner, David L. Wittrock, ON Semiconductor Corporation and Pac-10 Acquisition Corporation* (No. 5181). All three lawsuits contain similar allegations, stating generally that the proposed Transaction is the product of a breach of fiduciary duties by CMD's Board of Directors by failing to adequately discharge their duties in negotiating and agreeing to the Transaction and that the Company and the Purchaser assisted in that breach. All three lawsuits requested an injunction enjoining the consummation of the Transaction. The *Israni* complaint also included a request for damages.

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On January 19, 2010, the parties entered into a memorandum of understanding ("MOU") to settle the three lawsuits and on February 18, 2010, the parties entered into a stipulation of settlement ("Stipulation"). The settlement, like the MOU, calls for CMD to agree to make available to shareholders certain additional information, which has been completed, and CMD or its insurer to agree to pay plaintiffs' counsel for fees and expenses not to exceed $495,000. The Company expects CMD's insurer to pay $245,000 of this total amount. This payment did not affect the amount of consideration paid to the stockholders of CMD in connection with the Transaction. See the MOU document at Exhibit 10.1 to CMD's Form 8-K filed with the SEC on January 20, 2010, and see a summary of the MOU in the Company's Amendment No. 3 to Schedule TO filed with the SEC on January 20, 2010, which summary is incorporated by reference herein. The Stipulation was filed with the Court on March 29, 2010 and a hearing to preliminarily approve the settlement was held on May 7, 2010. On May 25, 2010, the Court preliminarily approved the Stipulation and scheduled a settlement hearing on July 23, 2010. At that July 23, 2010 hearing, the court approved the settlement, but requested additional information from the plaintiffs regarding fees and expenses.

The defendants maintain that the lawsuits are completely without merit. Nevertheless, the defendants agreed to the settlement in order to avoid costly litigation, eliminate the risk of delaying the closing of the Transaction, and because the only effect of the settlement on CMD stockholders was to provide additional disclosure. While the Company can make no assurances or guarantees as to the outcome of these proceedings, based upon its current knowledge, the Company believes that the final result of this action will have no material effect on the Company's consolidated financial position, results of operations or cash flows.

Intellectual Property Matters

The Company faces risk to exposure from claims of infringement of the intellectual property rights of others. In the ordinary course of business, the Company receives letters asserting that its products or components breach another party's rights. These threats may seek that the Company makes royalty payments, that it stop use of such rights, or other remedies.

Prior to the acquisition of AMIS by the Company on March 17, 2008, in January 2003, Ricoh Company, Ltd. ("Ricoh") filed in the U.S. District Court for the District of Delaware a complaint against AMIS and other parties (including Synopsys, Inc. ("Synopsys")), alleging infringement of a patent owned by Ricoh. AMIS promptly tendered the defense of this claim to Synopsys, and Synopsys agreed to assume the defense of the case on AMIS' behalf to the extent that the Synopsys software that AMIS licensed from Synopsys is alleged to constitute the basis of Ricoh's claim of infringement. The case has been transferred to the U.S. District Court for the Northern District of California. Ricoh is seeking an injunction and damages in an unspecified amount relating to such alleged infringement. The patents relate to certain methodologies for the automated design of custom semiconductors. The case was scheduled to go to trial in March 2007; however, in December 2006, the court issued an order staying the case pending a re-examination proceeding filed by Synopsys before the U.S. Patent & Trademark Office ("PTO") challenging the validity of the patent claims at issue in this case. Since that time, Synopsys filed a total of three re-examination petitions with the PTO challenging the validity of the claims at issue which the PTO granted and consolidated all three re-examinations into one proceeding before a single examiner. The re-examination proceeding was completed in September 2008, and the PTO examiner issued a final rejection of all claims in the asserted patent over prior art. Ricoh has appealed that final rejection to the PTO Board of Appeals, which has yet to schedule a hearing date. In April 2008, the court lifted the stay despite the ongoing re-examination proceeding in the PTO. In September 2008, the court granted defendants' request to refile a summary judgment motion on non-infringement that had been vacated as moot when the stay was imposed in December 2006. On March 6, 2009, the judge issued a ruling denying the summary judgment motion without prejudice because of a factual dispute over a patent claim element. After an exchange of briefs by the

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parties related to the disputed claim element, the judge held a further hearing on the matter on June 12, 2009. On October 23, 2009, the judge issued his ruling on the disputed claim element. Based on the judge's ruling, Synopsys filed another motion for summary judgment on non-infringement on January 8, 2010. A hearing on that motion was held on March 8, 2010 and on April 14, 2010 the judge granted Synopsys' motion for summary judgment. On April 28, 2010 Ricoh filed a motion for reconsideration on the summary judgment ruling. On May 28, 2010, the judge denied the Ricoh motion and entered final judgment in Synopsis' favor for non-infringement. Ricoh subsequently filed a Notice of Appeal on June 23, 2010. Counsel for Synopsis expects an appeal briefing to occur during the fall with a decision on the appeal likely in the spring of 2011. The Company believes that the asserted claims are without merit, and even if meritorious, that the Company will be indemnified against damages by Synopsys, and that resolution of this matter will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Note 11: Recent Accounting Pronouncements

In April 2010, FASB issued ASU No. 2010-17, "Revenue Recognition—Milestone Method," which is included in ASC 605—Milestone Method of Revenue Recognition. This ASU codifies the consensus reached in EITF 08-9, "Milestone Method of Revenue Recognition" ("EITF 08-9"), and addresses the accounting when entities enter into revenue arrangements with multiple payment streams for a single deliverable or a single unit of accounting. The pronouncement shall be applied prospectively to milestones achieved in fiscal years, and interim periods within those years, after June 15, 2010, with earlier application and retrospective application permitted. The Company is currently assessing the impact of ASU No. 2010-17 on its financial position and results of operations.

Note 12: Fair Value of Financial Instruments

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of July 2, 2010 and December 31, 2009 (in millions):

Description	Balance as of July 2, 2010	Quoted Prices in Active Markets (Level 1)	Balance as of December 31, 2009	Quoted Prices in Active Markets (Level 1)
Assets:				
Cash and cash equivalents:				
Demand and time deposits	$ 261.4	$ 261.4	$ 172.2	$ 172.2
Money market funds	69.2	69.2	42.0	42.0
US government treasury obligations	136.5	136.5	311.5	311.5
Short-term investments				
Commercial paper	—	—	20.0	20.0
Treasuries and agencies	—	—	25.5	25.5
Total cash, cash equivalents and short-term investments	$ 467.1	$ 467.1	$ 571.2	$ 571.2
Other Current Assets				
Foreign currency exchange contracts	0.9	0.9	0.4	0.4
Total financial assets	$ 468.0	$ 468.0	$ 571.6	$ 571.6
Liabilities:				
Foreign currency exchange contracts	$ 1.2	$ 1.2	$ 0.5	$ 0.5

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The Company's financial assets and liabilities are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Cash and cash equivalents are short-term, highly liquid investments with original or remaining maturities of three months or less when purchased.

As of July 2, 2010 the Company held no direct investments in auction rate securities, collateralized debt obligations, structured investment vehicles or mortgage-backed securities.

Long-Term Debt, Including Current Portion

The carrying amounts and fair values of the Company's long-term borrowings (excluding capital lease obligations) at July 2, 2010 and December 31, 2009 are as follows (in millions):

	July 2, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion				
Level 1	$ 562.9	$644.7	$ 562.4	$771.7
Level 2	$ —	$ —	$ 170.2	$163.8
Level 3	$ 119.6	$116.6	$ 122.3	$114.4

The following is a rollforward of fair value measurement using significant unobservable inputs (Level 3) of long-term debt, including current portion from December 31, 2009 to July 2, 2010 (in millions):

Beginning balance as of December 31, 2009	$114.4
Gain (loss) recorded during 2010	0.2
Gain (loss) not recorded during 2010	5.0
New debt	23.1
Principal payments	(26.1)
Ending balance as of July 2, 2010	$116.6

The fair value of Level 3 financial instruments was determined by discounting the remaining payments of the outstanding debt using estimated current rates at July 2, 2010.

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Note 13: Segment Information

Revenues, gross profit and operating income for the Company's reportable segments for the three and six months ended July 2, 2010 and July 3, 2009, respectively, are as follows (in millions):

	Automotive & Power Group	Computing & Consumer Group	Digital & Mixed-Signal Product Group	Standard Products Group	Total
For quarter ended July 2, 2010:					
Revenues from external customers	$ 139.2	$ 134.1	$ 116.1	$ 193.9	$ 583.3
Segment gross profit	$ 51.9	$ 61.6	$ 74.0	$ 67.8	$ 255.3
Segment operating income	$ 23.7	$ 31.7	$ 32.7	$ 36.7	$ 124.8
For quarter ended July 3, 2009:					
Revenues from external customers	$ 93.0	$ 94.5	$ 99.7	$ 132.6	$ 419.8
Segment gross profit	$ 25.2	$ 30.4	$ 54.7	$ 38.4	$ 148.7
Segment operating income (loss)	$ (1.0)	$ 3.7	$ 19.7	$ 17.7	$ 40.1

	Automotive & Power Group	Computing & Consumer Group	Digital & Mixed-Signal Product Group	Standard Products Group	Total
For six months ended July 2, 2010:					
Revenues from external customers	$ 265.1	$ 258.3	$ 238.1	$ 372.0	$1,133.5
Segment gross profit	$ 96.7	$ 114.5	$ 152.2	$ 133.6	$ 497.0
Segment operating income	$ 39.3	$ 52.4	$ 67.9	$ 75.8	$ 235.4
For six months ended July 3, 2009:					
Revenues from external customers	$ 177.7	$ 180.3	$ 189.7	$ 251.2	$ 798.9
Segment gross profit	$ 47.5	$ 57.2	$ 100.1	$ 66.4	$ 271.2
Segment operating income (loss)	$ (3.5)	$ 6.0	$ 32.0	$ 28.1	$ 62.6

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Depreciation and amortization expense is included in segment operating income. Reconciliations of segment gross profit and segment operating income to the financial statements are as follows (in millions):

	Quarter Ended	
	July 2, 2010	July 3, 2009
Gross profit for reportable segments	$255.3	$148.7
Unallocated amounts:		
Other unallocated manufacturing costs	(11.5)	(10.5)
Gross profit	$243.8	$138.2
Operating income for reportable segments	$124.8	$ 40.1
Unallocated amounts:		
Restructuring and other charges	(2.3)	(8.1)
Other unallocated manufacturing costs	(11.5)	(10.5)
Other unallocated operating expenses	(9.5)	(7.8)
Operating income	$101.5	$ 13.7

	Six Months Ended	
	July 2, 2010	July 3, 2009
Gross profit for reportable segments	$497.0	$271.2
Unallocated amounts:		
Other unallocated manufacturing costs	(25.1)	(20.9)
Gross profit	$471.9	$250.3
Operating income for reportable segments	$235.4	$ 62.6
Unallocated amounts:		
Restructuring and other charges	(6.1)	(17.7)
Other unallocated manufacturing costs	(25.1)	(20.9)
Other unallocated operating expenses	(18.5)	(14.9)
Operating income	$185.7	$ 9.1

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

	Quarter Ended	
	July 2, 2010	July 3, 2009
United States	$ 117.9	$ 84.2
The Other Americas	2.8	1.6
United Kingdom	92.8	53.8
Belgium	—	0.6
China	199.4	146.1
Singapore	134.0	96.5
The Other Asia/Pacific	36.4	37.0
	$ 583.3	$ 419.8

	Six Months Ended	
	July 2, 2010	July 3, 2009
United States	$ 237.1	$ 197.9
The Other Americas	4.5	2.1
United Kingdom	186.7	101.5
Belgium	0.1	28.7
China	371.6	246.2
Singapore	264.2	158.7
The Other Asia/Pacific	69.3	63.8
	$ 1,133.5	$ 798.9

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

	July 2, 2010	December 31, 2009
United States	$193.8	$ 170.7
China	96.8	94.9
Europe	107.9	109.5
Malaysia	130.8	114.3
The Other Asia/Pacific	143.6	105.9
Japan	69.2	68.8
Belgium	38.2	38.7
The Other Americas	4.6	2.7
	$784.9	$ 705.5

For the quarter and six months ended July 2, 2010, one of the Company's customers accounted for 12% of the Company's total revenues. For the quarter and six months ended July 3, 2009, one of the Company's customers accounted for 11% of the Company's total revenues.

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Note 14: Subsequent Events

On July 14, 2010, the Company announced it had entered into a definitive purchase agreement with SANYO Electric Co., Ltd, a Japanese corporation ("SANYO Electric"), providing for the acquisition of SANYO Semiconductor Co., Ltd., a Japanese corporation and subsidiary of SANYO Electric ("SANYO Semiconductor"), and other assets related to SANYO Electric's semiconductor business. The purchase is expected to be financed through cash and stock with a purchase price of approximately ¥33.0 billion ($366.0 million), with ¥11.6 billion ($129.0 million) in cash and approximately ¥21.4 billion ($238.0 million) worth of shares of ON Semiconductor common stock. Based on an agreed upon fixed price per share of ¥605.92 ($6.78), this would result in approximately 35.3 million shares of common stock being issued to SANYO Electric at the closing of the transaction. In addition, at the closing, the Company may substitute cash in lieu of all, or any portion of the shares of common stock.

The Company is expected to acquire approximately ¥36.5 billion ($406.0 million) of net working capital excluding cash, plus approximately ¥15.4 billion ($171.0 million) of cash. In addition, the Company will assume approximately ¥12.8 billion ($142.0 million) of bank debt as well as unfunded pension obligations of approximately ¥14.5 billion ($161.0 million). The transaction, which is subject to regulatory approvals and closing conditions, is expected to close during the fourth quarter of 2010.

The Company believes that this acquisition will provide it with access to market-leading Japanese and Asian customers, while providing SANYO Semiconductor customers with access to advanced front-end mixed-signal and analog manufacturing, and ultra high volume back-end facilities. The Company also believes that the combination of SANYO Semiconductor's operations with the Company's operations will provide the Company with highly complementary products, customers and geographic regions.

The purchase price is payable in Yen. All US dollar amounts reflected above are based on $1 USD to ¥90.2 exchange rate on the date of the announcement. US dollar amounts above will be adjusted based on the prevailing exchange rates on the date of closing.

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

You should read the following discussion in conjunction with our audited historical consolidated financial statements, which are included in our Form 10-K, filed with the SEC on February 25, 2010, and our unaudited consolidated financial statements for the fiscal quarter ended July 2, 2010, included elsewhere in this Form 10-Q. Management's Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risks, uncertainties and other factors. Actual results could differ materially because of certain factors discussed below or elsewhere in this Form 10-Q. See Part II, Item 1A. "Risk Factors" of this Form 10-Q and our most recent Form 10-K.

Company Highlights for the Quarter Ended July 2, 2010

- Total quarterly revenues of approximately $583.3 million, an increase of approximately 6% from the first quarter of 2010
- Record GAAP gross margin of 41.8%
- GAAP net income of $0.18 per fully diluted share
- Prepaid the senior bank facility totaling approximately $169.8 million
- Completed the acquisition of Sound Design Technologies, Ltd. for approximately $22.0 million in cash.
- Announcement of definitive purchase agreement to acquire SANYO Semiconductor Co., Ltd, a Japanese corporation ("SANYO Semiconductor") for approximately ¥33.0 billion.

Executive Overview

This Executive Overview presents summary information regarding our industry, markets and operating trends only. For further information regarding the events summarized herein, you should read "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its entirety.

Industry Overview

We participate in unit and revenue surveys and use data summarized by the World Semiconductor Trade Statistics ("WSTS") group to evaluate overall semiconductor market trends and also to track our progress against the total market in the areas we provide semiconductor components. The most recently published estimates of WSTS project a compound annual revenue growth rate in our total addressable market of approximately 4.9% during 2010 through 2013. These are not our projections and may not be indicative of actual results, but we, like many of our competitors, use this information as useful, third-party projections and estimates.

Business and Company Overview

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

We serve a broad base of end-user markets, including power supply, automotive, communications, computer, consumer, medical, industrial, mobile phone and military/aerospace. Applications for our products in these markets include portable electronics, computers, game stations, servers, automotive and industrial automation control systems, routers, switches, storage-area networks and automated test equipment.

Our extensive portfolio of devices enables us to offer advanced integrated circuits and the “building block” components that deliver system level functionality and design solutions. Our product portfolio currently comprises approximately 42,000 products and we shipped approximately 18.9 billion units during the first six months of 2010 as compared to approximately 12.7 billion units in the first six months of 2009. We specialize in micro packages, which offer increased performance characteristics while reducing the critical board space inside today’s ever shrinking electronic devices. We believe that our ability to offer a broad range of products provides our customers with single source purchasing on a cost-effective and timely basis.

Acquisitions

On July 14, 2010, we announced we had entered into a definitive purchase agreement with SANYO Electric Co., Ltd, a Japanese corporation (“SANYO Electric”), providing for the acquisition of SANYO Semiconductor Co., Ltd., a Japanese corporation and subsidiary of SANYO Electric (“SANYO Semiconductor”), and other assets related to SANYO Electric’s semiconductor business (the “SANYO Transaction”). The purchase is expected to be financed through cash and stock with a purchase price of approximately ¥33.0 billion ($366.0 million), with ¥11.6 billion ($129.0 million) in cash and approximately ¥21.4 billion ($238.0 million) worth of shares of ON Semiconductor common stock. Based on an agreed upon fixed price per share of $6.78, this would result in approximately 35.3 million shares being issued to SANYO Electric at closing of the transaction. In addition, at closing, we may substitute cash in lieu of all, or any portion of the shares of common stock.

We are expecting to assume approximately ¥36.5 billion ($406.0 million) of net working capital excluding cash, plus approximately ¥15.4 billion ($171.0 million) of cash. In addition, we will assume approximately ¥12.8 billion ($142.0 million) of bank debt as well as unfunded pension obligations of approximately $161.0 million (¥14.5 billion). The transaction, which is subject to regulatory approvals and closing conditions, is expected to close at the end of the fourth quarter of 2010.

We believe that this acquisition will provide us with access to market-leading Japanese and Asian customers, while providing SANYO Semiconductor customers with access to advanced front-end mixed-signal and analog manufacturing, and ultra high volume back-end facilities. Ultimately, we believe that the combination of SANYO Semiconductor operations with our own will provide us with highly complementary products, customers and geographic regions.

The purchase price is payable in Yen. All US dollar amounts reflected above are based on $1 USD to ¥90.2 exchange rate on the date of the announcement. US dollar amounts above will be adjusted based on the prevailing exchange rates on the date of closing.

On June 9, 2010, we completed the purchase of Sound Design Technologies, Ltd. (“SDT”), whereby SDT became our wholly-owned subsidiary. The aggregate purchase price of this all cash transaction was approximately $22.0 million. We believe that this acquisition solidifies our position as a leading supplier of ultra-low power digital processing (DSP) technology for hearing aids and audio processing applications, strengthens our talent base and adds an experienced design and applications engineering team for medical devices within our digital and mixed-signal products group. In addition, SDT’s advanced manufacturing expertise in chip-scale capacitors and high density packaging will also expand our capabilities in delivering advanced, highly miniaturized packaging technology crucial for hearing aid and similarly size-constrained applications that demand medical-grade quality.

On January 27, 2010, we completed the purchase of California Micro Devices Corporation (“CMD”), pursuant to a tender offer at a price of $4.70 per share of CMD stock, whereby CMD became our wholly-owned subsidiary. The aggregate purchase price of this all-cash transaction was approximately $113.2 million. We believe that the combination will significantly strengthen our offering of application specific integrated passive (ASIP) devices to protect products in the wireless, computing and consumer electronics end-markets. In addition, CMD's expertise in protection solutions for the high brightness LED (HBLED) market and its strengths in inductor capacitor-based EMI (electromagnetic interference) filtering and low capacitance ESD (electrostatic discharge) protection, complement our existing portfolio of protection and lighting solutions.

Segments

We are organized into four operating segments, which also represent four reporting segments: automotive and power group, standard products, computing and consumer products and digital and mixed-signal product group. Each of our major product lines has been assigned to a segment, as illustrated in the table below, based on our operating strategy. Because many products are sold into different end markets, the total revenue reported for a segment is not indicative of actual sales in the end market associated with that segment, but rather is the sum of the revenues from the product lines assigned to that segment. From time to time we reassess the alignment of our product families and devices to our operating segments and may move product families or individual devices from one operating segment to another.

Automotive & Power Group	Computing & Consumer Products	Digital & Mixed-Signal Products Group	Standard Products
MOSFETs	DC-DC Conversion	Medical	Bipolar Power
Analog Automotive	Analog Switches	Integrated Sensor Products ("ISP")	Thyristor
Auto Power	AC-DC Conversion	Military & Aerospace	Small Signal
LDO & Vregs	Low Voltage	Industrial	Zener
Mixed-Signal Automotive	Standard Logic	Communications & High Voltage	Protection
	Power Switching	High Frequency	Rectifier
	Signal & Interface	Foundry and Manufacturing Services	Filters
			Memory Products

We have approximately 383 direct customers worldwide, and we also service approximately 261 significant original equipment manufacturers indirectly through our distributor and electronic manufacturing service provider customers. Our direct and indirect customers include: (1) leading original equipment manufacturers in a broad variety of industries, such as Continental Automotive Systems, Delta, Samsung, Hella, LG Electronics, Motorola, Boston Scientific, Delphi, Huawei Technology, Seagate Technology, Sony Ericsson, Bosch, General Electric, Raytheon, Alcatel, Siemens, and Visteon; (2) electronic manufacturing service providers, such as Flextronics, Jabil, Sanmina; and (3) global distributors, such as Avnet, World Peace, Arrow, Wintech, Yosun, EBV Elektronik, and Future.

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

New Product Innovation

As a result of the success of our research and development initiatives, excluding the introduction of lead-free products, we introduced 247 new product families in 2009. During the six months ended July 2, 2010, we introduced an additional 110 new product families. Our new product development efforts continue to be focused on building solutions in power management that appeal to customers in focused market segments and across multiple high growth applications. As always, it is our practice to regularly re-evaluate our research and development spending, to assess the deployment of resources and to review the funding of high growth technologies regularly. We deploy people and capital with the goal of maximizing our investment in research and development in order to position us for continued growth. As a result, we often invest at the greatest opportunity to refresh existing products in our commodity logic, analog, and discrete products. We invest in these initiatives when we believe there is a strong customer demand or opportunities to innovate our current portfolio in high growth markets and applications.

Cost Savings and Restructuring Activities

We continue to implement profitability enhancement programs to improve our cost structure and, as a result, we expect to rank, as compared to our primary competitors, among the lowest in terms of cost structure.

Our profitability enhancement programs will continue to focus on:

- transferring production to lower cost regions;
- increasing die manufacturing capacity in a cost-effective manner by moving production from 6” wafers to 8” wafers and smaller geometrics resulting in an increase to the number of die per wafer;
- reducing the number of product platforms and process flows; and
- Focusing production on profitable product families.

Macroeconomic Environment

While we have recognized efficiencies from implemented restructuring activities and continue to implement profitability enhancement programs to improve our cost structure, the United States and global economy continues to undergo a period of unprecedented volatility. In addition, the semiconductor industry has traditionally been highly cyclical and has often experienced significant downturns in connection with, or in anticipation of, declines in general economic conditions. These macroeconomic factors have affected our customers and suppliers, which in turn has affected our business, including sales, the collection of receivables, and results of operations. Although we view many of these macroeconomic environment issues as temporary, our continuing outlook for the future will ultimately affect our future emphasis on marketing to various industries, our future research and development efforts into new product lines and our segments in general.

Outlook

Based on current booking trends, backlog levels and estimated turns levels, we anticipate that total revenues will be approximately $585.0 million to $610.0 million in the third quarter of 2010. Backlog levels at the beginning of the third quarter of 2010 were up from backlog levels at the beginning of the second quarter of 2010 and represent over 90% of our anticipated third quarter 2010 revenues. We expect average selling prices for the third quarter of 2010 will be approximately flat compared to the second quarter of 2010. We expect cash capital expenditures of approximately $50.0 million in the third quarter of 2010.

For the third quarter of 2010, we expect gross profit as a percentage of revenues to be approximately 42.2% to 42.7%. For the third quarter of 2010, we also expect total operating expenses of approximately $141.0 million to $145.0 million, which includes amortization of acquisition-related intangible assets, restructuring and other charges of $10.0 million.

We anticipate interest expense, net of interest income, and other expenses will be approximately $18.0 million for the third quarter of 2010, which includes non-cash interest expense of approximately $8.0 million relating to our convertible senior subordinated notes. We expect provision for income taxes to be approximately $4.0 million in the third quarter of 2010, with cash payments of income taxes to be approximately $3.0 million in the third quarter of 2010. We also expect share-based compensation expense of approximately $13.0 million to $14.0 million in the third quarter of 2010.

Results of Operations

Quarter Ended July 2, 2010 Compared to Quarter Ended July 3, 2009

The following table summarizes certain information relating to our operating results that has been derived from our unaudited consolidated financial statements for the quarters ended July 2, 2010 and July 3, 2009. The amounts in the following table are in millions:

	Quarter ended		
	July 2, 2010	July 3, 2009	Dollar Change
Revenues	$583.3	$419.8	$ 163.5
Cost of revenues	339.5	281.6	57.9
Gross profit	243.8	138.2	105.6
Operating expenses:			
Research and development	60.1	50.7	9.4
Selling and marketing	36.5	28.4	8.1
General and administrative	35.3	30.0	5.3
Amortization of acquisition-related intangible assets	8.1	7.3	0.8
Restructuring, asset impairments and other net	2.3	8.1	(5.8)
Total operating expenses	142.3	124.5	17.8
Operating income	101.5	13.7	87.8
Other income (expenses):			
Interest expense	(14.5)	(15.7)	1.2
Interest income	0.1	0.2	(0.1)
Other	(3.4)	(0.5)	(2.9)
Loss on debt repurchase	(0.7)	(0.9)	0.2
Other income (expenses), net	(18.5)	(16.9)	(1.6)
Income (loss) before income taxes and minority interests	83.0	(3.2)	86.2
Income tax benefit (provision)	(3.4)	1.0	(4.4)
Net income (loss)	79.6	(2.2)	81.8
Net income attributable to minority interests	(0.9)	(0.8)	(0.1)
Net income (loss) attributable to ON Semiconductor Corporation	$ 78.7	$ (3.0)	$ 81.7

Revenues

Revenues were $583.3 million and $419.8 million during the quarters ended July 2, 2010 and July 3, 2009, respectively. The increase in the second quarter of 2010 as compared to the second quarter of 2009 was primarily due to an increase in volume and mix of 40% combined with increased revenues from our acquisition of SDT, CMD and PulseCore of $15.3 million, or 4%, partially offset by decreases in average selling prices of approximately 5%. The revenues by reportable segment were as follows (dollars in millions):

	Quarter Ended July 2, 2010	As a % Revenue	Quarter Ended July 3, 2009	As a % Revenue (1)	Dollar Change	% Change
Automotive and Power Group	$ 139.2	24%	$ 93.0	22%	$ 46.2	50%
Computing and Consumer Group	134.1	23%	94.5	23%	39.6	42%
Digital and Mixed-Signal Product Group	116.1	20%	99.7	24%	16.4	16%
Standard Products Group	193.9	33%	132.6	32%	61.3	46%
Total revenues	$ 583.3		$ 419.8		$163.5	

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

Revenues from automotive power group increased $46.2 million, or 50%, in the second quarter of 2010 as compared to the second quarter of 2009. The increase is attributed to increases in revenues from mixed signal automotive products of 61%, MOSFETs of 38%, analog automotive products of 84%, LDO and voltage regulator products of 46% and auto power products of 35%.

Revenues from computing and consumer products increased $39.6 million, or 42%, in the second quarter of 2010 as compared to the second quarter of 2009. The increase is attributed to increases in revenues from signal and interface products of 52%, power switch products of 44%, standard logic products of 79%, AC to DC conversion products of 39%, DC to DC conversion products of 37%, analog switch products of 21% and low voltage power products of 7%.

Revenues from digital and mixed-signal product group increased $16.4 million, or 16%, in the second quarter of 2010 as compared to the second quarter of 2009. The increase is attributed to increases in revenues from industrial products of 68%, high frequency products of 22%, foundry products of 12%, revenues from the recent acquisition of SDT, military and aerospace products of 4%, revenues from acquisition of PulseCore Holdings (Cayman) Inc. ("PulseCore") of 100% and manufacturing service products revenues of 11%, partially offset by decreases in revenues from integrated sensor products of3% and communication and high voltage products of 25%.

Revenues from standard products increased $61.3 million, or 46%, in the second quarter of 2010 as compared to the second quarter of 2009. The increase is attributed to increases in revenues from rectifier products of 57%, products from acquisition of CMD of 100%, small signal products of 22%, zener products of 64%, protection products of 28%, thyristor products of 72%, bipolar power products of 34% and products from acquisition of Catalyst Semiconductor, Inc. ("Catalyst") of 7%, partially offset by decreases in revenues from filters of 6%.

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

	Quarter Ended July 2, 2010	As a % Revenue	Quarter Ended July 3, 2009	As a % Revenue
Americas	$ 120.7	21%	$ 85.8	20%
Asia/Pacific	369.7	63%	279.6	67%
Europe	92.9	16%	54.4	13%
Total	$ 583.3	100%	$ 419.8	100%

A majority of our end customers, served directly or through distribution channels, are manufacturers of electronic devices. For the quarter ended July 2, 2010, we had one customer that accounted for approximately 12% of our total revenues. For the quarter ended July 3, 2009, we had one customer that accounted for 11% our total revenues.

Gross Profit

Our gross profit was $243.8 million in the second quarter of 2010 compared to $138.2 million in the second quarter of 2009. As a percentage of revenues, our gross profit was 41.8% in the second quarter of 2010 as compared to 32.9% in the second quarter of 2009. Gross profit as a percentage of revenues increased during the second quarter of 2010 as compared to the second quarter of 2009 primarily due to increases in volume driving better factory utilization, cost savings from profitability enhancement programs, combined with lower expensing of fair market value step up of inventory in the second quarter of 2010 as compared to the first quarter of 2009, partially offset by a 1% decrease in average selling prices in the second quarter of 2010. The gross profit by reportable segment in each of these quarters are as follows (dollars in millions):

	Quarter Ended July 2, 2010	As a % Net Revenue	Quarter Ended July 3, 2009	As a % Net Revenue	Dollar Change	% Change
Automotive & Power Group	$ 51.9	8.9%	$ 25.2	6.0%	$ 26.7	106%
Computing and Consumer Products	61.6	10.6%	30.4	7.2%	31.2	103%
Digital & Mixed-Signal Product Group	74.0	12.7%	54.7	13.0%	19.3	35%
Standard Products	67.8	11.6%	38.4	9.1%	29.4	77%
Gross profit by segment	255.3		148.7		$ 106.6	
Unallocated						
Manufacturing	(11.5)	-2.0%	(10.5)	-2.5%		
Total gross profit	$ 243.8	41.8%	$ 138.2	32.9%		

Gross profit from automotive and power group increased $26.7 million, or 106%, in the second quarter of 2010 as compared to the second quarter of 2009. The increase is attributable to increases in gross profit from mixed signal automotive of greater than 100%, MOSFETs of 71%, analog automotive products of greater than 100%, LDO and voltage regulator products of greater than 100% and auto power products of 36%.

Gross profit from computing and consumer products increased $31.2 million, or 103%, in the second quarter of 2010 as compared to the second quarter of 2009. The increase is attributable to increases in gross profit from power switch products of greater than 100%, signal and interface products of 92%, standard logic products of greater than 100%, AC to DC conversion products of 69%, DC to DC conversion products of 92%, low voltage power products of 25% and analog switch products of 37%.

Gross profit from digital and mixed-signal products increased $19.3 million, or 35%, in the second quarter of 2010 as compared to the second quarter of 2009. The increase is attributable to increases in gross profit from industrial products of greater than 100%, manufacturing service products of greater than 100%, high frequency products of 30%, foundry products of 24%, military and aerospace products of 5%, gross profit from our acquisition of SDT of 100% and gross profit from our acquisition of PulseCore of 100%, partially offset by decreases in gross profit from communications and high voltage products of 46% and medical products of 16%.

Gross profit from standard products increased $29.4 million, or 77%, in the second quarter of 2010 as compared to the second quarter of 2009. The increase is attributable to increases in gross profit from rectifier products of greater than 100%, small signal products of 68%, protection products of 58%, zener products of greater than 100%, bipolar power products of 75%, thyristor products of 66% and products from our acquisition of CMD of 100%, partially offset by decreases in gross profit from our acqusiton of Catalyst of 35% and filter products of 16%.

Operating Expenses

Research and development expenses were $60.1 million in the second quarter of 2010 compared to $50.7 million in the second quarter of 2009, representing an increase of $9.4 million, or 18.7%. Research and development expenses represented 10.3% and 12.1% of revenues in the second quarter of 2010 and the second quarter of 2009, respectively. The dollar increase in research and development expense was primarily attributed to increased expense associated with on-going research and development activities as a result of the newly acquired PulseCore and CMD businesses, combined with increased employee salaries and wages due to the elimination of work furloughs or short work weeks based upon local legal requirements, combined with an increase in performance bonuses as a result of our achievement of certain financial goals.

Selling and marketing expenses were $36.5 million in the second quarter of 2010 compared to $28.4 million in the second quarter of 2009, representing an increase of $8.1 million, or 28.5%. Selling and marketing expenses represented 6.3% and 6.8% of revenues in the second quarter of 2010 and the second quarter of 2009, respectively. The dollar increase in selling and marketing expense was primarily attributed to increased employee salaries and wages due to the elimination of work furloughs or short work weeks based upon local legal requirements, combined with an increase in performance bonuses as a result of our achievement of certain financial goals.

General and administrative expenses were $35.3 million in the second quarter of 2010 compared to $30.0 million in the second quarter of 2009, representing an increase of $5.3 million, or 17.7%. General and administrative expenses represented 6.1% and 7.1% of revenues in the second quarter of 2010 and the second quarter of 2009, respectively. The increase in general and administrative expenses was primarily attributed to increased acquisition related expenses, employee salaries and wages due to the elimination of work furloughs or short work weeks based upon local legal requirements, combined with an increase in performance bonuses as a result of our achievement of certain financial goals, partially offset by decreased stock compensation expense.

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

Restructuring, asset impairment and other, net were $2.3 million in the second quarter of 2010 compared to $8.1 million in the second quarter of 2009.

In June 2010, we acquired SDT and announced plans to integrate the overlapping operations of SDT and the Company, in part for cost savings purposes. As part of these plans, certain duplicative positions were eliminated. During the quarter ended July 2, 2010 we recorded $2.0 million of employee separation charges. These termination benefits were for 36 individuals, of which 35 have been terminated as of July 2, 2010. It is anticipated that all terminations will be completed and associated severance payments made by the end of the third quarter of fiscal 2010.

In January 2010, we acquired CMD and announced plans to integrate the overlapping operations of CMD and the Company, in part for cost savings purposes. As part of these plans, certain duplicative positions were eliminated. During the quarter ended July 2, 2010, we recorded $0.2 million of employee separation charges. These termination benefits were for four individuals, each of whom had been terminated as of July 2, 2010. It is anticipated that all terminations will be completed by the end of fiscal 2010. Additionally, during the quarter ended July 2, 2010, we recorded $0.1 million of exit costs for the termination of certain leases.

In June 2009, we recorded $0.2 million of asset impairments. Prior to June 2009, we had capitalized certain assets used in our wafer fabrication facility. The $0.2 million of asset impairments resulted from the fact that we currently have no plans to use the assets, and management does not consider this a temporary cessation of use.

In June 2009, we announced a Belgium employee reduction program for cost savings purposes. As part of these plans, certain employee positions were eliminated. During the quarter ended July 3, 2009, we recorded employee separation charges of $3.9 million. These termination benefits are for approximately 21 individuals, of which 16 had been terminated at the end of the second quarter of fiscal 2009.

In May 2008, we announced the planned shutdown of manufacturing facilities in Piestany, Slovakia. During the quarter ended July 3, 2009, we recorded $1.5 million, net of adjustments of termination benefits for approximately 430 employees, which was being recognized ratably from the date of announcement to the employees' actual termination dates.

In March 2008, we acquired AMIS Holdings, Inc. (“AMIS”) and announced plans to integrate the operations of the two companies in part, for cost savings purposes. As part of these plans, certain duplicative positions were eliminated and certain overlapping or duplicative contracts with external suppliers were renegotiated with terms applicable to the combined company. During the quarter ended July 3, 2009, we recorded exit costs of $0.4 million related to the 2008 acquisition of AMIS. The exit costs of $0.4 million were for charges incurred relative to certain legal proceedings.

In January 2009, we announced a worldwide employee reduction program for cost savings purposes. As part of these plans, certain employee positions were eliminated. During the quarter ended July 3, 2009 we recorded an additional employee separation charge of $1.7 million. These termination benefits are for approximately 39 individuals, all of which all are terminated. During the quarter ended July 3, 2009, we recorded exit costs of $0.4 million related to the elimination of certain contracts.

Other Operating Expenses—Amortization of Acquisition –Related Intangible Assets

Amortization of acquisition-related intangible assets was $8.1 million and $7.3 million for the quarters ended July 2, 2010 and July 3, 2009, respectively. The increase of $0.8 million from the second quarter of 2009 to 2010 was primarily attributed to amortization of intangible assets associated with our acquisitions of PulseCore and CMD.

Operating Income

Information about operating income from our reportable segments for the quarter ended July 2, 2010 and July 3, 2009 is as follows, in millions:

	Automotive & Power Group	Computing & Consumer Group	Digital & Mixed-Signal Product Group	Standard Products Group	Total
For the quarter ended July 2, 2010:					
Segment operating income	$ 23.7	$ 31.7	$ 32.7	$ 36.7	$124.8
For the quarter ended July 3, 2009:					
Segment operating income (loss)	$ (1.0)	$ 3.7	$ 19.7	$ 17.7	$ 40.1

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

	Quarter Ended	
	July 2, 2010	July 3, 2009
Operating income for reportable segments	$124.8	$ 40.1
Unallocated amounts:		
Restructuring asset impairments and other charges, net	(2.3)	(8.1)
Other unallocated manufacturing costs	(13.5)	(10.5)
Other unallocated operating expenses	(7.5)	(7.8)
Operating income	$101.5	$ 13.7

Interest Expense and Other

Interest expense decreased $1.2 million to $14.5 million in the second quarter of 2010 compared to $15.7 million in the second quarter of 2009. We recorded amortization of debt discount to interest expense of $8.3 million and $8.4 million for the quarters ended July 2, 2010 and July 3, 2009, respectively. Our average long-term debt balance (including current maturities and net of debt discount) in the second quarter of 2010 was $844.1 million with a weighted average interest rate of 7% compared to $917.6 million and a weighted average interest rate of 7% in the second quarter of 2009. See “Liquidity and Capital Resources—Key Financing Events” below for a description of our refinancing activities.

See Note 10: “Commitments and Contingencies” of the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q for contingencies relating to other legal proceedings and matters including intellectual property matters.

Loss on Debt Repurchases

During the quarter ended July 2, 2010, the Company incurred a loss on debt repurchase of $0.8 million as the result of the write-off of unamortized capitalized closing costs, resulting from the prepayment of $169.8 million of senior bank facilities. Additionally, the Company recognized a gain on modification of the Zero Coupon Convertible Senior Subordinated Notes due 2024 of $0.1 million, resulting in a net loss on debt repurchase of $0.7 million for the quarter ending July 2, 2010.

During the second quarter of 2009, we repurchased approximately $33.8 million of our Zero Coupon Convertible Senior Subordinated Notes due 2024 for $31.9 million in cash. We reduced unamortized debt discount by $2.6 million and recognized a $0.9 million loss on the prepayment, which included the write off of $0.2 million in unamortized debt issuance costs.

Provision for Income Taxes

Provision for income taxes was $3.4 million in the second quarter of 2010 compared to a $1.0 million tax benefit in the second quarter of 2009. The provision for the second quarter of 2010 included $3.3 million for income and withholding taxes of certain of our foreign and U.S. operations and $0.3 million of interest on existing reserves for potential liabilities in foreign taxing jurisdictions. This is partially offset by the reversal of $0.2 million for reserves and interest for potential liabilities in foreign taxing jurisdictions which were effectively settled or for which the statute lapsed during the second quarter of 2010. The provision for the second quarter of 2009 included $4.3 million for the reversal of previously accrued income tax positions that have been effectively settled through examination. This is partially offset by $3.0 million for income and withholding taxes of certain of our foreign operations and $0.3 million of new reserves and interest on existing reserves for potential liabilities in foreign taxing jurisdictions.

Due to our domestic tax losses and tax rate differentials in our foreign subsidiaries, our effective tax rate is lower than the U.S. statutory federal income tax rate. We continue to maintain a full valuation allowance on all of our domestic deferred tax assets.

Six Months Ended July 2, 2010 Compared to Six Months Ended July 3, 2009

The following table summarizes certain information relating to our operating results that has been derived from our unaudited consolidated financial statements for the quarters ended July 2, 2010 and July 3, 2009. The amounts in the following table are in millions:

	Six Months Ended		
	July 2, 2010	July 3, 2009	Dollar Change
Revenues	$1,133.5	$798.9	$ 334.6
Cost of revenues	661.6	548.6	113.0
Gross profit	471.9	250.3	221.6
Operating expenses:			
Research and development	125.3	94.3	31.0
Selling and marketing	72.1	57.4	14.7
General and administrative	66.8	57.3	9.5
Amortization of acquisition-related intangible assets	15.9	14.5	1.4
Restructuring, asset impairments and other net	6.1	17.7	(11.6)
Total operating expenses	286.2	241.2	45.0
Operating income	185.7	9.1	176.6
Other income (expenses):			
Interest expense	(30.9)	(33.4)	2.5
Interest income	0.2	0.6	(0.4)
Other	(6.2)	(2.7)	(3.5)
Loss on debt repurchase	(0.7)	(3.1)	2.4
Other income (expenses), net	(37.6)	(38.6)	1.0
Income (loss) before income taxes and minority interests	148.1	(29.5)	177.6
Income tax provision	(4.8)	(6.2)	1.4
Net income (loss)	143.3	(35.7)	179.0
Net income attributable to minority interests	(1.6)	(1.2)	(0.4)
Net income (loss) attributable to ON Semiconductor Corporation	$ 141.7	$ (36.9)	$ 178.6

Revenues

Revenues were $1,133.5 million and $798.9 million during the six months ended July 2, 2010 and July 3, 2009, respectively. The increase from the first six months of 2009 compared to the first six months of 2010 was primarily due to increase in volume and mix of sales of 44% combined with an increase in revenues from our acquisitions of SDT, PulseCore and CMD of $23.6 million, or 3%, partially offset by decreases in average selling prices of 5%. The revenues by reportable segment were as follows (dollars in millions):

	Six Months Ended July 2, 2010	As a % Revenue	Six Months Ended July 3, 2009	As a % Revenue	Dollar Change	% Change
Automotive and Power Group	$ 265.1	23%	$ 177.7	22%	$ 87.4	49%
Computing and Consumer Group	258.3	23%	180.3	23%	78.0	43%
Digital and Mixed-Signal Product Group	238.1	21%	189.7	24%	48.4	26%
Standard Products Group	372.0	33%	251.2	31%	120.8	48%
Total revenues	$ 1,133.5		$ 798.9		$334.6	

Revenues from automotive and power group increased $87.4 million, or 49%, in the first six months of 2010 as compared to the first six months of 2009. The increase is attributed to increases in revenues from MOSFETs of 39%, mixed signal automotive products of 60%, analog automotive products of 81%, LDO and voltage regulator products of 42% and auto power products of 40%.

Revenues from computing and consumer products group increased $78.0 million, or 43%, in the first six months of 2010 as compared to the first six months of 2009. The increase is attributable to increases in revenues from signal and interface products of 53%, AC to DC conversion products of 51%, power switch products of 46%, standard logic products of 73%, DC to DC conversion products of 39%, low voltage power products of 7% and analog switch products of 10%.

Revenues from digital and mixed-signal product group increased $48.4 million, or 26%, in the first six months of 2010 as compared to the first six months of 2009. The increase in revenues is attributable to increases in revenues from industrial products of 61%, military and aerospace products of 16%, high frequency products of 22%, integrated sensor products of 124%, medical products of 11%, foundry products of 10%, revenues from our acquisition of PulseCore of 100% and revenues from our acquisition of SDT of 100%, partially offset by decreases in revenues from communications and high voltage products of 10% and manufacturing services products of 4%.

Revenues from standard products group increased $120.8 million, or 48%, in the first six months of 2010 as compared to the first six months of 2009. The increase is attributed to increases in revenues from rectifier products of 54%, small signal products of 29%, revenues from acquisition of CMD of 100%, protection products of 33%, thyristor products of 67%, zener products of 60%, thyristor products of 107%, revenues from acquisition of Catalyst of 22%, bipolar power products of 40% and filters of 2%.

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

	Six Months Ended July 2, 2010	As a % Revenue (1)	Six Months Ended July 3, 2009	As a % Revenue
Americas	$ 241.6	21%	$ 200.0	25%
Asia/Pacific	705.0	62%	468.7	59%
Europe	186.9	16%	130.2	16%
Total	$ 1,133.5	100%	$ 798.9	100%

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

A majority of our end customers, served directly or through distribution channels, are manufacturers of electronic devices. For the six months ended July 2, 2010, we had one customer that accounted for approximately 12% of our total revenues. For the six months ended July 3, 2009, we had one customer that accounted for 11% of our total revenues.

Gross Profit

Our gross profit was $471.9 million in the first six months of 2010 compared to $250.3 million in the first six months of 2009. As a percentage of revenues, our gross profit was 41.6% in the first six months of 2010 as compared to 31.3% in the first six months of 2009. Gross profit as a percentage of revenues increased during the first six months of 2010 as compared to the first six months of 2009 primarily due to increases in volume driving better factory utilization, cost savings from profitability enhancement programs, combined with a lower amount of expensing of fair market value step up of inventory in the first six months of 2010 as compared to the first six months of 2009, offset by the 5% decrease in average selling prices in the first six months of 2010. The gross profit by reportable segment in each of these quarters are as follows (dollars in millions):

	Six Months Ended July 2, 2010	As a % Net Revenue	Six Months Ended July 3, 2009	As a % Net Revenue	Dollar Change	% Change
Automotive & Power Group	$ 96.7	8.5%	$ 47.5	5.9%	$ 49.2	104%
Computing and Consumer Products	114.5	10.1%	57.2	7.2%	57.3	100%
Digital & Mixed-Signal Product Group	152.2	13.4%	100.1	12.5%	52.1	52%
Standard Products	133.6	11.8%	66.4	8.3%	67.2	101%
Gross profit by segment	497.0		271.2		$225.8	
Unallocated						
Manufacturing	(25.1)	-2.2%	(20.9)	-2.6%		
Total gross profit	$ 471.9	41.6%	$ 250.3	31.3%		

Gross profit from automotive and power group increased $49.2 million, or 104%, in the first six months of 2010 as compared to the first six months of 2009. The increase is attributable to increases in gross profit from mixed signal automotive products of greater than 100%, MOSFETs of 90%, LDO and voltage regulator products of greater than 100%, analog automotive products of 66% and auto power products of 61%.

Gross profit from computing and consumer products increased $57.3 million, or 100%, in the first six months of 2010 as compared to the first six months of 2009. The increase can be attributable to increases in gross profit from power switch products of greater than 100%, signal and interface products of 91%, standard logic products of greater than 100%, AC to DC conversion products of 94%, DC to DC conversion products of 91%, analog switch products of 32% and low voltage power products of 9%.

Gross profit from digital and mixed-signal product group increased $52.1 million, or 52%, in the first six months of 2010 as compared to the first six months of 2009. The increase is attributable to increases in gross profit from manufacturing services products of greater than 100%, industrial products of greater than 100%, high frequency products of 31%, military and aerospace products of 18%, medical products of 7%, integrated sensor products of greater than 100%, gross profit from acquisition of PulseCore of 100% and gross profit from acquisition of SDT of 100%, partially offset by decreases in gross profit from foundry products of 6% and communications and high voltage products of 16%.

Gross profit from standard products increased $67.2 million, or 101%, in the first six months of 2010 as compared to the first six months of 2009. The increase is attributable to increases in gross profit from rectifier of greater than 100%, small signal products of 85%, protection products of 73%, zener products of greater than 100%, thyristor products of greater than 100%, bipolar power products of greater than 100%, gross profit from products from our acquisition of Catalyst of 38% and gross profit from products from our acquisition of CMD of 100%, partially offset by decreases in gross profit from filter products of 11%.

Operating Expenses

Research and development expenses were $125.4 million in the first six months of 2010 compared to $94.3 million in the first six months of 2009, representing an increase of $31.1 million, or 33.0%. Research and development expenses represented 11.1% and 11.8% of revenues in the first six months of 2010 and the first six months of 2009, respectively. The increase in research and development expense was primarily attributable to increased expense associated with ongoing research and development activities as a result of the newly acquired PulseCore and CMD businesses, increased salaries and wages due to the elimination of work furloughs or short work weeks based upon local requirements, and an increase in performance bonuses as a result of our achievement of certain financial goals.

Selling and marketing expenses were $72.1 million in the first six months of 2010 compared to $57.4 million in the first six months of 2009, representing an increase of $14.7 million, or 25.6%. Selling and marketing expenses represented 6.4% and 7.2% of revenues in the first six months of 2010 and the first six months of 2009, respectively. The increase in selling and marketing expense was primarily attributed to increased salaries and wages due to the elimination of work furloughs or short work weeks based upon local requirements and an increase in performance bonus as a result of our achievement of certain financial goals.

General and administrative expenses were $66.8 million in the first six months of 2010 compared to $57.3 million in the first six months of 2009, representing an increase of $9.5 million, or 16.5%. General and administrative expenses represented 5.9% and 7.2% of revenues in the first six months of 2010 and in the first six months of 2009, respectively. The increase in general and administrative expenses was primarily attributed to increased acquisition related expenses, employee salaries and wages due to the elimination of work furloughs or short work weeks based upon local legal requirements, an increase in performance bonus as a result of our achievement of certain financial goals, partially offset by decreased stock compensation expense.

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

Restructuring, asset impairment and other, net were $6.1 million in the first six months of 2010 compared to $17.7 million in the first six months of 2009.

In June 2010, we acquired SDT and announced plans to integrate the overlapping operations of SDT and the Company, in part for cost savings purposes. As part of these plans, certain duplicative positions were eliminated. During the six months ended July 2, 2010 we recorded $2.0 million of employee separation charges. The termination benefits are for 36 individuals, of which 35 have been terminated as of July 2, 2010. It is anticipated that all terminations will be completed by the end of the third quarter of 2010.

During the first quarter of 2010, we agreed to make a $0.8 million cash payment settlement of various litigation matters with the former minority interest shareholders of a Czech subsidiary acquired by the Company. These settlement charges have been included in restructuring, asset impairment and other, net on the consolidated statement of operations for the six months ended July 2, 2010.

In January 2010, we acquired CMD and announced plans to integrate the overlapping operations of CMD and the Company, in part for cost savings purposes. As part of these plans, certain duplicative positions were eliminated. During the six months ended July 2, 2010 we recorded $2.8 million of employee separation charges. These termination benefits were for 14 individuals, of which 13 are terminated as of July 2, 2010. It is anticipated that all terminations will be completed by the end of fiscal 2010. Additionally, during the six months ended July 2, 2010 we recorded $0.1 million of exit costs associated with the exit of certain leases.

In January 2009, we announced a worldwide employee reduction program for cost savings purposes. As part of these plans, certain employee positions were eliminated. During the six months ended July 2, 2010, we recorded an additional employee separation charge of $0.1 million for one employee who was terminated.

In August 2009, we announced plans to reduce the number of design centers for cost savings purposes. During the six months ended July 2, 2010 we recorded employee separation charges of $0.2 million and $0.1 million of exit costs associated with this activity. All termination benefits were for approximately 16 individuals, of which all had been terminated by the end of the second quarter of 2010.

In June 2009, we recorded $0.2 million of asset impairments. Prior to June 2009, we had capitalized certain assets used in our wafer fabrication facility. The $0.2 million of asset impairments resulted from the fact that we currently have no plans to use the assets, and management does not consider this a temporary cessation of use.

In June 2009, we announced a Belgium employee reduction program, for cost savings purposes. As part of these plans, certain employee positions were eliminated. During the six months ended July 3, 2009, we recorded employee separation charges $3.9 million. These termination benefits are for approximately 21 individuals of which 16 have been terminated.

In January 2009, we announced a worldwide employee reduction program, for cost savings purposes. As part of these plans, certain employee positions were eliminated. During the six months ended July 3, 2009, we recorded employee separation charges of $11.9 million. These termination benefits are for approximately 565 individuals of which 557 have been terminated. During the quarter ended July 3, 2009, we recorded exit costs of $0.4 million related to the elimination of certain contracts.

In May 2008, we announced the planned shutdown of manufacturing facilities in Piestany, Slovakia. During the six months ended July 3, 2009, we recorded $2.0 million, net of adjustments of termination benefits for approximately 430 employees which is being recognized ratably from the date of announcement to the employees' termination dates. Additionally, we recorded $0.6 million of exit costs related to the shutdown of the manufacturing facility.

In March 2008, we acquired AMIS and announced plans to integrate the operations of the two companies in part, for cost savings purposes. As part of these plans, certain duplicative positions were eliminated and certain overlapping or duplicative contracts with external suppliers were renegotiated with terms applicable to the combined company. During the six months ended July 3, 2009, we recorded exit costs of $1.3 million related to the 2008 acquisition of AMIS. The exit costs of $1.3 million were for charges incurred relative to shutdown of the manufacturing facility.

In March 2009, we recorded a net gain of $2.5 million associated with the settlement of two legal disputes.

Other Operating Expenses—Amortization of Acquisition –Related Intangible Assets

Amortization of acquisition-related intangible assets were $15.9 million and $14.5 million for the six months ended July 2, 2010 and July 3, 2009, respectively. The increase of $1.4 million from the first six month of 2009 to 2010 was primarily attributed to amortization of intangible assets associated with our acquisition of PulseCore and CMD.

Operating Income

Information about operating income from our reportable segments for the six months ended July 2, 2010 and July 3, 2009, respectively, is as follows, in millions:

	Automotive & Power Group	Computing & Consumer Group	Digital & Mixed-Signal Product Group	Standard Products Group	Total
For the six months ended July 2, 2010:					
Segment operating income	$ 39.3	$ 52.4	$ 67.9	$ 75.8	$235.4
For the six months ended July 3, 2009:					
Segment operating income (loss)	$ (3.5)	$ 6.0	$ 32.0	$ 28.1	$ 62.6

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

	Six Months Ended	
	July 2, 2010	July 3, 2009
Operating income for reportable segments	$235.4	$ 62.6
Unallocated amounts:		
Restructuring asset impairments and other charges, net	(6.1)	(17.7)
Other unallocated manufacturing costs	(25.1)	(20.9)
Other unallocated operating expenses	(18.5)	(14.9)
Operating income	$185.7	$ 9.1

Interest Expense and Other

Interest expense decreased $2.3 million to $30.9 million in the first six months of 2010 compared to $33.2 million in the first six months of 2009. We recorded amortization of debt discount to interest expense of $17.0 million and $18.3 million for the six months ended July 2, 2010 and July 3, 2009, respectively. Our average long-term debt balance (including current maturities and net of debt discount) in the first six months of 2010 was $843.4 million with a weighted average interest rate of 7% compared to $957.0 million and a weighted average interest rate of 7% in the first six months of 2009. See "Liquidity and Capital Resources—Key Financing Events" below for a description of our refinancing activities.

See Note 10: "Commitments and Contingencies" of the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q for contingencies relating to other legal proceedings and matters including intellectual property matters.

Loss on Debt Repurchases

During the first six months of 2010, we prepaid approximately $169.8 million of our senior bank facilities and incurred a $0.7 million loss on the prepayment, for the write off of $0.7 million in unamortized debt issuance costs. Additionally, during the first six months of 2010, we recognized a $0.1 million gain on the modification of our Zero Coupon Convertible Senior Subordinated Notes Due 2024, for a net loss on debt repurchase of $0.7 million during the first six months of 2010.

During the first six months of 2009, we repurchased approximately $99.7 million of our zero coupon convertible senior subordinated notes due 2024 for $64.8 million in cash and the issuance of 7.4 million shares of common stock, which had a value of $28.5 million based on the closing price of our common stock at the time of repurchase. We reduced unamortized debt discount by $8.7 million and recognized a $3.1 million loss on the prepayment, which included the write off of $0.7 million in unamortized debt issuance costs.

Provision for Income Taxes

Provision for income taxes was $4.8 million in the first six months of 2010 compared to a provision of $6.2 million in the first six months of 2009. The provision for the first six months of 2010 included $5.4 million for income and withholding taxes of certain of our foreign operations and $0.6 million of interest on existing reserves for potential liabilities in foreign taxing jurisdictions. This is partially offset by the reversal of $1.2 million for reserves and interest for potential liabilities in foreign taxing jurisdictions which were effectively settled or for which the statute lapsed during the first six months of 2010. The provision for the first six months of 2009 included $9.0 million for income and withholding taxes of certain of our foreign operations and $1.5 million of new reserves and interest on existing reserves for potential liabilities in foreign taxing jurisdictions. This is partially offset by a tax benefit of $4.3 million for the reversal of previously accrued income taxes for uncertain tax positions that have been effectively settled through examination.

Liquidity and Capital Resources

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

Cash Requirements

Contractual Obligations

Our principal outstanding contractual obligations relate to our long-term debt, operating leases, pension obligations and purchase obligations. The following table summarizes our contractual obligations at July 2, 2010 and the effect such obligations are expected to have on our liquidity and cash flow in the future (in millions):

Contractual obligations (3)	Total	Remainder of 2010	2011	2012	2013	2014	Thereafter
Long-term debt (2)	$ 924.9	$ 89.2	$ 76.2	$ 244.0	$ 510.5	$ 1.2	$ 3.8
Operating leases (1)	75.8	8.8	15.6	13.3	10.1	6.1	21.9
Purchase obligations (1):							
Capital purchase obligations	84.4	62.8	19.8	1.5	0.3	—	—
Foundry and inventory purchase obligations	88.0	75.5	4.5	2.7	2.1	1.7	1.5
Mainframe support	1.8	1.2	0.6	—	—	—	—
Information technology and communication services	33.5	7.9	14.8	8.2	2.6	—	—
Other	61.0	15.3	13.1	6.6	6.1	6.0	13.9
Total contractual obligations	$ 1,269.4	$ 260.7	$ 144.6	$ 276.3	$ 531.7	$ 15.0	$ 41.1

(1) These represent our off-balance sheet arrangements (See “Liquidity and Capital Resources—Off Balance Sheet Arrangements” for a description of our off balance sheet arrangements.)

(2) Includes the interest portion of payments for long-term debt.

(3) The table above does not include approximately $14.6 million of liabilities related to unrecognized tax benefits because we are unable to reasonably estimate the timing of settlement of such liabilities.

Our long-term debt includes approximately $96.2 million of Zero Coupon Convertible Senior Subordinated Notes due 2024 at par, approximately $95.0 million of 1.875% Convertible Senior Subordinated Notes due 2025 at par, approximately $484.0 million of 2.625% Convertible Senior Subordinated Notes due 2026 at par, approximately $5.7 million of loans with three Japanese banks, approximately $39.0 million of loans with two Chinese banks, approximately $32.3 million of loans with three Philippine banks, approximately $19.6 million of loans with a British finance company, approximately $23.0 million of financing with a Hong Kong bank and approximately $70.9 million of capital lease obligations. For purposes of the contractual obligations schedule, we have shown the convertible debt at par value maturing upon the first put date. (See Note 7: “Long-Term Debt” of the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q).

Our other long-term contractual obligations consist of estimated payments to fund liabilities that have been accrued in our unaudited consolidated balance sheet for our foreign pension plans (see Note 6: “Balance Sheet Information” of the notes to our unaudited consolidated financial statements included elsewhere in this Form 10-Q).

On July 14. 2010 we entered into a definitive purchase agreement with SANYO Electric, providing for the acquisition of SANYO Semiconductor and other assets related to SANYO Electric’s semiconductor business. The purchase is expected to be financed through cash and stock with a purchase price of approximately ¥33.0 billion ($366.0 million), with ¥11.6 billion ($129.0 million) in cash and approximately ¥21.4 billion ($238.0 million) worth of shares of ON Semiconductor common stock. Based on an agreed upon fixed price per share of

¥605.92 ($6.78), this would result in approximately 35.3 million shares of common stock being issued to SANYO Electric at the closing of the transaction. We have the option, at closing, to substitute cash in lieu of all, or any portion of the shares of common stock. If we elect to pay the stock portion of the purchase price in common stock, we believe that cash on hand combined with cash from operations would be sufficient to meet this obligation. Alternatively, we will investigate potential attractive financing available in Japan or elsewhere.

The purchase price is payable in Yen. All US dollar amounts reflected above are based on $1 USD to ¥90.2 exchange rate on the date of the announcement. US dollar amounts above will be adjusted based on the prevailing exchange rates on the date of closing.

Our balance of cash and cash equivalents was $467.1 million at July 2, 2010. We believe that our cash from operations, coupled with existing cash and cash equivalents will be adequate to fund our operating and capital needs for at least the next twelve months.

Off Balance Sheet Arrangements

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

In the normal course of business, we provide standby letters of credit or other guarantee instruments to certain parties initiated by either our subsidiaries or us, as required for transactions such as material purchase commitments, agreements to mitigate collection risk, leases or customs guarantees. A bank guarantee issued on our behalf under a non-reusable commitment credit with the bank has an outstanding amount of $4.2 million as of July 2, 2010. The Belgian bank that issued the guarantee has the right to create a mortgage on the real property of one of our European subsidiaries in the amount of $3.0 million but had not done so as of July 2, 2010. We also have outstanding guarantees and letters of credit outside of our non-reusable commitment credit totaling $12.6 million at July 2, 2010.

As part of securing financing in the normal course of business, we issued guarantees related to our capital lease obligations which totaled approximately $21.7 million as of July 2, 2010. In addition, SCI LLC, our primary domestic operating subsidiary, guarantees on an unsecured basis approximately $1.6 million of a loan by one of our Japanese subsidiaries. For our operating leases, we expect to make cash payments and similarly incur expenses totaling $75.8 million as payments come due. We have not recorded any liability in connection with these operating leases, letters of credit and guarantee arrangements.

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

Contingencies

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

We are a party to various agreements with Motorola, a former affiliate, which were entered into in connection with our separation from Motorola. Pursuant to these agreements, we have agreed to indemnify Motorola for losses due to, for example, breach of representations and warranties and covenants, damages arising from assumed liabilities or relating to allocated assets, and for specified environmental matters. Our obligations under these agreements may be limited in terms of time and/or amount and payment by us is conditioned on Motorola making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow us to challenge Motorola's claims.

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

In connection with the acquisition of LSI's Gresham, Oregon wafer fabrication facility and ADI's PTC Business, we entered into various agreements with LSI and ADI, respectively. Pursuant to certain of these agreements, we agreed to indemnify LSI and ADI, respectively, for certain claims or occurrences, limited in most instances by time and/or monetary amounts.

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

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

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

See Note 10: "Commitment and Contingencies" of the notes to our unaudited consolidated financial statements, Part II, Item 1 "Legal Proceedings" of this Quarterly Report on Form 10-Q for possible contingencies related to legal matters and see Part I, Item 1 "Business—Government Regulation" of our Annual Report on Form 10-K for the fiscal year ending December 31, 2009 for information on certain environmental matters.

Sources and Uses of Cash

We require cash to fund our operating expenses and working capital requirements, including outlays for research and development, to make capital expenditures, strategic acquisitions and investments, to repurchase our stock and other Company securities, and to pay debt service, including principal and interest and capital lease payments. Our principal sources of liquidity are cash on hand, cash generated from operations and funds from external borrowings and equity issuances. In the near term, we expect to fund our primary cash requirements through cash generated from operations and cash and cash equivalents on hand. Additionally, as part of our business strategy, we review acquisition and divestiture opportunities and proposals on a regular basis. For additional information about current cash commitments related to the SANYO Transaction, see Note 14: "Subsequent Events."

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

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

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

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

Operations

Our operational cash flows are affected by the ability of our operations to generate cash, and our management of our assets and liabilities, including both working capital and long-term assets and liabilities. Each of these components is discussed below:

Working Capital

Working capital fluctuates depending on end-market demand and our effective management of certain items such as receivables, inventory and payables. In times of escalating demand, our working capital requirements may increase as we purchase additional manufacturing materials and increase production. Our working capital may also be affected by restructuring programs, which may require us to use cash for severance payments, asset transfers and contract termination costs. Our working capital, including cash, was $523.4 million at July 2, 2010. Our working capital, excluding cash, was $56.3 million at July 2, 2010, and has fluctuated between $101.3 million and $13.1 million over the last eight quarter-ends.

The components of our working capital at July 2, 2010 and December 31, 2009 are set forth below (in millions), followed by explanations for changes between July 2, 2010 and December 31, 2009 for cash and cash equivalents and any other changes greater than $5 million:

	July 2, 2010	December 31, 2009	Change
Current Assets			
Cash and cash equivalents	$ 467.1	$ 525.7	$(58.6)
Short-term investments	—	45.5	(45.5)
Receivables, net	317.2	260.9	56.3
Inventories, net	321.5	269.9	51.6
Other current assets	50.9	51.5	(0.6)
Deferred income taxes	14.6	15.1	(0.5)
Total current assets	1,171.3	1,168.6	2.7
Current Liabilities			
Accounts payable	240.1	172.9	67.2
Accrued expenses	156.9	135.5	21.4
Income taxes payable	1.8	5.0	(3.2)
Accrued interest	0.8	0.9	(0.1)
Deferred income on sales to distributors	127.8	98.8	29.0
Current portion of long-term debt	120.5	205.9	(85.4)
Total current liabilities	647.9	619.0	28.9
Working capital	$ 523.4	$ 549.6	$(26.2)

The decrease of $58.6 million of cash and cash equivalents is primarily due to $139.1 of cash used in investing activities and $188.0 million of cash used in financing activities, partially offset by $268.4 million of cash provided by operating activities.

The decrease of $45.5 million in short-term investments is the result of investments maturing as cash and cash equivalents.

The increase of $56.3 million in receivables, net is the result of increased revenues at the end of the second quarter of 2010 compared to the end of the fourth quarter of 2009.

The increase of $51.6 million in inventories, net is the result of increased production needs to satisfy increased demand for products during the second quarter of 2010 as compared to the fourth quarter of 2009.

The increase of $67.2 million in accounts payable is the result of increased purchase of property, plant and equipment combined with an increase in factory builds of inventory during the second quarter of 2010 as compared with the fourth quarter of 2009.

The increase of $21.4 million in accrued expenses is the result of increase in accrued bonuses, accrued vacation and accrued payroll.

The increase of $29.0 million in deferred income on sales to distributors is the result of increased inventories at our distributors.

The decrease of $85.4 million in current portion of long-term debt was primarily due to the reclassification of the principal balance of our Zero Coupon Convertible Senior Subordinated Notes due 2024 to long-term debt as a result of the amendment of the notes which added an April 15, 2012 put and call option.

Long-Term Assets and Liabilities

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

Our manufacturing rationalization plans have included efforts to utilize our existing manufacturing assets and supply arrangements more efficiently. We believe that near-term access to additional manufacturing capacity, should it be required, could be readily obtained on reasonable terms through manufacturing agreements with third parties. Cash capital expenditures were $93.5 million during the first six months of 2010 compared to cash capital expenditures of $37.0 million during the first six months of 2009. We will continue to look for opportunities to make strategic purchases in the future for additional capacity.

Our long-term liabilities, excluding long-term debt, consist of liabilities under our foreign defined benefit pension plans and contingent tax reserves. In regard to our foreign defined benefit pension plans, generally, our annual funding of these obligations is equal to the minimum amount legally required in each jurisdiction in which the plans operate. This annual amount is dependent upon numerous actuarial assumptions.

Key Financing Events

2010 Financing Events

On April 12, 2010, we amended the Indenture for our Zero Coupon Convertible Senior Subordinated Notes due 2024.

The amendments include:

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

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

ASC 470, requires the issuer of convertible debt instruments with cash settlement features to separately account for the liability and equity components of the instrument. Thus, the liability component of the new convertible debt was recognized at the present value of its cash flows discounted using a discount rate equivalent to the borrowing rate at the date of the modification of the Convertible Notes for similar debt instruments without conversion feature. The equity component of the new convertible debt was recorded as additional paid in capital and represents the difference between the fair value of the modified Convertible Notes and the liability component. It also requires an accretion of the debt discount resulting from the allocation of a portion of the modified fair value to equity over the life of the Convertible Notes, which is expected to be the next put date.

As a result, we recognized $13.3 million of debt discount, which will be amortized over through April 2012.

In June 2010, one of our Asian subsidiaries entered into a loan agreement with a Hong Kong bank pursuant to which the bank purchased accounts receivables, with recourse. In accordance with Generally Accepted Accounting Principles in the United States, the purchased assets remained on our balance sheet as of July 2, 2010. The loan, which had a balance of $23.0 million as of July 2, 2010, bears interest payable weekly at 2-month LIBOR plus 1.75%. The loan amount is subject to an eligible borrowing calculation as defined in the loan agreement.

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Debt Instruments, Guarantees and Related Covenants

The following table presents the components of long-term debt as of July 2, 2010 and December 31, 2009 (dollars in millions):

	July 2, 2010	December 31, 2009
Senior Bank Facilities:		
Term Loan, interest payable monthly at 2.00063%	$ —	$ 170.2
Zero Coupon Convertible Senior Subordinated Notes due 2024 (1)	84.3	96.9
1.875% Convertible Senior Subordinated Notes due 2025 (2)	79.3	76.5
2.625% Convertible Senior Subordinated Notes due 2026 (3)	399.3	389.0
2.25% Loan with Japanese bank due 2010, interest payable semi-annually	1.6	3.6
Loan with Philippine banks due 2010 through 2012, interest payable quarterly at 1.29781% and 1.28438%, respectively	17.1	18.7
Loan with Philippine bank due 2010 through 2013, interest payable quarterly at 1.28625% and 1.00563%, respectively	9.7	10.5
Loan with Philippine bank due 2010 through 2013, interest payable quarterly at 1.78706% and 1.50375%, respectively	5.5	5.9
Loan with Philippine banks due 2010 through 2014, interest payable quarterly at 6.03063% prepaid in Q2 2010	—	10.3
Short-term loan with Chinese bank due 2010, interest payable quarterly at 3.44506% and 3.2725%, respectively	7.0	7.0
Short-term loan with Chinese bank due 2010, interest payable quarterly at 2.794% and 2.7825%, respectively	7.0	7.0
Short-term loan with Chinese bank due 2010, interest payable quarterly at 2.794% and 2.7825%, respectively	6.0	6.0
Short-term loan with Chinese bank due 2010, interest payable quarterly at 5.25063%	—	7.0
Short-term loan with Chinese bank due 2010, interest payable quarterly at 4.32375% and 4.28063%, respectively	7.0	7.0
Short-term loan with Chinese bank due 2010, interest payable quarterly at 2.55481% and 2.2525%, respectively	12.0	12.0
Loan with British finance company, interest payable monthly at 1.76% and 1.75%, respectively	19.6	23.1
Loan with Hong Kong bank, interest payable weekly at 2.18063%	23.0	—
1.875% Loan with Japanese bank due 2010 through 2013, interest payable semi-annually	2.4	2.6
Short-term loan with Japanese bank due 2010, interest payable monthly at .98% and 1.06%, respectively	1.7	1.6
Capital lease obligations	70.9	78.6
	753.4	933.5
Less: Current maturities	(120.5)	(205.9)
	632.9	727.6

(1) The Zero Coupon Convertible Senior Subordinated Notes due 2024 may be put back to us at the option of the holders of the notes on April 15 of 2012, 2014 and 2019 or called at our option on or after April 15, 2012.

(2) The 1.875% Convertible Senior Subordinated Notes due 2025 may be put back to us at the option of the holders of the notes on December 15 of 2012, 2015 and 2020 or called at our option on or after December 20, 2012.

(3) The 2.625% Convertible Senior Subordinated notes due 2026 may be put back to us at the option of the holders of the notes on December 15 of 2013, 2016 and 2021 or called at our option on or after December 20, 2015.

As of July 2, 2010, we were in compliance with the indentures relating to our Zero Coupon Convertible Senior Subordinated Notes due 2024, our 1.875% Convertible Senior Subordinated Notes due 2025 and our 2.625% Convertible Senior Subordinated Notes due 2026 and with covenants relating to other debt agreements. We believe that we will be able to comply with the various covenants and other requirements contained in such indentures and debt agreements through July 2, 2011.

Cash Management

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

New Accounting Pronouncements Adopted

Adoption of ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements"

In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"), which amends the disclosure guidance with respect to fair value measurements. Specifically, the new guidance requires disclosure of amounts transferred in and out of Levels 1 and 2 fair value measurements, a reconciliation presented on a gross basis rather than a net basis of activity in Level 3 fair value measurements, greater disaggregation of the assets and liabilities for which fair value measurements are presented and more robust disclosure of the valuation techniques and inputs used to measure Level 2 and 3 fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, with the exception of the new guidance around the Level 3 activity reconciliations, which is effective for fiscal years beginning after December 15, 2010. The adoption of this pronouncement did not have a material impact on our consolidated financial statements.

Critical Accounting Policies and Estimates

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

Revenue. We generate revenue from sales of our semiconductor products to original equipment manufacturers, electronic manufacturing service providers and distributors. We also generate revenue, although to a much lesser extent, from manufacturing services provided to customers. We recognize revenue on sales to original equipment manufacturers and electronic manufacturing service providers and sales of manufacturing services net of provisions for related sales returns and allowances when persuasive evidence of an arrangement exists, title and risk of loss pass to the customer (which is generally upon shipment), the price is fixed or determinable and collectability is reasonably assured. Title to products sold to distributors typically passes at the time of shipment by us so we record accounts receivable for the amount of the transaction, reduce our inventory for the products shipped and defer the related margin in our consolidated balance sheet. We recognize the related revenue and cost of revenues when the distributor informs us that they have resold the products to the end user. Inaccuracies in the sales or inventory data provided to us by our distributors can therefore result in inaccuracy in our reporting revenues. As a result of our inability to reliably estimate up front the effect of the returns and allowances with these distributors, we defer the related revenue and margin on sales to distributors. Although payment terms vary, most distributor agreements require payment within 30 days.

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

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

We generally warrant that products sold to our customers will, at the time of shipment, be free from defects in workmanship and materials and conform to our approved specifications. Our standard warranty extends for a period that is the greater of (i) three years from the date of shipment or (ii) the period of time specified in the customer’s standard warranty (provided that the customer’s standard warranty is stated in writing and extended to purchasers at no additional charge). At the time revenue is recognized, we establish an accrual for estimated warranty expenses associated with our sales, recorded as a component of cost of revenues. In addition, we also offer cash discounts to customers for payments received by us within an agreed upon time, generally 10 days after shipment. We accrue reserves for cash discounts as a reduction to accounts receivable and a reduction to revenues, based on experience with each customer.

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

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

Inventory obtained in the purchase of a business is stated at the lower of cost or market. Upon the acquisition of a company such as Catalyst, AMIS, PulseCore, CMD or SDT, we used management estimates to determine the fair value of the inventory as of the acquisition date. The methodology involves stepping up the value of acquired finished goods and work-in-process to expected sales value less variable costs to dispose. For the six months ended July 2, 2010 approximately $6.4 million of the initial $7.9 million in the inventory step up for acquisitions has been expensed to the statement of operations since the inventory was shipped to the customer, leaving $1.5 million in inventory and inventories at distributors at July 2, 2010. As this inventory is shipped to customers, it will significantly decrease the gross margin reported on those future sales until the inventory is completely sold.

Deferred Tax Valuation Allowance. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. In determining the amount of the valuation allowance, we consider estimated future taxable income as well as feasible tax planning strategies in each taxing jurisdiction in which we operate. If we determine that we will not realize all or a portion of our remaining deferred tax assets, we will increase our valuation allowance with a charge to income tax expense. Conversely, if we determine that we will ultimately be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be released to income as a credit to income tax expense. In the fourth quarter of 2001, a valuation allowance was established for our domestic deferred tax assets and a portion of our foreign deferred tax assets. Additionally, from 2003 throughout 2009, no incremental domestic deferred tax benefits were recognized. Our ability to utilize our deferred tax assets and the continuing need for a related valuation allowance are monitored on an ongoing basis.

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

Goodwill. We evaluate our goodwill for potential impairment on an annual basis or whenever events or circumstances indicate that an impairment may have occurred using a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the estimated fair value of the reporting unit containing our goodwill with the related carrying amount. If the estimated fair value of the reporting unit exceeds its carrying amount, the reporting unit's goodwill is not considered to be impaired and the second step is unnecessary. Our methodologies used for valuing goodwill have not changed.

We have determined that our product families, which are components of our operating segments, constitute reporting units for purposes of allocating and testing goodwill, because they are one level below the operating segment, they constitute individual businesses and our segment management regularly reviews the operating results of each product family. As of each acquisition date, all goodwill acquired was assigned to the product families that were expected to benefit from the synergies of the respective acquisition. The amount of goodwill assigned to each reporting unit was the difference between the fair value of the reporting unit and the fair value of identifiable assets and liabilities allocated to the reporting unit as of the acquisition date. We determined the fair value of each reporting unit using the income approach, which is based on the present value of estimated future cash flows using management's assumptions and forecasts as of the acquisition date.

We perform our annual impairment analysis as of the first day of the fourth quarter of each year. Our next annual test for impairment is expected to be performed in our fourth quarter of 2010; however, identification of a triggering event may result in the need for earlier reassessments of the recoverability of our goodwill and may result in material impairment charges in future periods.

Defined Benefit Plans. We maintain pension plans covering certain of our employees. For financial reporting purposes, net periodic pension costs are calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations, assumed rate of return on pension plan assets and assumed rate of compensation increase for plan employees. All of these assumptions are based upon management's judgment, considering all known trends and uncertainties. Actual results that differ from these assumptions impact the expense recognition and cash funding requirements of our pension plans.

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

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

Recent Accounting Pronouncements

In April 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-17, Revenue Recognition – Milestone Method and is included in ASC 605 – Milestone Method of Revenue Recognition. The ASU codifies the consensus reached in EITF 08-9, "Milestone Method of Revenue Recognition," ("EITF 08-9") addresses the accounting when entities enter into revenue arrangements with multiple payment streams for a single deliverable or a single unit of accounting. The pronouncement shall be applied prospectively to milestones achieved in fiscal years, and interim periods within those years, after June 15, 2010, with earlier application and retrospective application permitted. We are currently assessing the impact of ASU No. 2010-17 on our financial position and results of operations.

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.

At July 2, 2010, our long-term debt (including current maturities) totaled $753.4 million. We have no interest rate exposure to rate changes on our fixed rate debt, which totaled $637.8 million. We do have interest rate exposure with respect to the $115.6 million outstanding balance on our variable interest rate debt. A 50 basis point increase in interest rates would impact our expected annual interest expense for the next twelve months by approximately $0.6 million. However, some of this impact would be offset by additional interest earned on our cash and cash equivalents should rates on deposits and investments also increase.

A majority of our revenue, expense and capital purchasing activities are transacted in U.S. dollars. However, as a multinational business, we also conduct certain of 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. Our policy prohibits speculation on financial instruments, trading in currencies for which there are no underlying exposures, or entering into trades for any currency to intentionally increases the underlying exposure.

Item 4. Controls and Procedures

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

Changes in Internal Controls Over Financial Reporting. On January 27, 2010, we acquired CMD, which operated under its own set of systems and internal controls. We are separately maintaining CMD’s systems and much of its control environment until we are able to incorporate CMD’s processes into our own systems and control environment. We currently expect to complete the integration of CMD’s operations into our systems and control environment by the end of fiscal 2010.

On June 9, 2010, we acquired SDT, which operated under its own set of systems and internal controls. We are separately maintaining SDT’s systems and much of its control environment until we are able to incorporate SDT’s process into our own system and control environment. We currently expect to complete the integration of SDT’s operations into our systems and control environment by the second half of 2011.

Other than as discussed above, there have been no other changes to our internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended July 2, 2010 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

We currently are involved in a variety of legal matters that arise in the normal course of business. Based on information currently available, management does not believe that the ultimate resolution of these matters, including the matters described or referred to in the next paragraphs will have a material effect on our financial condition, results of operations or cash flows. However, because of the nature and inherent uncertainties of litigation, should the outcome of these actions be unfavorable, our business, consolidated financial position, results of operations or cash flows could be materially and adversely affected.

Securities Class Action Litigation

During the period July 5, 2001 through July 27, 2001, we were named as a defendant in three shareholder class action lawsuits that were filed in federal court in New York City against us and certain of our former officers, current and former directors and the underwriters of our initial public offering. The lawsuits allege violations of the federal securities laws and have been docketed in the U.S. District Court for the Southern District of New York ("District Court") as: *Abrams v. ON Semiconductor Corp., et al., C.A. No 01-CV-6114; Breuer v. ON Semiconductor Corp., et al., C.A. No. 01-CV-6287;* and *Cohen v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6942. On April 19, 2002, the plaintiffs filed a single consolidated amended complaint that supersedes the individual complaints originally filed. The amended complaint alleges, among other things, that the underwriters of our initial public offering improperly required their customers to pay the underwriters' excessive commissions and to agree to buy additional shares of our common stock in the aftermarket as conditions of receiving shares in our initial public offering. The amended complaint further alleges that these supposed practices of the underwriters should have been disclosed in our initial public offering prospectus and registration statement. The amended complaint alleges violations of both the registration and antifraud provisions of the federal securities laws and seeks unspecified damages. We understand that various other plaintiffs have filed substantially similar class action cases against approximately 300 other publicly-traded companies and their public offering underwriters in New York City, which have all been transferred, along with the case against us, to a single federal district court judge for purposes of coordinated case management. We believe that the claims against us are without merit and have defended, and intend to continue to defend, the litigation vigorously. The litigation process is inherently uncertain, however, and we cannot guarantee that the outcome of these claims will be favorable for us.

On July 15, 2002, together with the other issuer defendants, we filed a collective motion to dismiss the consolidated, amended complaints against the issuers on various legal grounds common to all or most of the issuer defendants. The underwriters also filed separate motions to dismiss the claims against them. In addition, the parties have stipulated to the voluntary dismissal without prejudice of our individual former officers and current and former directors who were named as defendants in our litigation, and they are no longer parties to the litigation. On February 19, 2003, the District Court issued its ruling on the motions to dismiss filed by the underwriter and issuer defendants. In that ruling the District Court granted in part and denied in part those motions. As to the claims brought against us under the antifraud provisions of the securities laws, the District Court dismissed all of these claims with prejudice, and refused to allow plaintiffs the opportunity to re-plead these claims. As to the claims brought under the registration provisions of the securities laws, which do not require that intent to defraud be pleaded, the District Court denied the motion to dismiss these claims as to us and as to substantially all of the other issuer defendants as well. The District Court also denied the underwriter defendants' motion to dismiss in all respects.

In June 2003, upon the determination of a special independent committee of our Board of Directors, we elected to participate in a proposed settlement with the plaintiffs in this litigation. Had it been approved by the District Court, this proposed settlement would have resulted in the dismissal, with prejudice, of all claims in the litigation against us and against any of the other issuer defendants who elected to participate in the proposed settlement, together with the current or former officers and directors of participating issuers who were named as individual defendants. This proposed issuer settlement was conditioned on, among other things, a ruling by the District Court that the claims against us and against the other issuers who had agreed to the settlement would be certified for class action treatment for purposes of the proposed settlement, such that all investors included in the proposed classes in these cases would be bound by the terms of the settlement unless an investor opted to be excluded from the settlement in a timely and appropriate fashion.

On December 5, 2006, the U.S. Court of Appeals for the Second Circuit ("Court of Appeals") issued a decision in *In re Initial Public Offering Securities Litigation* that six purported class action lawsuits containing allegations substantially similar to those asserted against us could not be certified as class actions due, in part, to the Court of Appeals' determination that individual issues of reliance and knowledge would predominate over issues common to the proposed classes. On January 8, 2007, the plaintiffs filed a petition seeking rehearing *en banc* of this ruling. On April 6, 2007, the Court of Appeals denied the plaintiffs' petition for rehearing of the Court of Appeals' December 5, 2006 ruling. The Court of Appeals, however, noted that the plaintiffs remained free to ask the District Court to certify classes different from the ones originally proposed which might meet the standards for class certification that the Court of Appeals articulated in its December 5, 2006 decision. In light of the Court of Appeals' December 5, 2006 decision regarding certification of the plaintiffs' claims, the District Court entered an order on June 25, 2007 terminating the proposed settlement between the plaintiffs and the issuers, including us.

On August 14, 2007, the plaintiffs filed amended complaints in the six focus cases. The issuer defendants and the underwriter defendants separately moved to dismiss the claims against them in the amended complaints in the six focus cases. On March 26, 2008, the District Court issued an order in which it denied in substantial part the motions to dismiss the amended complaints in the six focus cases.

On February 25, 2009, the parties advised the District Court that they had reached an agreement-in-principle to settle the litigation in its entirety. A stipulation of settlement was filed with the District Court on April 2, 2009. On June 9, 2009, the District Court preliminarily approved the proposed global settlement. Notice was provided to the class, and a settlement fairness hearing, at which members of the class had an opportunity to object to the proposed settlement, was held on September 10, 2009. On October 6, 2009, the District Court issued an order granting final approval to the settlement. That order remains subject to appeal. Several appeals have been filed objecting to the definition of the settlement class and fairness of the settlement, and those appeals remain pending. The settlement calls for a total payment of $586 million from all defendants, including underwriters, of which $100 million is allocated to the approximately 300 issuer defendants. Under the settlement, our insurers are to pay the full amount of settlement share allocated to us, and we would bear no financial liability. We, as well as the officer and director defendants (current and former) who were previously dismissed from the action pursuant to tolling agreements, are to receive complete dismissals from the case. While we can make no assurances or guarantees as to the outcome of these proceedings, based upon our current knowledge, we believe that the final result of this action will have no material effect on our consolidated financial position, results of operations or cash flows.

Other Litigation

On January 27, 2010, we completed our acquisition of all of the outstanding shares of common stock of CMD through a cash tender offer of $4.70 per share which was then followed by the merger of Purchaser (defined below) and CMD, in accordance with the December 14, 2009 definitive merger agreement ("Merger Agreement") which we previously announced we had entered into with CMD ("Transaction"). Shortly after we signed the Merger Agreement and announced the tender offer, we were named as a defendant in three purported class action lawsuits, described below, filed in California and Delaware against us, CMD, CMD's Board of Directors and Pac-10 Acquisition Corporation, our direct, wholly-owned subsidiary ("Purchaser").

On December 14, 2009, a purported class action lawsuit was filed in the Superior Court of Santa Clara County, California ("Court") captioned *Robert Varrenti, et al. v. Robert Dickinson, Edward Ross, John Sprague, David Wittrock, David Sear, Jon Castor, John Fichthorn, J. Michael Gullard, Kenneth Potashner, California Micro Devices, ON Semiconductor Corporation and Pac-10 Acquisition Corporation* (No. 109CV159469). On December 29, 2009, the plaintiff filed an amended complaint. On December 21, 2009, a second purported class action lawsuit was filed in the Court of Chancery in the State of Delaware captioned *Annamarie Medeiros et al. v. California Micro Devices, Jon S. Castor, Robert V. Dickinson, Edward C. Ross, John Fichthorn, J. Michael Gullard, Kenneth Potashner, David L. Wittrock, Pac-10 Acquisition Corporation and ON Semiconductor Corporation* (No. 5159). On January 4, 2010, a third purported class action lawsuit was filed in the Court of Chancery in the State of Delaware captioned *Sanjay Israni, et al. v. California Micro Devices, Robert V. Dickinson, Edward C. Ross, Jon S. Castor, John Fichthorn, J. Michael Gullard, Kenneth Potashner, David L. Wittrock, ON Semiconductor Corporation and Pac-10 Acquisition Corporation* (No. 5181). All three lawsuits contain similar allegations, stating generally that the proposed Transaction is the product of a breach of fiduciary duties by CMD's Board of Directors by failing to adequately discharge their duties in negotiating and agreeing to the Transaction and that we and the Purchaser assisted in that breach. All three lawsuits requested an injunction enjoining the consummation of the Transaction. The *Israni* complaint also included a request for damages.

On January 19, 2010, the parties entered into a memorandum of understanding ("MOU") to settle the three lawsuits and on February 18, 2010, the parties entered into a stipulation of settlement ("Stipulation"). The settlement, like the MOU, calls for CMD to agree to make available to shareholders certain additional information, which has been completed, and CMD or its insurer to agree to pay plaintiffs' counsel for fees and expenses not to exceed $495,000. We expect CMD's insurer to pay $245,000 of this total amount. This payment did not affect the amount of consideration paid to the stockholders of CMD in connection with the Transaction. See the MOU document at Exhibit 10.1 to CMD's Form 8-K filed with the SEC on January 20, 2010, and see a summary of the MOU in the Company's Amendment No. 3 to Schedule TO filed with the SEC on January 20, 2010, which summary is incorporated by reference herein. The Stipulation was filed with the Court on March 29, 2010 and a hearing to preliminarily approve the settlement was held on May 7, 2010. On May 25, 2010, the Court preliminarily approved the Stipulation and scheduled a settlement hearing on July 23, 2010. At the July 23, 2010 hearing, the court approved the settlement, but requested additional information from the plaintiffs regarding fees and expenses.

The defendants maintain that the lawsuits are completely without merit. Nevertheless, the defendants agreed to the settlement in order to avoid costly litigation, eliminate the risk of delaying the closing of the Transaction, and because the only effect of the settlement on CMD stockholders was to provide additional disclosure. While we can make no assurances or guarantees as to the outcome of these proceedings, based upon our current knowledge, we believe that the final result of this action will have no material effect on our consolidated financial position, results of operations or cash flows.

Intellectual Property Matters

We face risk to exposure from claims of infringement of the intellectual property rights of others. In the ordinary course of business, we receive letters asserting that our products or components breach another party's rights. These threats may seek that we make royalty payments, that we stop use of such rights, or other remedies.

Prior to the acquisition of AMIS by us on March 17, 2008, in January 2003, Ricoh Company, Ltd. ("Ricoh") filed in the U.S. District Court for the District of Delaware a complaint against AMIS and other parties (including Synopsys, Inc. ("Synopsys"), alleging infringement of a patent owned by Ricoh. AMIS promptly tendered the defense of this claim to Synopsys, and Synopsys agreed to assume the defense of the case on AMIS' behalf to the extent that the Synopsys software that AMIS licensed from Synopsys is alleged to constitute the basis of Ricoh's claim of infringement. The case has been transferred to the U.S. District Court for the Northern District of California. Ricoh is seeking an injunction and damages in an unspecified amount relating to such alleged infringement. The patents relate to certain methodologies for the automated design of custom semiconductors.

The case was scheduled to go to trial in March 2007; however, in December 2006, the court issued an order staying the case pending a re-examination proceeding filed by Synopsys before the U.S. Patent & Trademark Office ("PTO") challenging the validity of the patent claims at issue in this case. Since that time, Synopsys filed a total of three re-examination petitions with the PTO challenging the validity of the claims at issue which the PTO granted and consolidated all three re-examinations into one proceeding before a single examiner. The re-examination proceeding was completed in September 2008, and the PTO examiner issued a final rejection of all claims in the asserted patent over prior art. Ricoh has appealed that final rejection to the PTO Board of Appeals, which has yet to schedule a hearing date. In April 2008, the court lifted the stay despite the ongoing re-examination proceeding in the PTO. In September 2008, the court granted defendants' request to refile a summary judgment motion on non-infringement that had been vacated as moot when the stay was imposed in December 2006. On March 6, 2009, the judge issued a ruling denying the summary judgment motion without prejudice because of a factual dispute over a patent claim element. After an exchange of briefs by the parties related to the disputed claim element, the judge held a further hearing on the matter on June 12, 2009. On October 23, 2009, the judge issued his ruling on the disputed claim element. Based on the judge's ruling, Synopsys filed another motion for summary judgment on non-infringement on January 8, 2010. A hearing on that motion was held on March 8, 2010 and on April 14, 2010 the judge granted Synopsys' motion for summary judgment. On April 28, 2010 Ricoh filed a motion for reconsideration on the summary judgment ruling. On May 28, 2010, the judge denied the Ricoh motion and entered final judgment in Synopsis' favor for non-infringement. Ricoh subsequently filed a Notice of Appeal on June 23, 2010; counsel for Synopsis expects an appeal briefing to occur during the fall with a decision on the appeal likely in the spring of 2011. We believe that the asserted claims are without merit, and even if meritorious, that we will be indemnified against damages by Synopsys, and that resolution of this matter will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

The below risk factors update the risk factors included in our Form 10-K for the fiscal year ended December 31, 2009 ("2009 Form 10-K") and our Form 10-Q for the quarter ended April 2, 2010, to reflect risks associated with the pending SANYO Transaction. This Form 10-Q includes "forward-looking statements," as that term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. All statements, other than statements of historical facts, included or incorporated in this Form 10-Q could be deemed forward-looking statements, particularly statements about our plans, strategies and prospects under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements are often characterized by the use of words such as "believes," "estimates," "expects," "projects," "may," "will," "intends," "plans," or "anticipates," or by discussions of strategy, plans or intentions. All forward-looking statements in this Form 10-Q are made based on our current expectations and estimates, and involve risks, uncertainties and other factors that could cause results or events to differ materially from those expressed in forward-looking statements. Among these factors are, as discussed more below and in other parts of this Form 10-Q, our revenues and operating performance, poor economic conditions and markets (including the current credit and financial conditions), the cyclical nature of the semiconductor industry, changes in demand for our products, changes in our customers and distributors, inventories, technological and product development risks, availability of raw materials, competitors' actions, pricing and gross margin pressures, loss of key customers, order cancellations or reduced bookings, changes in manufacturing yields, control of costs and expenses, significant litigation, risks associated with acquisitions and dispositions (including the pending acquisition of SANYO Semiconductor and other assets related to SANYO Electric's semiconductor business), risks associated with our substantial leverage and restrictive covenants in our debt agreements, risks associated with our international operations including foreign employment and labor matters associated with unions and collective bargaining arrangements, the threat or occurrence of international armed conflict and terrorist activities both in the United States and internationally, risks and costs associated with regulation of corporate governance and disclosure standards (including pursuant to Section 404 of the Sarbanes-Oxley Act of 2002("SOX")), risks related to new legal requirements and risks involving environmental or other governmental regulation. Additional factors that could affect our future results or events are described under Part I, Item 1A. "Risk Factors" in our

2009 Form 10-K and from time to time in our other Securities and Exchange Commission reports. You should carefully consider the trends, risks and uncertainties described in this Form 10-Q, the 2009 Form 10-K and subsequent reports filed with or furnished to the Securities and Exchange Commission before making any investment decision with respect to our securities. If any of these trends, risks or uncertainties actually occurs or continues, our business, financial condition or operating results could be materially adversely affected, the trading prices of our securities could decline, and you could lose all or part of your investment. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

Trends, Risks and Uncertainties Related to the Potential Acquisition of SANYO Semiconductor and Other Assets Related to SANYO Electric's Semiconductor Business

The issuance of shares of our common stock to SANYO Electric in the potential acquisition would dilute the interest held by our stockholders prior to the acquisition.

If the acquisition is completed we may issue approximately 35.3 million shares of our common stock to SANYO Electric, based upon a fixed price of $6.78 per share, subject to adjustment at closing. At our option we may, however, substitute cash in lieu of all or any portion of the shares to be issued as consideration at closing. If issued, such shares could equal approximately 7 to 8 percent of ON Semiconductor Corporation's fully-diluted shares outstanding. The issuance of shares of our common stock in connection with the SANYO Transaction would cause a reduction in the relative percentage interest of our current stockholders in earnings, voting, liquidation value and book and market value.

The uncertainty about the completion of the SANYO Transaction and the diversion of management could harm us, whether or not the transaction is completed.

In response to the announcement of the SANYO Transaction, our existing or prospective customers relating to this particular business as well as SANYO Semiconductor's existing or prospective customers may delay or defer their purchasing or other decisions, or they may seek to change their existing business relationship. In addition, as a result of the transaction, current and prospective employees could experience uncertainty about their future with us, and we could lose employees as a result. In addition to employee retention, these uncertainties may also impair our ability to recruit or motivate key personnel. Completion of the transaction will also require a significant amount of time and attention from management. The diversion of management attention away from ongoing operations could adversely affect ongoing operations and business relationships.

Failure to complete the SANYO Transaction could adversely affect our stock price, future business, and financial results.

As a public company, we were required to announce this acquisition prior to the actual closing or consummation of the transaction. Completion of the SANYO Transaction is conditioned upon, among other things, (i) the receipt of certain antitrust approvals under the laws of certain foreign jurisdictions, (ii) the Company's completion of its due diligence review of SANYO Semiconductor and its subsidiaries to the satisfaction of the Company, (iii) no material adverse effect occurring with respect to SANYO Semiconductor and its subsidiaries, (iv) certain debt financing of SANYO Semiconductor being extended or refinanced on terms reasonably satisfactory to the Company, (v) the reorganization of certain SANYO Semiconductor subsidiaries, and (vi) no more than a specified percentage of SANYO Semiconductor and its subsidiary employees exercising their right to object under Japanese law to the reorganization. There is no assurance that we will receive all of the necessary approvals or satisfy the other conditions to the completion of the SANYO Transaction. Failure to complete the proposed transaction could prevent us from realizing the anticipated benefits of the SANYO Transaction. We will also remain liable for significant transaction costs, including legal, accounting and financial advisory fees. In addition, the market price of our common stock may reflect various market assumptions as to whether the transaction will occur. Consequently, the completion of, or failure to complete, the SANYO Transaction could result in a significant change in the market price of our common stock.

The ability to complete the SANYO Transaction is subject to the receipt of consents and approvals from government entities, which may impose conditions that could have an adverse effect on us or could cause us to abandon the transaction.

In deciding whether to grant antitrust and competition approvals, the relevant governmental entities will consider the effect of the SANYO Transaction on competition within their relevant jurisdictions. The terms and conditions of the approvals that are granted, if accepted, may impose requirements, limitations or costs or place restrictions on the conduct of our business following the closing of the SANYO Transaction.

We cannot provide any assurance that we will obtain the necessary approvals or that any other conditions, terms, obligations or restrictions sought to be imposed, and if accepted, would not have a material adverse effect on us following the transaction. In addition, we can provide no assurance that these conditions, terms, obligations or restrictions will not result in the delay or abandonment of the SANYO Transaction.

Additionally, as a condition to their approval of the SANYO Transaction, regulatory agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of our combined business with SANYO Semiconductor. If we agree to these requirements, limitations, costs, divestitures or restrictions with SANYO Semiconductor, SANYO Electric, and the regulatory agencies, then our ability to realize the anticipated benefits of the SANYO Transaction may be impaired.

We will incur significant transaction and transaction-related costs in connection with the SANYO Transaction.

We expect to incur significant costs associated with completing the SANYO Transaction and combining the operations of SANYO Semiconductor with our business. The exact magnitude of these costs is not yet known. In addition, there may be unanticipated costs associated with the integration. Although we expect that the elimination of duplicative costs and other efficiencies may offset incremental transaction-related costs over time, these benefits may not be achieved in the near term, or at all.

After the consummation of the SANYO Transaction, the integration of SANYO Semiconductor into our business could result in adverse events and the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected.

Following the consummation of the SANYO Transaction, the integration of SANYO Semiconductor will require significant coordination internally and with third parties. The integration of SANYO Semiconductor following the consummation of the SANYO Transaction will require a significant amount of time and attention from management. The diversion of management attention away from ongoing operations could adversely affect ongoing operations and business relationships. Moreover, even if we were able to fully integrate SANYO Semiconductor's business operations and other assets successfully, there can be no assurance that this integration will result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible from this integration or that these benefits will be achieved within a reasonable period of time. Delays in integrating SANYO Semiconductor after the acquisition, which could be caused by factors outside of our control, could adversely affect the intended benefits of our business, financial results, financial condition and stock price.

Following the consummation of the SANYO Transaction, if we are unable to integrate SANYO Semiconductor into our internal control over financial reporting, our internal control over financial reporting may not be effective.

Section 404 of SOX requires us to furnish a management certification and auditor attestation regarding the effectiveness of our internal control over financial reporting. As a public company, we are required to report, among other things, control deficiencies that constitute a "material weakness" or changes in internal control that materially affect or are reasonably likely to materially affect, our internal controls over financial reporting. Complying with SOX is time consuming and costly. Following the consummation of the SANYO Transaction, we will be required to incorporate SANYO Semiconductor into our internal control over financial reporting. Currently, SANYO Semiconductor is a foreign corporation and was not required to comply with SOX Section 404. The integration of SANYO Semiconductor into our internal control over financial reporting will require additional time and resources from our management and other personnel and may increase our compliance costs. Failure to comply with SOX, including a delay in or failure to successfully integrate SANYO Semiconductor into our internal control over financial reporting following the consummation of the SANYO Transaction, or the report by us of a material weakness may cause investors to lose confidence in our consolidated financial statements or even in our ability to recognize the anticipated synergies and benefits of this transaction, and the trading price of our common stock may decline. In addition, if we fail to remedy any material weakness, our investors and others may lose confidence in our financial statements, our financial statements may be materially inaccurate, our access to capital markets may be restricted and the trading price of our common stock may decline.

Any issuance of shares of our common stock in connection with the SANYO Transaction may cause the market price of our common stock to fluctuate.

As of July 30, 2010, we had approximately 431.1 million shares of common stock outstanding and approximately 44.9 million shares of common stock subject to outstanding options and other rights to purchase or acquire shares. We may issue up to approximately 35.3 million shares, subject to adjustment at closing, of our common stock in connection with the SANYO Transaction. We have the option at closing to substitute cash in lieu of all or any portion of such shares. The issuance of these new shares of our common stock and the sale of additional shares of our common stock that may become eligible for sale in the public market could have the effect of depressing the market price for shares of our common stock.

Cash expenditures and capital commitments associated with the SANYO Transaction may decrease our liquidity.

Our principal sources of liquidity are cash on hand, cash generated from operations and funds from external borrowings and equity issuances. Although we have incurred and may continue to incur significant transaction expenses and have committed a significant amount of [cash on hand] to cover the purchase price for the SANYO Transaction, we believe that cash flow from operating activities coupled with the remaining cash on hand and cash equivalents and funds from external borrowings will be adequate to operate our business and otherwise satisfy our capital needs. However, to the extent that results or events differ or transaction expenses exceed projections or business plans, our liquidity may be adversely affected. If we fail to generate sufficient cash from operations, we may need to raise additional equity or borrow additional funds to achieve our longer term objectives. There can be no assurance that such equity or borrowings will be available, or if available, will be at rates or prices acceptable to us. See also the risk factors in our 2009 Form 10-K under "Trends, Risks and Uncertainties Relating to Our Indebtedness."

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
4.1	First Supplemental Indenture regarding Zero Coupon Convertible Senior Subordinated Notes Due 2024, Series B, dated as of April 12, 2010, between ON Semiconductor Corporation and Semiconductor Components Industries, LLC, SCG (Malaysia SMP) Holding Corporation, SCG (Czech) Holding Corporation, SCG (China) Holding Corporation, Semiconductor Components Industries Puerto Rico, Inc., Semiconductor Components Industries of Rhode Island, Inc., SCG International Development LLC and Semiconductor Components Industries International of Rhode Island, Inc., as note guarantors, and Wells Fargo Bank, N.A., as trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on April 12, 2010).
10.1	ON Semiconductor Corporation Amended and Restated Stock Incentive Plan (the "Stock Plan") (incorporated by reference from Exhibit 4.1 to the Company's registration statement on Form S-8 No. 333-166958 filed with the Commission on May 19, 2010) (1)
10.2	Non-qualified Stock Option Agreement for Directors for the Stock Plan (form of standard agreement) (1)(2)
10.3	Non-qualified Stock Option Agreement for Senior Vice Presidents and Above for the Stock Plan (form of standard agreement) (1)(2)
10.4	Restricted Stock Units Award Agreement for Senior Vice Presidents and Above for the Stock Plan (form of standard agreement) (1)(2)
31.1	Certification by CEO pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (2)
31.2	Certification by CFO pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (2)
32.1	Certification by CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (3)
101.INS	XBRL Instance Document (3)(4)
101.SCH	XBRL Taxonomy Extension Schema Document (3)(4)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (3)(4)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (3)(4)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (3)(4)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (3)(4)

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

SIGNATURES

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

Date: August 5, 2010

ON SEMICONDUCTOR CORPORATION
(Registrant)

By: /s/ DONALD COLVIN

Donald Colvin
Executive Vice President and Chief Financial Officer (Principal Financial Officer, Principal Accounting Officer and officer duly authorized to sign this report)

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ON SEMICONDUCTOR CORPORATION
AMENDED AND RESTATED STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR DIRECTORS

ON Semiconductor Corporation, a Delaware Corporation ("Company") hereby grants to **[DIRECTOR]** ("Optionee"), a Participant in the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan, as amended from time-to-time ("Plan"), a Non-Qualified Stock Option representing shares of the common stock of the Company ("Stock"). This agreement to grant Stock Options ("Option Agreement") is made effective as of the __ day of _____, 20__ ("Grant Date").

RECITALS

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

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

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

D. To the extent not specifically defined in this Option Agreement, all capitalized terms used in this Option Agreement shall have the meaning set forth in the Plan.

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

1. Grant of Option. The Company hereby grants to the Optionee the right and option (hereinafter referred to as the "Option") to purchase an aggregate of ___ shares (such number being subject to adjustment as provided in paragraph 12 hereof and Section 5.3 of the Plan) of the Stock on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time-to-time as hereinafter provided. The Option granted under this Option Agreement is **not** intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. Vesting of Option. The Option shall vest and become exercisable in accordance with the schedule below, subject to paragraph 8 hereof and the Plan:

2.1 [**33 1/3% of the Option grant shall become exercisable on** [the first anniversary of the Grant Date] [____ __, 20__];

2.2 An additional [**33 1/3% of the Option grant shall become exercisable on** [the second anniversary of the Grant Date] [____ __, 20__]; and

2.3 The final [**33 ⅓% of the Option grant shall become exercisable on** [the third anniversary of the Grant Date] [____ __, 20__].]

3. Purchase Price. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $____ per share (i.e., the closing price of the Company's Stock) on ____ __, 20__.

4. Term of Option. The Option granted under this Option Agreement shall expire, unless otherwise exercised, seven (7) years from the Grant Date, through and including the normal close of business of the Company on ____ __, 20__ ("Expiration Date"), subject to earlier termination as provided in paragraph 8 hereof and the Plan.

5. Exercise of Option. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. Method of Exercising Option. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of notice, which notice shall be effective on the date received by the Company ("Effective Date") and shall be provided in accordance with the procedures promulgated by the Company. The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 8 hereof, such notice shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. Method of Payment for Options. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six (6) months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Committee and communicated to the Optionee prior to the date the Optionee exercises all or any portion of the Option.

8. Termination of Services.

8.1 General. If the Optionee ceases to perform services as a member of the Board for any reason other than death or Disability, then the Optionee may at any time within ninety (90) days after the effective date of termination of services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the Date of Termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date. Any portion of the Option that is not vested on the date the Optionee ceases to perform services as a Company Director, shall be forfeited on such date.

8.2 Death or Disability of Optionee. In the event of the death or Disability of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including ninety (90) days after termination of services ("Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Committee shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

9. Nontransferability. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as provided in paragraph 8 above, only by the Optionee during his lifetime and while a Director of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution or as otherwise provided under Article 13 of the Plan.

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

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

10.2 Consent to Electronic Delivery. The Optionee acknowledges that the Optionee has read paragraph 10.1 above of this Option Agreement and consents to the electronic delivery of the Plan documents and any grant notice, as described in paragraph 10.1. The Optionee acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Optionee by contacting the Company by telephone or in writing.

11. Market Stand-off Agreement. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed one-hundred eighty (180) days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

12. Adjustments in Number of Shares and Option Price. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 5.3 of the Plan.

13. Delivery of Shares. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Committee, the Optionee has delivered to the Committee an Investment Letter in form and content satisfactory to the Company as provided in paragraph 14 hereof.

14. Securities Act. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Committee may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Committee in its sole discretion.

15. Administration. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Committee in accordance with the terms of and as provided in the Plan. The Committee shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Committee with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

16. Continuation of Services. This Option Agreement shall not be construed to confer upon the Optionee any right to continue providing services as a Company Director and shall not limit the right of the Company, in its sole and absolute discretion, to terminate the services of the Optionee at any time.

17. Obligation to Exercise. The Optionee shall have no obligation to exercise any option granted by this Option Agreement.

18. Governing Law and Venue. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

For purposes of litigating any dispute that arises under this grant or this Option Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Arizona, agree that such litigation shall be conducted in the courts of Maricopa County, Arizona, or the federal courts for the United States for the District of Arizona, where this grant is made and/or to be performed.

19. Amendments. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee.

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

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

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

23. Other. The Optionee represents that the Optionee has read and is familiar with the provisions of the Plan and this Option Agreement, and hereby accepts the Award subject to all of their terms and conditions.

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

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

26. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Optionee's participation in the Plan, on the Options and on any shares of Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Optionee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

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

ON SEMICONDUCTOR CORPORATION

By: ______________________________

OPTIONEE

By: ______________________________

[NAME], Director

ON SEMICONDUCTOR CORPORATION
AMENDED AND RESTATED STOCK INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT

ON Semiconductor Corporation, a Delaware Corporation, (“Company”) hereby grants to **<<NAME>>** (“Optionee”), a Participant in the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan, as amended from time-to-time (“Plan”), a Non-Qualified Stock Option representing shares of the common stock of the Company (“Stock”). This agreement to grant Stock Options (“Option Agreement”) is made effective as of the __ day of _____, 20__ (“Grant Date”).

RECITALS

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

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

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

D. To the extent not specifically defined herein or in the Optionee’s Employment Agreement dated _______________, (“Employment Agreement”), all capitalized terms used in this Option Agreement shall have the meaning set forth in the Plan unless a contrary meaning is set forth in the Employment Agreement.

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

1. **Grant of Option.** The Company hereby grants to the Optionee the right and option (hereinafter referred to as the “Option”) to purchase an aggregate of ___ shares (such number being subject to adjustment as provided in paragraph 13 hereof and Section 5.3 of the Plan) of the Company’s Stock on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time-to-time as hereinafter provided. The Option granted under this Option Agreement is **not** intended to be an “incentive stock option” as set forth in Section 422 of the Internal Revenue Code of 1986, as amended.

2. **Vesting of Option.** The Option shall vest and become exercisable in accordance with the schedule below, subject to paragraph 9 hereof and the Plan:

2.1 [25% of the Option grant shall become exercisable on [the first anniversary of the Grant Date] [____ __ , 20__];

2.2 An additional [**25% of the Option grant shall become exercisable on** [the second anniversary of the Grant Date] [**____ __**, 20**__**];

2.3 An additional [**25% of the Option grant shall become exercisable on** [the third anniversary of the Grant Date] [**____ __**, 20**__**]; and

2.4 The final [**25% of the Option grant shall become exercisable on** [the fourth anniversary of the Grant Date] [**____ __**, 20**__**].]

3. <u>Purchase Price</u>. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be $ **____** per share (i.e., the closing price of the Company's Stock on [**____ __**, 20**__**]).

4. <u>Term of Option</u>. The Option granted under this Option Agreement shall expire, unless otherwise exercised, seven (7) years from the Grant Date**,** through and including the normal close of business of the Company on [**______ ___**, 20**___**] ("Expiration Date"), subject to earlier termination as provided in paragraph 9 hereof and the Plan.

5. <u>Exercise of Option</u>. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 hereof.

6. <u>Method of Exercising Option</u>. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by timely delivery to the Company of notice, which notice shall be effective on the date received by the Company ("Effective Date") and shall be provided in accordance with the procedures promulgated by the Company. The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 hereof), the exact name or names in which the shares will be registered and the Social Security number of the Optionee. Such notice shall be accompanied by payment of the purchase price of such shares. In the event the Option shall be exercised by a person or persons other than Optionee pursuant to paragraph 9 hereof, such notice shall be accompanied by proof acceptable to the Company of the legal right of such person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. <u>Method of Payment for Options</u>. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash, previously-acquired Stock held for more than six (6) months (through actual tender or by attestation), broker-assisted cashless exercise arrangement, or such other method permitted by the Committee and communicated to the Optionee prior to the date the Optionee exercises all or any portion of the Option.

8. <u>Responsibility for Taxes</u>. Regardless of any action the Company and/or the Optionee's employer (the "Employer") take with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Optionee's participation in the Plan and legally applicable to the Optionee ("Tax-Related Items"), the Optionee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Optionee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Optionee further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including the grant, vesting or exercise of the Option, the subsequent sale of any shares of Stock acquired pursuant to such exercise and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate the Optionee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Optionee has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, the Optionee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Optionee will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Optionee authorizes the Company and/or the Employer, or their respective agents, at the Company's discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (a) withholding from the Optionee's wages or other cash compensation paid to the Optionee by the Company and/or the Employer; (b) withholding from proceeds of the sale of shares of Stock acquired upon exercise of the Option either through a voluntary sale or through a mandatory sale arranged by the Company (on the Optionee's behalf pursuant to this authorization); (c) withholding in shares of Stock to be issued upon exercise of the Option; or (d) personal check or other cash equivalent acceptable to the Company.

The Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding a number of shares of Stock as described herein, for tax purposes, the Optionee shall be deemed to have been issued the full number of shares of Stock subject to the portion of the Option exercised, notwithstanding that a number of the shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Optionee's participation in the Plan. The Optionee shall pay to the Company and/or the Employer any amount of Tax-Related Items that the Company and/or the Employer may be required to withhold as a result of the Optionee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to honor the exercise and refuse to issue or deliver the shares or the proceeds of the sale of shares of Stock if the Optionee fails to comply with his or her obligations in connection with the Tax-Related Items.

9. <u>Termination of Employment or Services</u>.

9.1 <u>General</u>. Subject to the provisions of paragraph 9.2 below, if the Optionee terminates employment or otherwise ceases to perform services for the Company for any reason other than death or Disability, then the Optionee may at any time within ninety (90) days after the effective date of termination of employment or services exercise the Option to the extent that the Optionee was entitled to exercise the Option at the Date of Termination, provided that the Option shall lapse immediately upon a termination for Cause. In no event shall the Option be exercisable after the Expiration Date.

9.2 Change in Control. In the event the Company terminates the Optionee's employment without Cause (including a deemed termination for Good Reason) within two (2) years following a Change in Control, then, (i) any outstanding but unvested portion of the Option granted pursuant to this Option Agreement shall vest upon the Date of Termination; and (ii) the Option shall remain fully exercisable until the first to occur of (1) the one-year anniversary of the Date of Termination, and (2) the seventh anniversary of the Grant Date of the Option; provided, however, that if the Company determines in good faith that the extension of this exercise period for the Option results in the Option being considered deferred compensation subject to Section 409A of the Internal Revenue Code, such extension shall not take effect.

9.3 Death or Disability of Optionee. In the event of the death or Disability of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee, including ninety (90) days after termination of employment or services ("Option Period"), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of the Optionee's death or Disability by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive such Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Committee shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 9 to exercise the Option.

10. Nontransferability. The Option granted by this Option Agreement shall be exercisable only during the term of the Option provided in paragraph 4 hereof and, except as provided in paragraph 9 above, only by the Optionee during his lifetime and while an Optionee of the Company. Except as otherwise permitted by the Committee, this Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution or as otherwise provided under Article 13 of the Plan.

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

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

11.2 Consent to Electronic Delivery. The Optionee acknowledges that the Optionee has read paragraph 11.1 above of this Option Agreement and consents to the electronic delivery of the Plan documents and any grant notice, as described in paragraph 11.1. The Optionee acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Optionee by contacting the Company by telephone or in writing.

12. Market Stand-off Agreement. The Optionee, if requested by the Company and an underwriter of Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Stock (or other securities) of the Company held by the Optionee during the period not to exceed one-hundred eighty (180) days as requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop transfer instructions with respect to the Stock (or other securities) subject to the foregoing restriction until the end of such project.

13. Adjustments in Number of Shares and Option Price. In the event of a stock dividend or in the event the Stock shall be changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each such remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 5.3 of the Plan.

14. Delivery of Shares. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price shall have been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Committee, the Optionee has delivered to the Committee an Investment Letter in form and content satisfactory to the Company as provided in paragraph 15 hereof.

15. Securities Act. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. The Committee may require that the Optionee, prior to the issuance of any such shares pursuant to exercise of the Option, sign and deliver to the Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act of 1933 or other applicable federal or state securities laws and regulations. Such Investment Letter shall be in form and content acceptable to the Committee in its sole discretion.

16. Administration. This Option Agreement shall at all times be subject to the terms and conditions of the Plan and the Plan shall in all respects be administered by the Committee in accordance with the terms of and as provided in the Plan. The Committee shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the majority of the Committee with respect thereto and to this Option Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Option Agreement and the Plan, the provisions of the Plan shall control.

17. Continuation of Employment or Services. This Option Agreement shall not be construed to confer upon the Optionee any right to continue employment with, or to provide services to, the Company and shall not limit the right of the Company, in its sole and absolute discretion, to terminate the employment or services of the Optionee at any time.

18. Obligation to Exercise. The Optionee shall have no obligation to exercise any option granted by this Option Agreement.

19. Governing Law and Venue. This Option Agreement shall be interpreted and administered under the laws of the State of Delaware.

For purposes of litigating any dispute that arises under this grant or this Option Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Arizona, agree that such litigation shall be conducted in the courts of Maricopa County, Arizona, or the federal courts for the United States for the District of Arizona, where this grant is made and/or to be performed.

20. Amendments. This Option Agreement may be amended only by a written agreement executed by the Company and the Optionee.

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

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

23. <u>Counterparts</u>. Any grant notice and this Option Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

24. <u>Other</u>. The Optionee represents that the Optionee has read and is familiar with the provisions of the Plan and this Option Agreement, and hereby accepts the Award subject to all of their terms and conditions.

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

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

27. <u>Imposition of Other Requirements</u>. The Company reserves the right to impose other requirements on the Optionee's participation in the Plan, on the Options and on any shares of Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Optionee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

[Alt 1 — IN WITNESS WHEREOF, the Company has caused this Option Agreement to be signed by its duly authorized representative and the Optionee has signed this Option Agreement as of the date first written above.]

[Alt 2 — IN WITNESS WHEREOF, the Company has caused this Option Agreement to be electronically signed by its duly authorized representative and the Optionee, by clicking the "ACCEPT" button, has hereby electronically accepted and acknowledged as of the date first written above this Option Agreement and its underlying Award subject to all of their terms and conditions.]

ON SEMICONDUCTOR CORPORATION

By: ______________________________

OPTIONEE

By: ______________________________

ON SEMICONDUCTOR CORPORATION
AMENDED AND RESTATED STOCK INCENTIVE PLAN
RESTRICTED STOCK UNITS AWARD AGREEMENT

ON Semiconductor Corporation, a Delaware Corporation, ("Company") hereby grants to **«NAME»** ("Grantee"), a Participant in the ON Semiconductor Corporation Amended and Restated Stock Incentive Plan, as amended from time-to-time ("Plan"), a Restricted Stock Units Award ("Award") for Units ("Units") representing shares of the common stock of the Company ("Stock"). This agreement to grant Stock Units ("Grant Agreement") is made effective as of the __ day of ____, 20__ ("Grant Date").

RECITALS

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

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

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

D. To the extent not specifically defined herein or in the Grantee's Employment Agreement dated __________, ("Employment Agreement"), all capitalized terms used in this Grant Agreement shall have the meaning set forth in the Plan unless a contrary meaning is set forth in the Employment Agreement.

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

1. **Grant of Units.** The Company hereby grants to the Grantee a Restricted Stock Units Award for _____ Units, representing the right to receive the same number of shares of the Company's Stock, subject to the terms and conditions in this Grant Agreement. This Award is granted pursuant to the Plan and its terms are incorporated by reference.

2. **Vesting of Units.** The Units will vest in accordance with the schedule below, subject to paragraph 3 hereof and the Plan:

2.1 [**33 1/3% of the Units will vest on** [the first anniversary of the Grant Date] [____ __, 20__];

2.2 An additional [**33 1/3% of the Units will vest on** [the second anniversary of the Grant Date] [____ __, 20__]; and

2.3 The final [**33 1/3% of the Units will vest on** [the third anniversary of the Grant Date] [____ __, 20__].]

3. Termination of Employment or Services.

3.1 General. Subject to the provisions of paragraph 3.2 below, if the Grantee terminates employment with the Company for any reason (including upon a termination for Cause), or otherwise ceases to perform services for the Company, any Units that are not vested under the schedule in paragraph 2 above will be canceled and forfeited as of the date of termination of employment or service.

3.2 Change in Control. In the event the Company terminates the Grantee's employment or services without Cause (including a deemed termination for Good Reason, if applicable for this Grantee) or terminates Grantee's services within two (2) years following a Change in Control, then the unvested portion of the Units shall become immediately vested.

4. Time and Form of Payment. Subject to the provisions of this Grant Agreement and the Plan, as the number of Units vest under paragraph 2 or under paragraph 3 above, as the case may be, the Company will deliver to the Grantee the same number of whole shares of Stock, rounded up or down. Notwithstanding the preceding, the Company must deliver the shares within 15 days of the applicable Vesting Date.

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

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

7. Delivery of Shares. No shares of Stock shall be delivered under this Grant Agreement until (i) the Units vest in accordance with the schedule set forth in paragraph 2 above or pursuant to paragraph 3 above, as the case may be; (ii) approval of any governmental authority required in connection with the Grant Agreement, or the issuance of shares thereunder, has been received by the Company; (iii) if required by the Committee, the Grantee has delivered to the Company documentation (in form and content acceptable to the Company in its sole and absolute discretion) to assist the Company in concluding that the issuance to the Grantee of any share of Stock under this Grant Agreement would not violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations; (iv) the Grantee has complied with paragraph 13 below of this Grant Agreement in order for the proper provision for required tax withholdings to be made; and (v) the Grantee has executed and returned this Grant Agreement to the Company (which, in the case of a Grant Agreement provided to the Grantee in electronic format, requires that the Grantee click the “ACCEPT” button). This Grant Agreement must be executed no later than the date preceding the first vesting date (described in Section 2 of this Grant Agreement).

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

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

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

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

10.2 Consent to Electronic Delivery. The Grantee acknowledges that the Grantee has read paragraph 10.1 above of this Grant Agreement and consents to the electronic delivery of the Plan documents and any grant notice, as described in paragraph 10.1. The Grantee acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Grantee by contacting the Company by telephone or in writing.

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

12. Continuation of Employment or Services. This Grant Agreement shall not be construed to confer upon the Grantee any right to continue employment with, or to provide services to, the Company and shall not limit the right of the Company, in its sole and absolute discretion, to terminate the employment or services of the Grantee at any time.

13. Responsibility for Taxes and Withholdings. Regardless of any action the Company or the Grantee's actual employer ("Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("Tax-Related Items"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Units, including the grant of the Units, the vesting of Units, the conversion of the Units into shares or the receipt of an equivalent cash payment, the subsequent sale of any shares acquired at vesting and the receipt of any dividends and/or dividend equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Units to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

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

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

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

14. Amendments. This Grant Agreement may be amended only by a written agreement executed by the Company and the Grantee.

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

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

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

18. Governing Law and Venue. This Grant Agreement shall be interpreted and administered under the laws of the State of Delaware.

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

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

20. Section 409A Compliance. Section 409A of the Code imposes an additional 20% tax, plus interest, on payments from "non-qualified deferred compensation plans." Certain payments under this Grant Agreement could be considered to be payments under a "non-qualified deferred compensation plan." The additional 20% tax and interest do not apply if the payment qualifies for an exception to the requirements of Section 409A or complies with the requirements of Section 409A. The Company believes, but does not and cannot warrant or guaranty, that the payments due pursuant to this Grant Agreement qualify for the short-term deferral exception to Section 409A as set forth in Treasury Regulation Section 1.409A-1(b)(4). Notwithstanding anything to the contrary in this Grant Agreement, if the Company determines that neither the short-term deferral exception nor any other exception to Section 409A applies to the payments due pursuant to this Grant Agreement, to the extent any payments are due on the Grantee's termination of employment, the term "termination of employment" shall mean "separation from service" as defined in Treasury Regulation Section 1.409A-1(h). In addition, if Grantee is a "specified employee" (as defined in Treasury Regulation Section 1.409A-1(i)) and any payments due pursuant to this Grant Agreement are payable on the Grantee's "separation from service," then such payments shall be paid on the first business day following the expiration of the six month period following the Grantee's "separation from service." This Grant Agreement shall be operated in compliance with Section 409A or an exception thereto and each provision of this Grant Agreement shall be interpreted, to the extent possible, to comply with Section 409A or to qualify for an applicable exception. The Grantee remains solely responsible for any adverse tax consequences imposed upon the Grantee by Section 409A.

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

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

23. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Grantee's participation in the Plan, on the Units and on any shares of Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

[Alt 1 — IN WITNESS WHEREOF, the Company has caused this Grant Agreement to be signed by its duly authorized representative and the Grantee has signed this Grant Agreement as of the date first written above.]

[Alt 2 — IN WITNESS WHEREOF, the Company has caused this Grant Agreement to be electronically signed by its duly authorized representative and the Grantee, by clicking the "ACCEPT" button, has hereby electronically accepted and acknowledged as of the date first written above this Grant Agreement and its underlying Award subject to all of their terms and conditions.]

ON SEMICONDUCTOR CORPORATION

By: ______________________________

GRANTEE

By: ______________________________

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Keith D. Jackson, certify that:

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

Date: August 5, 2010

/s/ KEITH D. JACKSON

Keith D. Jackson
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Donald A. Colvin, certify that:

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

Date: August 5, 2010

/s/ DONALD A. COLVIN
Donald A. Colvin
Chief Financial Officer

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of ON Semiconductor Corporation, a Delaware corporation (“Company”), does hereby certify, to such officer’s knowledge, that:

The Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2010 (“Form 10-Q”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 5, 2010

/s/ KEITH D. JACKSON
Keith D. Jackson
President and Chief Executive Officer

/s/ DONALD A. COLVIN

Dated: August 5, 2010

Donald A. Colvin
Executive Vice President and
Chief Financial Officer